Touchmark Bancshares, Inc. and Subsidiary

Consolidated Financial Statements

Years Ended December 31, 2020 and 2019

WIPFLI

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Independent Auditor's Report

To the Board of Directors and Stockholders
Touchmark Bancshares, Inc. and Subsidiary
Alpharetta, Georgia

Report on the Consolidated Financial Statements
We have audited the accompanying consolidated financial statements of Touchmark Bancshares, Inc. and Subsidiary (the "Company"), which comprise the balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of earnings, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Touchmark Bancshares, Inc. and Subsidiary as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Wipfli LLP

Wipfli LLP
April 20, 2021
Atlanta, Georgia

Touchmark Bancshares, Inc. and Subsidiary
Consolidated Balance Sheets

As of December 31,	2020	2019
Assets:		
Cash and due from banks	$ 30,766,785	$ 14,882,725
Federal funds sold	5,125,000	5,100,000
Cash and cash equivalents	35,891,785	19,982,725
Interest-bearing accounts with other banks	4,686,719	10,924,832
Securities available for sale	17,552,604	23,397,326
Restricted stock	2,033,450	2,305,750
Loans, net	360,510,234	343,972,558
Premises and equipment, net	1,369,968	1,426,706
Other assets	5,662,491	4,513,660
Total assets	$ 427,707,251	$ 406,523,557
Liabilities:		
Non-interest-bearing deposits	26,029,731	17,274,246
Interest-bearing deposits	331,919,828	317,308,971
Total deposits	357,949,559	334,583,217
Federal Home Loan Bank advances	9,000,000	15,500,000
Other liabilities	3,443,702	2,606,395
Total liabilities	370,393,261	352,689,612
Stockholders' Equity:		
Preferred stock, no par value, 10,000,000 shares authorized, none issued	-	-
Common stock, $.01 par value, 50,000,000 shares authorized, 4,475,891 issued and outstanding	44,759	44,759
Additional paid in capital	46,880,651	46,851,483
Retained earnings	10,089,885	6,937,887
Accumulated other comprehensive income (loss)	298,695	(184)
Total stockholders' equity	57,313,990	53,833,945
Total liabilities and stockholders' equity	427,707,251	406,523,557

See accompanying notes to consolidated financial statements.

Touchmark Bancshares, Inc. and Subsidiary
Consolidated Statements of Earnings

Years Ended December 31,	2020	2019
Interest income:		
Loans, including fees	$ 17,608,461	$ 18,221,329
Securities		
Taxable	380,465	414,395
Tax-exempt	20,201	20,322
Federal funds sold and interest-bearing accounts	172,854	755,763
Other	123,564	146,198
Total interest income	18,305,545	19,558,007
Interest expense:		
Deposits	5,924,122	7,671,309
Federal funds purchased	951	90
Federal Home Loan Bank advances	448,322	471,579
Total interest expense	6,373,395	8,142,978
Net interest income	11,932,150	11,415,029
Provision for loan losses	1,500,500	-
Net interest income after provision for loan losses	10,431,650	11,415,029
Noninterest income:		
Service charges on deposit accounts and other fees	19,038	47,417
Loan servicing fees	842,647	727,289
Gain on sale of government guaranteed loans	3,363,601	2,593,448
Gain on sale of other real estate owned	115,500	-
Other noninterest income	66,100	72,262
Total noninterest income	4,406,886	3,440,416
Noninterest expense:		
Salaries and employee benefits	4,521,867	4,366,399
Occupancy and equipment	367,791	399,821
Other real estate owned	37,621	-
Referral fees for government guaranteed loans	739,090	603,702
Data processing	257,667	241,163
Loan Collection	420,000	351,873
Directors fees	458,500	396,250
Other noninterest expense	1,907,440	1,716,075
Total noninterest expense	8,709,976	8,075,283
Net income before income taxes	6,128,560	6,780,162
Provision for income taxes	1,410,000	1,598,000
Net income	$ 4,718,560	$ 5,182,162

See accompanying notes to consolidated financial statements.

Touchmark Bancshares, Inc. and Subsidiary
Consolidated Statements of Comprehensive Income

Years Ended December 31,	2020	2019
Net income	$ 4,718,560	$ 5,182,162
Other comprehensive income:		
Unrealized gain on securities	372,184	574,517
Tax effect of other comprehensive income items	(73,305)	(146,629)
Total other comprehensive income	298,879	427,888
Comprehensive income	$ 5,017,439	$ 5,610,050

See accompanying notes to consolidated financial statements.

Touchmark Bancshares, Inc. and Subsidiary
Statements of Stockholders' Equity

	Outstanding Shares of Common Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
Balances at January 1, 2019	$ 4,475,891	$ 44,759	$ 46,676,476	$ 3,098,492	$ (428,072)	$ 49,391,655
Net income	-	-	-	5,182,162	-	5,182,162
Unrealized gain on securities, net of tax	-	-	-	-	427,888	427,888
Stock based compensation expense	-	-	175,007	-	-	175,007
Dividends declared on common shares ($0.30 per share)	-	-	-	(1,342,767)	-	(1,342,767)
Balances at December 31, 2019	4,475,891	44,759	46,851,483	6,937,887	(184)	53,833,945
Net income	-	-	-	4,718,560	-	4,718,560
Unrealized gain on securities, net of tax	-	-	-	-	298,879	298,879
Stock based compensation expense	-	-	29,168	-	-	29,168
Dividends declared on common shares ($0.35 per share)	-	-	-	(1,566,562)	-	(1,566,562)
Balances at December 31, 2020	$ 4,475,891	$ 44,759	$ 46,880,651	$ 10,089,885	$ 298,695	$ 57,313,990

See accompanying notes to consolidated financial statements.

Touchmark Bancshares, Inc. and Subsidiary
Consolidated Statements of Cash Flows

Years Ended December 31,	2020	2019
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Net income	$ 4,718,560	$ 5,182,162
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation, amortization and accretion	2,218,282	2,670,428
Provision for loan losses	1,500,500	-
Deferred income tax (benefit) expense	(264,791)	52,011
Stock-based compensation expense	29,168	175,007
Gain on sale of government guaranteed loans	(3,363,601)	(2,593,448)
Gain on sale of other real estate owned	(115,500)	-
Changes in operating assets and liabilities:		
Other assets	(1,211,413)	(1,225,109)
Other liabilities	613,512	(35,382)
Net cash provided by operating activities	4,124,717	4,225,669
Cash flows from investing activities:		
Change in interest-bearing accounts at other banks	6,238,113	(5,064,957)
Proceeds from paydowns, calls and maturities of securities available-for-sale	7,444,690	4,604,544
Purchases of securities available-for-sale	(1,386,105)	(8,657,215)
Proceeds from sale of restricted stock	274,500	194,100
Purchase of restricted stock	(2,200)	(5,250)
Change in loans, net	(16,462,381)	10,294,660
Proceeds from sale of other real estate owned	203,500	-
Purchases of premises and equipment	(49,349)	(60,065)
Net cash used in investing activities	(3,739,232)	1,305,817
Cash flows from financing activities:		
Change in deposits	23,366,342	2,836,729
Payment of dividends on common stock	(1,342,767)	(1,342,767)
Proceeds from Federal Home Loan Bank advances	-	10,000,000
Repayment of Federal Home Loan Bank advances	(6,500,000)	(15,000,000)
Net cash provided by (used in) financing activities	15,523,575	(3,506,038)
Net increase in cash and cash equivalents	15,909,060	2,025,448
Cash and cash equivalents at beginning of year	19,982,725	17,957,277
Cash and cash equivalents at end of year	$ 35,891,785	$ 19,982,725

Touchmark Bancshares, Inc. and Subsidiary

Consolidated Statements of Cash Flows

Years Ended December 31,	2020	2019
Supplemental cash flow information:		
Cash paid during the year for:		
Interest	$ 6,532,383	$ 8,051,744
Income taxes	1,026,000	2,093,768
Noncash investing and financing activities:		
Change in dividends payable	223,795	-
Loans transferred to other real estate	88,000	-
Change in unrealized gain on securities, net of tax	298,879	427,888

See accompanying notes to consolidated financial statements.

Note 1: Summary of Significant Accounting Policies

Reporting Entity and Nature of Operations

Touchmark Bancshares, Inc. (the Company) is a Georgia corporation established on April 3, 2007 as a one-bank holding company for the purpose of organizing and managing Touchmark National Bank (the "Bank"). The Bank was opened with the purpose of serving as a community bank. The Bank's service area includes various counties in metropolitan Atlanta, Georgia. On May 10, 2016, the Company was granted approval from the Federal Reserve Bank to become a financial holding company.

The Company is regulated primarily by the Federal Reserve Bank, while the Bank is regulated primarily by the Office of the Comptroller of the Currency (OCC).

The significant risks associated with the Company include interest rate risk, credit risk, concentration risk, and liquidity risk.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and the Bank. All significant intercompany accounts and transactions have been eliminated.

Use of Estimates in Preparation of Financial Statements

The preparation of the accompanying consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates.

Material estimates common to the banking industry that are particularly susceptible to significant change relate to the determination of the allowance for losses on loans, fair market value of securities and financial instruments, loan servicing assets, valuation of deferred tax assets, and disclosures of contingent assets and liabilities.

Subsequent Events

Subsequent events have been evaluated through April 20, 2021, which is the date the consolidated financial statements were available to be issued.

Cash and Cash Equivalents

For purposes of reporting cash flows in the consolidated financial statements, cash and cash equivalents include cash, due from banks and federal funds sold, all of which have original maturities of three months or less and are utilized in the daily operations of the Company.

Note 1: Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents (Continued)

The Bank is required to maintain reserve balances, in cash or on deposit with the Federal Reserve Bank, based upon a percentage of deposits. Effective March 26, 2020, the Federal Reserve's board of directors approved reducing the required reserve requirement ratio to zero percent, effectively eliminating the requirement to maintain reserve balances in cash or on deposit with the Federal Reserve Bank. This reduction in the required reserves does not have a defined timeframe and may be revised by the Federal Reserve's board in the future.

Debt Securities

Debt securities are classified as available for sale and are carried at fair value, with unrealized gains and losses reported in other comprehensive income or loss. Amortization of premiums and accretion of discounts are recognized in interest income using the interest method. Premiums that exceed the amount repayable by the issuer at the next call date are amortized to the next call date. Other premiums and discounts are amortized (accreted) over the estimated lives of the securities. Gains and losses on the sale of securities are recorded on the trade date and determined using the specific-identification method.

Declines in fair value of debt securities that are deemed to be other than temporary, if applicable, are reflected in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers the length of time and the extent to which fair value has been less than cost, the financial condition and near-term prospects of the issuer, and the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

Other Investments

Other investments include equity securities without a readily determinable fair value, Federal Home Loan Bank (FHLB) stock and Federal Reserve Bank (FRB) stock. The Company has elected to account for equity securities without readily determinable fair values using the alternative measurement method. Under this method, these securities are carried at cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment. The Company is required to hold FHLB stock and FRB stock as a member of the FHLB and FRB, respectively, and transfer of the stock is substantially restricted. The FHLB stock may be pledged as collateral for outstanding FHLB advances. FHLB stock and FRB stock are evaluated for impairment on an annual basis.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff generally are reported at their outstanding unpaid principal balances adjusted for purchase premiums or discounts, deferred loan fees, charge-offs, and an allowance for loan losses. Interest on loans is accrued and credited to income based on the unpaid principal balance. Loan-origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the related loan yield using the interest method.

Note 1: Summary of Significant Accounting Policies (Continued)

Loans (Continued)

The accrual of interest on a loan is discontinued when the loan becomes 90 days delinquent or whenever management believes the borrower will be unable to make payments as they become due. When loans are placed on nonaccrual status or charged off, all unpaid accrued interest is reversed against interest income. The interest on these loans is subsequently accounted for on the cash basis or using the cost-recovery method until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Loan Losses

The allowance for loan losses is a valuation allowance for probable incurred credit losses. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged off.

The allowance consists of specific and general components. The specific component relates to loans that are individually classified as impaired. A loan is impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. Loans for which the terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulties, are considered troubled debt restructurings (TDRs) and classified as impaired.

Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

Loans are individually evaluated for impairment. If a loan is impaired, a portion of the allowance is allocated so that the loan net of the specific allocation equals the present value of estimated future cash flows using the loan's existing rate or the fair value of underlying collateral less applicable estimated selling costs if repayment is expected solely from the collateral.

Note 1: Summary of Significant Accounting Policies (Continued)

Allowance for Loan Losses (Continued)

TDRs are individually evaluated for impairment and included in the impaired loan disclosures. TDRs are measured at the present value of estimated future cash flows using the loan's original effective rate. If a TDR is considered to be a collateral dependent loan, the loan is measured at the fair value of the collateral less applicable estimated selling costs. For TDRs that subsequently default, the Company determines the amount of the allowance on that loan in accordance with the accounting policy for the allowance for loan losses on loans individually identified as impaired.

The general component covers loans that are collectively evaluated for impairment. Large groups of smaller balance homogeneous loans, such as consumer and residential real estate loans, are collectively evaluated for impairment, and accordingly, they are not included in the impaired loan disclosures. The general allowance component also includes loans that are not individually identified for impairment evaluation, such as commercial loans below the individual evaluation threshold, as well as those loans that are individually evaluated but are not considered impaired.

The general component is based on historical loss experience adjusted for current qualitative factors. The historical loss experience is determined by portfolio segment or loan class and is based on the actual loss history experienced by the Company. This actual loss experience is supplemented with other qualitative factors based on the risks present for each portfolio segment or loan class. These qualitative factors include: levels of and trends in delinquencies and impaired loans; levels of and trends in charge-offs and recoveries; trends in volume and terms of loans; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures, and practices; experience, ability, and depth of lending management and employees; national and local economic trends and conditions; industry conditions; and effects of changes in credit concentrations.

Management considers the following when assessing risk in the Company's loan portoflio segments:

- *Construction, development and land loans* are secured by vacant land and/or property that are in the process of improvement, including (a) land development preparatory to erecting vertical improvements or (b) the on-site construction of industrial, commercial, residential, or farm buildings. Repayment of these loans can be dependent on the sale of the property to third parties or the successful completion of the improvements by the builder for the end user. In the event a loan is made on property that is not yet improved for the planned development, there is the risk that necessary approvals will not be granted or will be delayed. Construction loans also run the risk that improvements will not be completed on time or in accordance with specifications and projected costs.

- *Real estate - mortgage loans* are affected by the local residential real estate market, the local economy, and, for variable rate mortgages, movement in indices tied to these loans. At the time of origination, the Company evaluates the borrower's repayment ability through a review of debt to income and credit scores. Appraisals are obtained to support the loan amount. Financial information is obtained from the borrowers and/or the individual project to evaluate cash flows sufficiency to service debt at the time of origination.

Note 1: Summary of Significant Accounting Policies (Continued)

Allowance for Loan Losses (Continued)

- *Commercial real estate loans* are primarily secured by office and industrial buildings, warehouses, small retail shopping facilities and various special purpose properties, including hotels and restaurants. Financial information is obtained from the borrowers and/or the individual project to evaluate cash flows sufficiency to service debt and is periodically updated during the life of the loan. Loan performance may be adversely affected by factors impacting the general economy or conditions specific to the real estate market such as geographic location and/or property type.

- *Commercial and industrial loans* are primarily for working capital, physical asset expansion, asset acquisition loans and other. These loans are made based primarily on historical and projected cash flow of the borrower and secondarily on the underlying collateral provided by the borrower. The cash flows of borrowers, however, may not behave as forecasted and collateral securing loans may fluctuate in value due to economic or individual performance factors. Financial information is obtained from the borrowers to evaluate cash flows sufficiency to service debt and are periodically updated during the life of the loan.

- O*ther loans* are largely consumer based and may take the form of installment loans, demand loans, or single payment loans extended to individuals for household, family, and other personal expenditures. At the time of origination, the Company evaluates the borrower's repayment ability through a review of debt to income and credit scores.

Transfers of Financial Assets

A transfer of financial assets is accounted for as a sale if the transferee is not an entity that the Bank must consolidate and if the Bank does not have any forms of continuing involvement, rights or obligations with the transferred financial assets. If the Bank does have a form of continuing involvement, rights or obligations with the transferred financial assets, the transfer is accounted for as a sale when, (1) the assets have been isolated from the Bank – put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or the ability to unilaterally cause the holder to return specific assets

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation computed on the straight-line method over the estimated useful lives of the assets.

Note 1: Summary of Significant Accounting Policies (Continued)

Loan Servicing Rights

The Company services loans it sells to third-party institutions. Servicing loans includes collecting monthly principal and interest payments from borrowers, passing such payments through to the third-party investors, and maintaining escrow accounts for taxes and insurance. When necessary, the Company also performs collection functions for delinquent loan payments, handles loan foreclosure proceedings, and disposes of foreclosed property. The Company generally earns a servicing fee on the outstanding loan balance for performing these services as well as fees and interest income from ancillary sources, such as late fees and float. Servicing fees totaled $843,000 and $727,000 for the years ended December 31, 2020 and 2019, respectively. Servicing fees, late fees, and other ancillary income earned each year are reported in the consolidated statement of earnings as a component of loan servicing fees.

Loan servicing rights are recognized as assets when loans are sold or when servicing rights are acquired. Purchased servicing rights are recognized at cost when acquired. Loan servicing rights recognized when loans are sold are measured at fair value. The fair value of loan servicing rights is estimated using market prices for comparable contracts, when available, or a valuation model that calculates the present value of estimated future net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income, such as costs to service, a discount rate, custodial earnings rate, ancillary income, default rates and losses, and prepayment speeds. The fair value of loan servicing rights may change due to changes in discount rates, prepayment expectations, default rates, and other factors. Loan servicing rights are reported in other assets and are amortized in proportion to, and over the period of, the estimated future net servicing income of the underlying loans. The loan servicing asset totaled approximately $1,670,000 and $1,304,000 for the years ended December 31, 2020 and 2019, respectively.

Loan servicing rights are evaluated for impairment at least annually. Changes in the carrying value of servicing assets are recorded in noninterest expense in the Consolidated Statements of Earnings. Loan servicing asset amortization included in noninterest expense totaled approximately $254,000 and $195,000 at December 31, 2020 and 2019, respectively

Income Taxes

Deferred tax assets and liabilities have been determined using the liability method. Deferred tax assets and liabilities are determined based on the difference between the consolidated financial statements and tax bases of assets and liabilities as measured by the current enacted tax rates which will be in effect when these differences are expected to reverse. Provision (credit) for deferred taxes is the result of changes in the deferred tax assets and liabilities.

The Company may also recognize a liability for unrecognized tax benefits from uncertain tax positions. Unrecognized tax benefits represent the differences between a tax position taken or expected to be taken in a tax return and the benefit recognized and measured in the consolidated financial statements. Interest and penalties related to unrecognized tax benefits are classified as income tax expense.

Note 1: Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

With few exceptions, the Company is no longer subject to federal or state examination by tax authorities for years ending before December 31, 2017.

Other Comprehensive Income

Comprehensive income is shown on the statement of comprehensive income. Accumulated other comprehensive income consists of unrealized gains and losses on securities available for sale, net of tax, and is shown on the statement of changes in stockholders' equity.

Stock Compensation Plans

The Company maintains a share-based employee compensation plan for grants of equity-based compensation to key personnel. The Company accounts for such share-based payment based on the fair value of such as of the date of grant. Upon issuance of share-based payment awards, compensation cost is recognized in the consolidated financial statements of the Company for all share-based payments granted, based on the grant date fair value over the requisite service period of the awards.

Revenue Recognition

The Company records revenue from contracts with customers in accordance with Accounting Standards Codification (ASC) 606, Revenue from Contracts with Customers (ASC 606). Under ASC 606, the Company must identify the contract with a customer, identify the performance obligation(s) within the contract, determine the transaction price, allocate the transaction price to the performance obligation(s) within the contract, and recognize revenue when (or as) the performance obligation(s) are/is satisfied. The core principle under ASC 606 requires the Company to recognize revenue to depict the transfer of services or products to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those services or products recognized as performance obligations are satisfied. The Company generally fully satisfies its performance obligations on its contracts with customers as services are rendered and the transaction prices are typically fixed; charged either on a periodic basis or based on activity. Since performance obligations are satisfied as services are rendered and the transaction prices are fixed, there is little judgment involved in applying ASC 606 that significantly affects the determination of the amount and timing of revenue from contracts with customers.

The majority of the Company's revenue is not subject to ASC 606, including net interest income, loan servicing income, fees related to loans and loan commitments, and gain on sales of securities. The following significant revenue-generating transactions are within the scope of ASC 606, which are presented in the Statements of Earnings as components of noninterest income.

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Service charges on deposit accounts: The deposit contract obligates the Bank to serve as a custodian of the customer's deposited funds and is generally terminable at will by either party. The contract permits the customer to access the funds on deposit and request additional services for which the Bank earns a fee, including NSF and analysis charges, related to the deposit account. Income for deposit accounts is recognized over the statement cycle period (typically on a monthly basis) or at the time the service is provided, if additional services are requested.

Card interchange income: A contract between the Bank, as a card-issuing bank, and its customers whereby the Bank receives a transaction fee from the merchant's bank whenever a customer uses a debit or credit card to make a purchase. These fees are earned as the service is provided (i.e., when the customer uses a debit or ATM card).

Other non-interest income: Other non-interest income includes several items, such as wire transfer income, check cashing fees, and safe deposit box rental fees. This income is generally recognized at the time the service is provided and/or the income is earned.

Reclassifications

Certain reclassifications have been made to the 2019 financial statements to conform to the 2020 classifications.

Risks and Uncertainties

The United States and world economies continue to suffer adverse effects from the COVID-19 virus pandemic ("CV19 pandemic"). The Company has responded throughout the CV19 pandemic as guided by governmental authorities and regulatory agencies with necessary operational and procedural modifications. The Company has not experienced a material adverse impact to the consolidated financial statements. Future potential impacts to the Company may include disruptions or restrictions on employees and contracted agents ability to work, reduced demand for new loans, and increased repurchase risk or loan defaults. The future impact of the CV19 pandemic on the Company cannot be reasonably estimated at this time.

Note 2: Securities

The amortized cost and estimated fair value of securities with gross unrealized gains and losses at December 31, 2020 and 2019 follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
2020				
Securities available for sale:				
U.S. government sponsored enterprises	$ 580,828	$ 19,837	$ -	$ 600,665
State and municipal securities	1,027,714	38,995	-	1,066,709
Mortgage-backed securities	15,545,803	363,164	(23,737)	15,885,230
Total securities available for sale	$ 17,154,345	$ 421,996	$ (23,737)	$ 17,552,604
2019				
Securities available for sale:				
U.S. government sponsored enterprises	$ 711,361	$ 4,090	$ (5,295)	$ 710,156
State and municipal securities	1,033,919	24,907	-	1,058,826
Mortgage-backed securities	21,625,971	80,502	(78,129)	21,628,344
Total securities available for sale	$ 23,371,251	$ 109,499	$ (83,424)	$ 23,397,326

Fair values of debt securities are generally estimated based on financial models or prices paid for similar securities. It is possible interest rates or other key inputs to the valuation estimate could change considerably resulting in a material change in the estimated fair value of debt securities.

The following table shows the fair value and gross unrealized losses of securities with unrealized losses at December 31, 2020 and 2019, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position:

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
2020						
Mortgage-backed securities	$ 2,570,404	$ 23,737	$ -	$ -	$ 2,570,404	$ 23,737
Total	$ 2,570,404	$ 23,737	$ -	$ -	$ 2,570,404	$ 23,737
2019						
U.S. government sponsored enterprises	$ 545,027	$ 5,295	$ -	$ -	$ 545,027	$ 5,295
Mortgage-backed securities	3,555,222	19,234	5,838,896	58,895	9,394,118	78,129
Total	$ 4,100,249	$ 24,529	$ 5,838,896	$ 58,895	$ 9,939,145	$ 83,424

Note 2: Securities (Continued)

At December 31, 2020, 4 debt securities have unrealized losses. These unrealized losses relate principally to the changes in interest rates and are not due to changes in the financial condition of the issuer, the quality of any underlying assets, or applicable credit enhancements. In analyzing whether unrealized losses on debt securities are other than temporary, management considers whether the securities are issued by a government body or agency, whether a rating agency has downgraded the securities, industry analysts' reports, the financial condition and performance of the issuer, and the quality of any underlying assets or credit enhancements. Since management has the ability to hold debt securities for the foreseeable future, no declines are deemed to be other than temporary.

The following is a summary of amortized cost and estimated fair value of debt securities by contractual maturity as of December 31, 2020. Contractual maturities will differ from expected maturities for mortgage-related securities because borrowers may have the right to call or prepay obligations without penalties.

	Available for Sale	
	Amortized Cost	Estimated Fair Value
Due after one year through five years	$ 1,027,714	$ 1,066,709
Due after five years through ten years	115,549	122,211
Due after ten years	465,279	478,454
Subtotal	1,608,542	1,667,374
Mortgage-backed securities	15,545,803	15,885,230
Total	$ 17,154,345	$ 17,552,604

There were no sales of debt securities in 2020 and 2019.

Securities with a carrying value of approximately $3,798,000 and $1,865,000 were pledged to secure public deposits and other purposes at December 31, 2020 and 2019, respectively.

Note 3: Loans

The following table presents total loans at December 31, 2020 and 2019 by portfolio segment and class of loan:

	2020	2019
Construction, Development and Land	$ 66,134,287	$ 59,165,446
Real Estate – Mortgage	4,943,958	10,634,643
Commercial Real Estate	191,929,865	211,779,472
Commercial and Industrial	104,929,277	64,576,884
Other	125,464	3,095,151
Subtotal	368,062,851	349,251,596
Allowance for loan losses	(5,376,530)	(4,248,898)
Unearned deferred fees	(2,176,087)	(1,030,139)
Loans, net	$ 360,510,234	$ 343,972,559

Note 3: Loans (Continued)

The loan classifications above include unamortized net premiums on purchased loans totaling $5,297,015 and $7,516,763 as of December 31, 2020 and 2019, respectively.

The Bank grants loans and extensions of credit to individuals and a variety of businesses. Although the Bank has a diversified loan portfolio, a substantial portion of the portfolio is collateralized by improved and unimproved real estate and is dependent upon the real estate market. In addition, the Bank makes loans nationally through government guaranteed lending programs.

The Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act, is an economic stimulus bill signed into law on March 27, 2020, in response to the economic fallout of the COVID-19 pandemic in the United States. The creation of the Paycheck Protection Program (PPP) enacted under the CARES Act provides forgivable loans to small businesses for payroll obligations, emergency grants to cover immediate operating costs, and a mechanism for loan forgiveness by the Small Business Administration should all criteria be met. Included in commercial loans are approximately $48,933,000 of loans granted under the Paycheck Protection Program. These loans are fully guaranteed by the Small Business Administration.

Activity in the allowance for loan losses by portfolio segment follows:

	Construction, Development and Land	Real Estate - Mortgage	Commercial Real Estate	Commercial and Industrial	Other	Total
Balance at January 1, 2019	$ 330,593	$ 62,021	$ 4,584,327	$ 145,157	$ 15,433	$ 5,137,531
Provision for loan losses	383,800	(29,952)	(424,117)	73,172	(2,903)	-
Loans charged off	(364,330)	-	(527,177)	-	-	(891,507)
Recoveries of loans previously charged off	-	-	1,775	1,100	-	2,875
Balance at December 31, 2019	350,063	32,069	3,634,808	219,429	12,530	4,248,899
Provision for loan losses	69,706	(3,556)	1,375,419	70,810	(11,879)	1,500,500
Loans charged off	(106,003)	-	(520,143)	-	-	(626,146)
Recoveries of loans previously charged off	104,744	-	147,433	1,100	-	253,277
Balance at December 31, 2020	$ 418,510	$ 28,513	$ 4,637,517	$ 291,339	$ 651	$ 5,376,530

Note 3: Loans (Continued)

Information about how loans were evaluated for impairment and the related allowance for loan losses as of December 31, 2020 and 2019 follows:

	Construction, Development and Land	Real Estate - Mortgage	Commercial Real Estate	Commercial and Industrial	Other	Total
2020						
Loans:						
Individually evaluated for impairment	$ 1,340,796	$ -	$ 4,659,220	$ 1,071,312	$ -	$ 7,071,328
Collectively evaluated for impairment	64,793,491	4,943,958	187,270,645	103,857,965	125,464	360,991,523
Total loans	$ 66,134,287	$ 4,943,958	$ 191,929,865	$ 104,929,277	$ 125,464	$ 368,062,851
Related allowance for loan losses:						
Individually evaluated for impairment	$ 7,712	$ -	$ 1,690,286	$ 59,702	$ -	$ 1,757,700
Collectively evaluated for impairment	410,798	28,513	2,947,231	231,637	651	3,618,830
Total allowance for loan losses	$ 418,510	$ 28,513	$ 4,637,517	$ 291,339	$ 651	$ 5,376,530
2019						
Loans:						
Individually evaluated for impairment	$ 194,003	$ -	$ 6,331,928	$ -	$ -	$ 6,525,931
Collectively evaluated for impairment	58,971,443	10,634,643	205,447,544	64,576,884	3,095,151	342,725,665
Total loans	$ 59,165,446	$ 10,634,643	$ 211,779,472	$ 64,576,884	$ 3,095,151	$ 349,251,596
Related allowance for loan losses:						
Individually evaluated for impairment	$ -	$ -	$ 1,595,969	$ -	$ -	$ 1,595,969
Collectively evaluated for impairment	350,063	32,069	2,038,839	219,429	12,530	2,652,930
Total allowance for loan losses	$ 350,063	$ 32,069	$ 3,634,808	$ 219,429	$ 12,530	$ 4,248,899

Note 3: Loans (Continued)

Information regarding impaired loans for the year ended December 31, 2020 follows:

	Recorded Investment	Principal Balance	Related Allowance	Average Investment	Interest Recognized
Loans with no related allowance for loan losses:					
Commercial and Industrial	$ 56,175	$ 56,175	N/A	$ 59,110	$ 3,163
Total	56,175	56,175	N/A	59,110	3,163
Loans with an allowance for loan losses:					
Construction, Development and Land	1,340,796	1,340,796	7,712	1,356,605	75,944
Commercial Real Estate	4,659,220	4,659,220	1,690,286	4,766,904	298,352
Commercial and Industrial	1,015,137	1,015,137	59,702	1,089,112	63,085
Total	7,015,153	7,015,153	1,757,700	7,212,621	437,381
Grand total	$ 7,071,328	$ 7,071,328	$ 1,757,700	$ 7,271,731	$ 440,544

Information regarding impaired loans for the year ended December 31, 2019 follows:

	Recorded Investment	Principal Balance	Related Allowance	Average Investment	Interest Recognized
Loans with no related allowance for loan losses:					
Construction, Development and Land	$ 194,003	$ 558,333	N/A	$ 389,492	$ -
Commercial Real Estate	3,356,660	3,828,123	N/A	3,430,165	-
Total	3,550,663	4,386,456	N/A	3,819,657	-
Loans with an allowance for loan losses:					
Commercial Real Estate	2,975,268	2,975,268	1,595,969	3,083,344	-
Total	2,975,268	2,975,268	1,595,969	3,083,344	-
Grand total	$ 6,525,931	$ 7,361,724	$ 1,595,969	$ 6,903,001	$ -

Note 3: Loans (Continued)

No additional funds are committed to be advanced in connection with impaired loans.

The Bank categorized loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Bank analyzes loans individually by classifying the loans as to credit risk. This analysis is performed on a continuous basis. The Bank uses the following definitions for its risk ratings:

Internal Watch. Loans in this category contain elements of additional risk that may require close following. Collateral values generally afford adequate coverage but may not be immediately marketable. Ratings are assigned to loans where management has some concern that the collateral or debt service ability may not be adequate, though the collectability of the contractual loan payments is still probable.

Special Mention. Potential weaknesses exist that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the assets or in the institution's credit position at some future date. Loans in this category and worse are included on the bank's watch list.

Substandard. Loans are inadequately protected by the net worth and cash flow of the borrower or of the collateral pledged and are considered classified. The credit risk in this situation is related to the possibility of some loss of principal or interest if the deficiencies are not corrected.

Doubtful. Specific weaknesses characterized as Substandard that are severe enough to make collection in full unlikely. There is no reliable secondary source of full repayment.

Loss. Loans are categorized as Loss have the same characteristics as Doubtful; however, probability of loss is certain. Loans classified as such are generally charged-off.

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be pass rated loans.

Note 3: Loans (Continued)

Information regarding the credit quality indicators most closely monitored by class of loans as of December 31, 2020 and 2019 follows:

	Pass	Internal Watch	Special Mention	Substandard	Doubtful/Loss	Total
2020						
Construction, Development and Land	$ 41,860,829	$ 22,932,662	$ -	$ 1,340,796	$ -	$ 66,134,287
Real Estate - Mortgage	4,754,494	189,464	-	-	-	4,943,958
Commercial Real Estate	122,731,570	53,137,010	11,402,065	2,095,294	2,563,926	191,929,865
Commercial and Industrial	100,822,068	2,993,947	41,950	1,071,312	-	104,929,277
Other	125,464	-	-	-	-	125,464
Total	$ 270,294,425	$ 79,253,083	$ 11,444,015	$ 4,507,402	$ 2,563,926	$ 368,062,851
2019						
Construction, Development and Land	$ 57,326,988	$ 1,644,455	$ -	$ 194,003	$ -	$ 59,165,446
Real Estate - Mortgage	10,429,253	205,390	-	-	-	10,634,643
Commercial Real Estate	193,325,702	5,832,164	6,289,678	3,570,181	2,761,747	211,779,472
Commercial and Industrial	64,154,670	305,232	116,982	-	-	64,576,884
Other	3,095,151	-	-	-	-	3,095,151
Total	$ 328,331,764	$ 7,987,241	$ 6,406,660	$ 3,764,184	$ 2,761,747	$ 349,251,596

Note 3: Loans (Continued)

Loan aging information as of December 31, 2020 and 2019 follows:

	Current Loans	Loans Past Due 30-59 Days	Loans Past Due 60-89 Days	Loans Past Due 90+ Days	Total Loans	Nonaccrual Loans
2020						
Construction, Development and Land	$ 66,016,847	$ 117,440	$ -	$ -	$ 66,134,287	$ -
Real Estate - Mortgage	4,943,958	-	-	-	4,943,958	-
Commercial Real Estate	187,913,011	579,376	660,032	2,777,446	191,929,865	2,849,473
Commercial and Industrial	104,831,153	-	98,124	-	104,929,277	-
Other	125,464	-	-	-	125,464	-
Total	$ 363,830,433	$ 696,816	$ 758,156	$ 2,777,446	$ 368,062,851	$ 2,849,473
2019						
Construction, Development and Land	$ 58,971,443	$ -	$ -	$ 194,003	$ 59,165,446	$ 194,003
Real Estate - Mortgage	10,634,643	-	-	-	10,634,643	-
Commercial Real Estate	199,431,539	6,016,005	-	6,331,928	211,779,472	6,331,928
Commercial and Industrial	64,576,884	-	-	-	64,576,884	-
Other	3,095,151	-	-	-	3,095,151	-
Total	$ 336,709,660	$ 6,016,005	$ -	$ 6,525,931	$ 349,251,596	$ 6,525,931

No loans were 90+ days past due and accruing interest at December 31, 2020 and 2019.

When, for economic or legal reasons related to the borrower's financial difficulties, the Company grants a concession to the borrower that the Company would not otherwise consider, the modified loan is classified as a troubled debt restructuring. Loan modifications may consist of forgiveness of interest and/or principal, a reduction of the interest rate, interest-only payments for a period of time, and/or extending amortization terms.

During 2020 and 2019, the Bank did not modify any loans that would be considered troubled debt restructurings. At December 31, 2020 and 2019, the Bank did not have any outstanding recorded investment in troubled debt restructurings.

Note 3: Loans (Continued)

Directors and executive officers of the Company, including their families and firms in which they are principal owners, are considered related parties. Substantially all loans to these related parties were made on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with others and did not involve more than the normal risk of collectability or present other unfavorable features.

The Company had no related party loans at December 31, 2019. During 2020, new related party loans of $82,200 were originated as PPP loans under the CARES Act and remain outstanding at the end of the year.

Note 4: Premises and Equipment

An analysis of premises and equipment at December 31, 2020 and 2019 is as follows:

	2020	2019
Land	$ 400,000	$ 400,000
Building	1,118,919	1,118,919
Furniture, fixtures and equipment	226,341	217,359
Subtotal	1,745,260	1,736,278
Accumulated depreciation	(375,292)	(309,572)
Total	$ 1,369,968	$ 1,426,706

Depreciation expense was approximately $98,000 during 2020 and $148,000 during 2019.

Note 5: Deposits

Time deposits that meet or exceed the FDIC insurance limit of $250,000 totaled $76,173,000 at December 31, 2020 and $129,901,000 at December 31, 2019.

The scheduled maturities of time deposits at December 31, 2020, are summarized as follows:

	2020
2021	$ 156,246,516
2022	37,767,702
2023	3,562,955
2024	3,020,811
2025	891,491
Total	$ 201,489,475

Deposits from directors, executive officers, principal stockholders, and their affiliates totaled $30,996,000 at December 31, 2020 and $25,460,000 at December 31, 2019.

Note 6: Federal Home Loan Bank Advances

At December 31, 2020 and 2019, the Company had advances of $9,000,000 and $15,5000,000, respectively, outstanding from the FHLB.

The following advances, which required monthly or quarterly interest payments, were outstanding at December 31, 2020 :

Advance Date	Advance	Interest Rate	Maturity	Rate type
10/05/2018	$ 4,000,000	3.03%	04/05/2021	Fixed
11/07/2018	5,000,000	3.08%	02/08/2021	Fixed
Total	$ 9,000,000			

The aggregate of the advances may be collateralized by the Bank's FHLB stock and a blanket floating lien on a portion of the Bank's loan portfolio, portions of which can be used to cover any defaults on repayments of advances. The total amount of loans pledged as of December 31, 2020 and 2019 was approximately $25,208,000 and $41,425,000, respectively. As of December 31, 2020 and 2019 the Company had approximately $22,655,000 and $18,243,000, respectively, of available and unused FHLB advances on its lendable collateral.

Note 7: Commitments, Contingencies, and Credit Risk

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the consolidated balance sheets.

The Company's exposure to credit loss is represented by the contractual, or notional, amount of these commitments. The Company follows the same credit policies in making commitments as it does for on-balance-sheet instruments. Since some of the commitments are expected to expire without being drawn upon and some of the commitments may not be drawn upon to the total extent of the commitment, the notional amount of these commitments does not necessarily represent future cash requirements.

The following commitments were outstanding at December 31, 2020 and 2019:

	2020	2019
Commitments to extend credit	$ 33,014,580	$ 49,245,148
Standby letters of credit	80,710	80,710

Note 7: Commitments, Contingencies, and Credit Risk (Continued)

Commitments to extend credit are agreements to lend to a customer at fixed or variable rates as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The amount of collateral obtained upon extension of credit is based on management's credit evaluation of the customer. Collateral held varies but may include accounts receivable; inventory; property, plant, and equipment; real estate; and stocks and bonds.

Standby letters of credit are conditional lending commitments issued by the Company to guarantee the performance of a customer to a third party. The credit risk involved in issuing standby letters of credit is essentially the same as that involved in extending loan facilities to customers.

The Company entered into a lease agreement to lease an office location in Alpharetta, Georgia, with the lease commencing on February 2015, and amended during 2019 to extend the term to October 2024.

The minimum lease payments, not including common area cost allocation, under this lease are as follows:

December 31	Minimum Lease Payments
2021	$ 75,562
2022	85,908
2023	89,344
2024	76,162
Total	$ 326,976

Total rent expense was $82,000 and $73,000 for the years ended December 31, 2020 and 2019, respectively.

There is pending litigation against the Company as of December 31, 2020. The litigation relates to two loans which are claimed to have been fraudulently executed by an individual who was not authorized to do so by the borrowing company. The Company has moved these loans to an impaired loan classification and established a specific reserve of approximately $1,264,000 related to its estimate for potential losses regarding this matter as of December 31, 2020.

Note 8: Income Taxes

The components of the provision for income taxes are as follows:

	2020	2019
Current payable	$ 1,674,791	$ 1,545,989
Deferred	(264,791)	52,011
Total	$ 1,410,000	$ 1,598,000

Note 8: Income Taxes (Continued)

A summary of the sources of differences between income taxes at the federal statutory rate and the provision for income taxes for the years ended December 31, 2020 and 2019 is as follows:

	2020	2019
Tax expense at statutory rate of 21%	$ 1,286,998	$ 1,423,834
Increase (decrease) in taxes resulting from:		
State income taxes, net of federal benefit	176,519	188,266
Other	(53,517)	(14,100)
Total	$ 1,410,000	$ 1,598,000

Deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities. The major components of the net deferred tax asset as of December 31, 2020 and 2019 are presented below:

	2020	2019
Deferred tax assets:		
Allowance for loan losses	$ 1,274,117	$ 894,491
Pre-opening expenses	48,147	71,259
Stock-based compensation	135,194	127,814
Deferred loan fees	30,847	30,847
Premises and equipment	43,250	33,922
Other	-	15,783
Total deferred tax assets	1,531,555	1,174,116
Deferred tax liabilities:		
Government guaranteed loan servicing asset	(422,560)	(329,912)
Unrealized gain on securities available for sale	(99,565)	(26,260)
Total deferred tax liabilities	(522,125)	(356,172)
Net deferred income tax asset	$ 1,009,430	$ 817,944

Note 9: Employee Benefit Plan

The Company sponsors a 401(k) plan that covers all employees. Expense charged to operations was $99,000 during 2020 and $89,000 during 2019.

Note 10: Stock Option Plan

Note 10: Stock Option Plan (Continued)

During 2008, the Company adopted an Employee Incentive Stock Plan (the "Stock Plan"). The Stock Plan offers stock awards to key employees to encourage continued employment by facilitating their purchase of an equity interest in the Company. These awards are granted at the discretion of the Board of Directors at an exercise price determined by the Board at the grant date. Options awarded under the Stock Plan have a term of ten years from the date of grant and vest ratably over three years, unless otherwise stated in the award agreement. A total of 191,000 shares have been reserved under the Stock Plan.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model. Option related compensation expense recorded during each of the years ended December 31, 2020 and 2019 was approximately $29,000 and $175,000, respectively, with no remaining unrecognized ecompensation cost as of December 31, 2020.

No stock options were granted during 2020 or 2019. As of December 31, 2020 and 2019, there were 159,582 options outstanding at a weighted average exercise price of $8.81, all of which were fully exercisable as of December 31, 2020.

Note 11: Equity and Regulatory Matters

The Company is subject to various regulatory capital requirements administered by federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company must meet specific capital guidelines that involve quantitative measures of assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company to maintain minimum amounts and ratios (set forth in the table below) of Common Equity Tier 1, Tier 1, and Total capital to risk-weighted assets and of Tier 1 capital to average assets. It is management's opinion, as of December 31, 2020, that the Company meets all applicable capital adequacy requirements.

As of December 31, 2020, the most recent notification from the FDIC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum regulatory capital ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the Bank's category.

Note 11: Equity and Regulatory Matters (Continued)

The Bank's actual capital amounts and ratios as of December 31, 2020 and 2019 are presented in the following table:

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
(Dollars in Thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
2020						
Common Equity Tier 1 capital (to risk-weighted assets)	$ 50,143	24.55 %	≥$ 9,191	≥ 4.50 %	≥$ 13,276	≥ 6.50 %
Tier 1 capital (to risk-weighted assets)	50,143	24.55	≥ 12,255	≥ 6.00	≥ 16,340	≥ 8.00
Total capital (to risk-weighted assets)	52,731	25.82	≥ 16,340	≥ 8.00	≥ 20,425	≥10.00
Tier 1 capital (to average assets)	50,143	11.42	≥ 17,570	≥ 4.00	≥ 21,962	≥ 5.00
2019						
Common Equity Tier 1 capital (to risk-weighted assets)	$ 49,608	20.90 %	≥$ 10,683	≥ 4.50 %	≥$ 15,430	≥ 6.50 %
Tier 1 capital (to risk-weighted assets)	49,608	20.90	≥ 14,244	≥ 6.00	≥ 18,991	≥ 8.00
Total capital (to risk-weighted assets)	52,591	22.15	≥ 18,991	≥ 8.00	≥ 23,739	≥10.00
Tier 1 capital (to average assets)	49,608	12.30	≥ 16,138	≥ 4.00	≥ 20,174	≥ 5.00

Note 12: Fair Value Measurements

Some assets and liabilities, such as securities available for sale, are measured at fair value on a recurring basis under accounting principles generally accepted in the United States. Other assets and liabilities, such as impaired loans, may be measured at fair value on a nonrecurring basis.

Following is a description of the valuation methodology and significant inputs used for each asset and liability measured at fair value on a recurring or nonrecurring basis, as well as the classification of the asset or liability within the fair value hierarchy.

Note 12: Fair Value Measurements (Continued)

Securities available for sale - Securities available for sale may be classified as Level 1, Level 2, or Level 3 measurements within the fair value hierarchy. Level 1 securities include debt securities traded on a national exchange. The fair value measurement of a Level 1 security is based on the quoted price of the security. Level 2 securities include U.S. government and agency securities, obligations of states and political subdivisions, corporate debt securities, and mortgage related securities. The fair value measurement of a Level 2 security is obtained from an independent pricing service and is based on recent sales of similar securities and other observable market data. Securities classified as Level 3 include asset-backed securities in less liquid markets.

Loans - Loans are not measured at fair value on a recurring basis. However, loans considered to be impaired (see Note 1) may be measured at fair value on a nonrecurring basis. The fair value measurement of an impaired loan that is collateral dependent is based on the fair value of the underlying collateral. Independent appraisals are obtained that utilize one or more valuation methodologies - typically they will incorporate a comparable sales approach and an income approach. Management routinely evaluates the fair value measurements of independent appraisers and adjusts those valuations based on differences noted between actual selling prices of collateral and the most recent appraised value. Such adjustments are usually significant, which results in a Level 3 classification. All other impaired loan measurements are based on the present value of expected future cash flows discounted at the applicable effective interest rate and, thus, are not fair value measurements.

Information regarding the fair value of assets and liabilities measured at fair value on a recurring basis as of December 31, 2020 and 2019 follows:

	Recurring Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
2020				
Assets:				
Securities available for sale:				
U.S. government sponsored enterprises	$ -	$ 600,665	$ -	$ 600,665
State and municipal securities	-	1,066,709	-	1,066,709
Mortage-backed securities	-	15,885,230	-	15,885,230
Total	$ -	$ 17,552,604	$ -	$ 17,552,604

Note 12: Fair Value Measurements (Continued)

	Recurring Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
2019				
Assets:				
Securities available for sale:				
U.S. government and sponsored enterprises	$ -	$ 710,156	$ -	$ 710,156
State and municipal securities	-	1,058,826	-	1,058,826
Mortgage-backed securities	-	21,628,344	-	21,628,344
Total	$ -	$ 23,397,326	$ -	$ 23,397,326

Information regarding the fair value of assets measured at fair value on a nonrecurring basis as of December 31, 2020 and 2019 follows:

	Recurring Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
2020				
Assets:				
Impaired loans, net	$ -	$ -	$ 5,257,453	$ 5,257,453
Total	$ -	$ -	$ 5,257,453	$ 5,257,453
2019				
Assets:				
Impaired loans, net	$ -	$ -	$ 4,929,962	$ 4,929,962
Total	$ -	$ -	$ 4,929,962	$ 4,929,962