RBC, Inc. & Subsidiary

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

RBC, Inc. & Subsidiary
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RBC
INC

January 31, 2020

Dear Fellow Shareholders,

The Bank had an excellent year. Earnings per share increased from $8.95 to $10.34. Net income ended the year at a record $5,402,483, an increase of 15.88% over the prior year. Total assets equal $328 million with capital of $37 million resulting in a strong equity ratio of 11.21%.

The Return on Average Assets is excellent at 1.71% while the Return on Average Equity is well above our peers at 15.26%. Loan quality continues to be strong, as is loan demand, which grew 4.02%. Deposit growth was exceptional at 8.85% for the year.

The Bank's book value, a good guide to shareholder value creation, increased from $65.44 to $70.24, or 7.33%, over the past year. The cash dividend paid per share increased from $5.30 to $6.15 in 2019.

In 2020, the Bank will celebrate its 150th year! As we celebrate the anniversary, we can look back with pride in the many people, past and present, who have made the Bank's reputation for personal service and financial strength a reality.

Demopolis Extraordinaire, by Bette Wilson, includes the following history of Robertson Banking Company: "Among those contributing significantly toward rebuilding the economy was Daniel F. Prout. He saw a need for a bank, and on his own established a private bank in 1870. In the beginning, the bank, D. F. Prout & Company, did not own a safe, and kept their money, and other valuables in the safe of Cornish & Sharpe, Merchants, in the building next door!"

In closing, I would like to invite you to the Annual Shareholders' Meeting to be held on Thursday, March 19, 2020, at 2:30 at the main office located at 216 North Walnut Avenue, Demopolis.

Thank you for your investment in RBC, Inc.

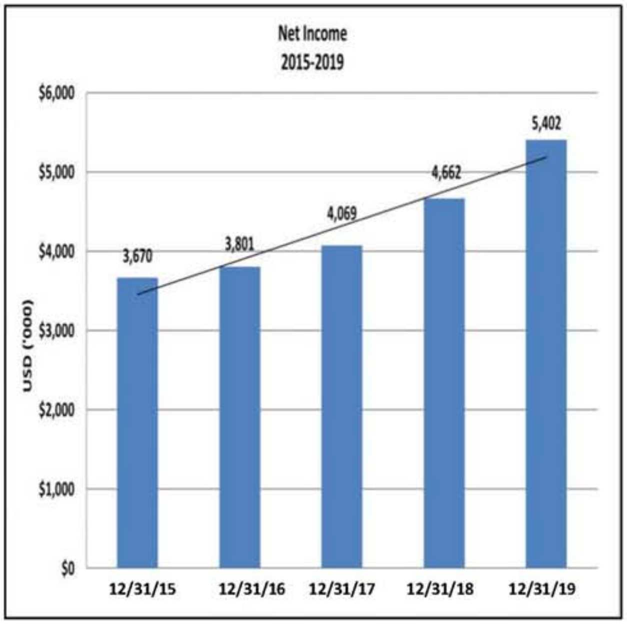
Sincerely yours,

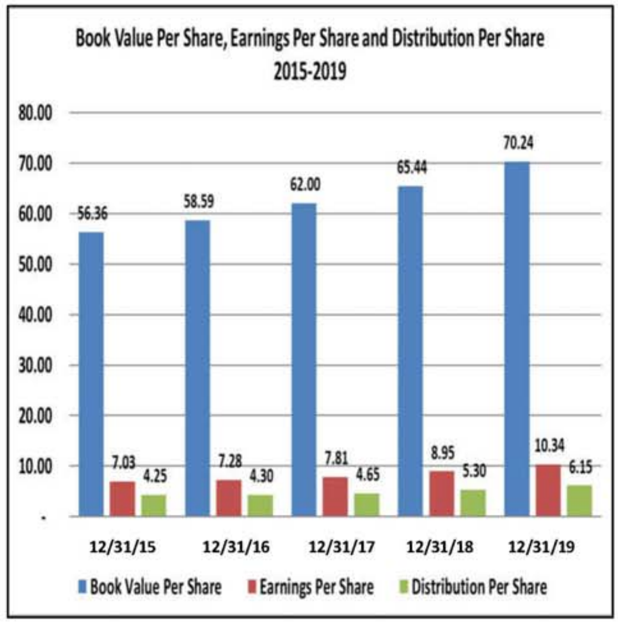
William Gary Holemon

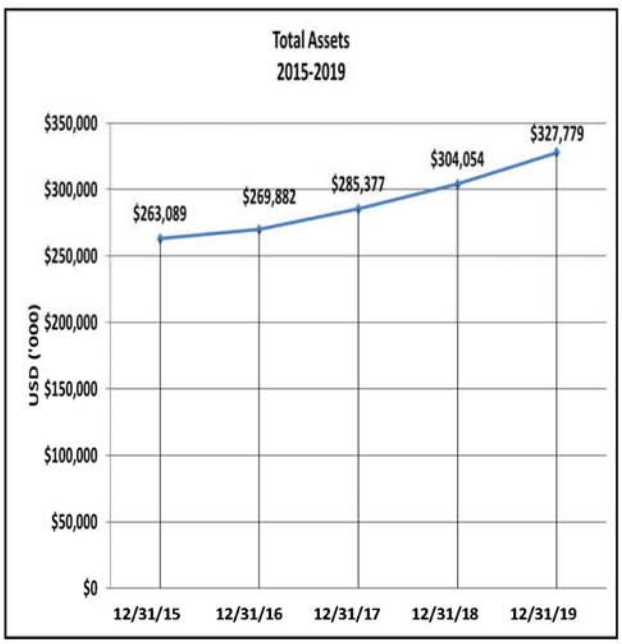
William Gary Holemon
President and Chief Executive Officer

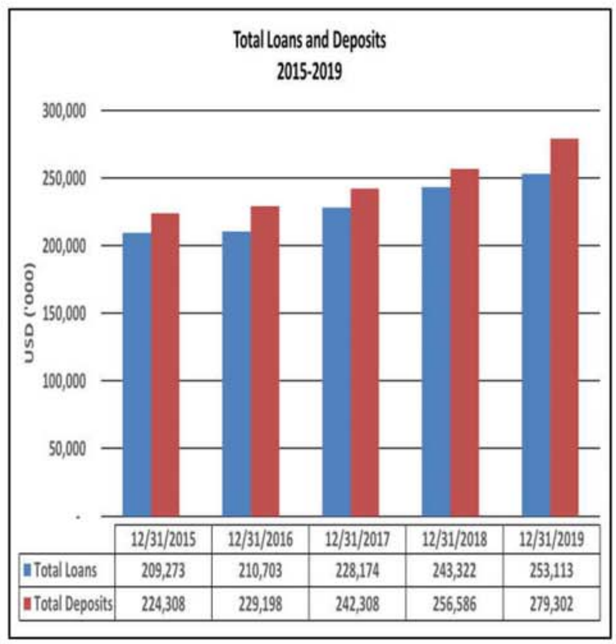
Post Office Box 490 • Demopolis, Alabama 36732 • (334) 289-3564 • FAX (334) 289-0003

RBC, Inc & Subsidiary









Attachment to President's letter

RBC, Inc. & Subsidiary
Financial Highlights

December 31,		**2019**		2018	Percent Increase
Consolidated Balance Sheets					
Total assets	**$**	**327,778,648**	$	304,053,685	7.80%
Loans, net		**253,113,202**		243,322,072	4.02%
Total deposits		**279,302,099**		256,585,671	8.85%
Stockholders' equity		**36,699,804**		34,103,511	7.61%
Consolidated Statements of Income					
Net income	**$**	**5,402,483**	$	4,662,140	15.88%
Earnings per share		**10.34**		8.95	15.59%
Selected Ratios					
Net income to average total assets		**1.71%**		1.58%	
Net income to average stockholders' equity		**15.26%**		14.04%	
Allowance for loan losses to loans		**1.37%**		1.24%	
Average stockholders' equity to average total assets		**11.21%**		11.26%	
Common Stock					
Book value per share	**$**	**70.24**	$	65.44	
Cash dividend paid per share		**6.15**		5.30	
Weighted average shares outstanding		**522,477**		521,163	

Carr, Riggs & Ingram, LLC
1117 Boll Weevil Circle
Enterprise, AL 36330

Mailing Address:
P.O. Box 311070
Enterprise, AL 36331

(334) 347-0088
(334) 347-7650 (fax)
www.cricpa.com

INDEPENDENT AUDITORS' REPORT

To the Audit Committee of the Board of Directors
of RBC, Inc. and Subsidiary

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of RBC, Inc. and Subsidiary (the Company), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of income, comprehensive income, stockholders’ equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management’s Responsibility for the 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 of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ 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 of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of 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 RBC, Inc. and Subsidiary as of December 31, 2019 and 2018 and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama
February 4, 2020

December 31,		**2019**		2018
Assets				
Cash and due from financial institutions	**$**	**34,480,706**	$	19,805,206
Interest-bearing deposits in other financial institutions		**506,563**		253,802
Debt securities available for sale		**27,815,002**		28,337,995
Other restricted stock, at cost		**1,356,600**		1,467,100
Loans, net of allowance of $3,520,902 and $3,055,663 as of December 31, 2019 and 2018, respectively		**253,113,202**		243,322,072
Accrued interest receivable		**1,327,728**		1,469,634
Premises and equipment, net		**4,530,591**		4,672,280
Company owned life insurance		**4,032,466**		3,944,770
Other assets		**615,790**		780,826
	$	**327,778,648**	$	304,053,685
Liabilities and Stockholders' Equity				
Deposits				
Non-interest bearing	**$**	**61,447,468**	$	58,643,827
Interest bearing		**217,854,631**		197,941,844
Total deposits		**279,302,099**		256,585,671
Long-term debt		**9,000,000**		12,000,000
Accrued expenses and other liabilities		**2,776,745**		1,364,503
Total liabilities		**291,078,844**		269,950,174
Stockholders' equity				
Common stock ($0.20 par value per share; 1,000,000 shares authorized and 734,137 shares issued)		**146,827**		146,827
Additional paid-in capital		**2,975,069**		2,927,144
Retained earnings		**42,375,832**		40,188,102
Accumulated other comprehensive income (loss)		**193,604**		(104,259)
Treasury Stock, at cost (2019 - 211,413 shares; 2018 - 212,889 shares)		**(8,991,528)**		(9,054,303)
Total stockholders' equity		**36,699,804**		34,103,511
Total liabilities and stockholders' equity	**$**	**327,778,648**	$	304,053,685

The accompanying notes are an integral part of these financial statements.

RBC, Inc. & Subsidiary
Consolidated Statements of Income

Years ended December 31,		**2019**		2018
Interest Income				
Loans, including fees	**$**	**14,105,295**	$	12,585,124
Investment securities		**755,332**		739,516
Federal funds sold		**332,563**		186,362
Total interest income		**15,193,190**		13,511,002
Interest Expense				
Deposits		**2,281,902**		1,474,820
Long-term debt		**298,974**		313,487
Total interest expense		**2,580,876**		1,788,307
Net interest income		**12,612,314**		11,722,695
Provision for loan losses		**500,000**		805,000
Net interest income after provision for loan losses		**12,112,314**		10,917,695
Noninterest Income				
Service charges on deposits		**1,043,650**		1,120,451
Other service charges		**984,622**		984,583
Trust fees		**186,676**		191,735
Loss on sale of securities (includes $4,296 accumulated other comprehensive income reclassifications for unrealized net losses available for sale securities)		**(4,296)**		(43,589)
Other operating income		**584,868**		307,835
Total noninterest income		**2,795,520**		2,561,015
Noninterest Expense				
Salaries and employee benefits		**5,420,506**		5,120,364
Occupancy and equipment		**1,602,492**		1,462,081
Director fees		**274,925**		249,875
ATM expenses		**274,646**		235,767
Administrative fees		**209,399**		190,225
Business Manager		**138,679**		102,544
Professional fees		**212,538**		160,206
Postage and shipping		**51,336**		54,351
Regulatory fees		**47,600**		116,800
Other operating		**893,230**		804,357
Total noninterest expense		**9,125,351**		8,496,570
Income Before for Income Taxes		**5,782,483**		4,982,140
Income tax expense		**380,000**		320,000
Net Income	**$**	**5,402,483**	$	4,662,140
Earnings per Share	**$**	**10.34**	$	8.95

The accompanying notes are an integral part of these financial statements.

Years ended December 31,		**2019**		2018
Net income	**$**	**5,402,483**	$	4,662,140
Other comprehensive income:				
Unrealized gains (losses) on securities available for sale:				
Unrealized holding gains (losses) arising during the period		**314,255**		(174,896)
Reclassification adjustment for losses included in net income		**4,296**		43,478
Tax effect		**(20,688)**		8,646
Net of tax		**297,863**		(122,772)
Comprehensive income	**$**	**5,700,346**	$	4,539,368

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Stockholders' Equity

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance at December 31, 2017	$ 146,827	$ 2,913,776	$ 38,288,576	$ 18,513	$ (9,069,589)	$ 32,298,103
Net income	-	-	4,662,140	-	-	4,662,140
Other comprehensive income	-	-	-	(122,772)	-	(122,772)
Common stock purchased (50 shares)	-	-	-	-	(3,750)	(3,750)
Treasury stock issued (224 shares)	-	6,684	-	-	9,518	16,202
Restricted treasury stock awarded (224 shares)	-	6,684	-	-	9,518	16,202
Cash dividends paid ($5.30 per share)	-	-	(2,762,614)	-	-	(2,762,614)
Balance at December 31, 2018	146,827	2,927,144	40,188,102	(104,259)	(9,054,303)	34,103,511
Net income	-	-	5,402,483	-	-	5,402,483
Other comprehensive income	-	-	-	297,863	-	297,863
Treasury stock issued (1238 shares)	-	40,197	-	-	52,653	92,850
Restricted treasury stock awarded (238 shares)	-	7,728	-	-	10,122	17,850
Cash dividends paid ($6.15 per share)	-	-	(3,214,753)	-	-	(3,214,753)
Balance at December 31, 2019	**$ 146,827**	**$ 2,975,069**	**$ 42,375,832**	**$ 193,604**	**$ (8,991,528)**	**$ 36,699,804**

The accompanying notes are an integral part of these financial statements.

Years ended December 31,	**2019**	2018
Cash Flow from Operating Activities		
Net income	**$ 5,402,483**	$ 4,662,140
Adjustments to reconcile net income to net cash from operating activities:		
Provision for loan losses	**500,000**	805,000
Net amortization of debt securities	**41,773**	102,875
Depreciation of premises and equipment	**296,753**	304,152
Realized loss on available for sale debt securities, net	**4,296**	43,589
Net loss on sales/writedowns of foreclosed real estate	**41,783**	60,000
Loss on disposal of fixed assets	**4,435**	-
Earnings on company owned life insurance	**(87,696)**	(92,949)
Deferred income tax benefit	**(38,128)**	(39,958)
Change in operating assets and liabilities:		
Accrued interest receivable	**141,906**	(226,107)
Other assets	**42,457**	60,301
Accrued expenses and other liabilities	**1,412,242**	(667,105)
Net cash provided by operating activities	**7,762,304**	5,011,938
Cash Flows from Investing Activities		
Increase in interest-bearing deposits in other financial institutions	**(252,761)**	(3,276)
Available-for-sale securities:		
Sales	**339,600**	1,690,987
Maturities, prepayments and calls	**8,469,707**	3,823,583
Purchases	**(8,013,813)**	(5,194,948)
Sales (purchases) of other securities, at cost	**110,500**	(98,700)
Loan originations and payments, net	**(10,291,130)**	(15,953,406)
Additions to premises and equipment	**(159,499)**	(338,651)
Proceeds from the sale of foreclosed assets	**98,217**	-
Net cash used in investing activities	**(9,699,179)**	(16,074,411)
Cash Flow from Financing Activities		
Net increase in deposits	**22,716,428**	14,277,687
Proceeds from long-term debt	**-**	4,000,000
Payments on long-term debt	**(3,000,000)**	(1,000,000)
Proceeds from issue of treasury stock	**110,700**	32,404
Repurchase of common stock	**-**	(3,750)
Cash dividends paid on common stock	**(3,214,753)**	(2,762,614)
Net cash provided by financing activities	**16,612,375**	14,543,727
Net Increase in Cash and Cash Equivalents	**14,675,500**	3,481,254
Cash and Cash Equivalents, Beginning of year	**19,805,206**	16,323,952
Cash and Cash Equivalents, End of year	**$ 34,480,706**	$ 19,805,206

-Continued-

The accompanying notes are an integral part of these financial statements.

Years ended December 31,		**2019**		2018
Supplementary Cash Flow Information				
Interest paid on deposits and borrowed funds	**$**	**2,516,427**	$	1,716,974
Income taxes paid	**$**	**318,813**	$	241,297

The accompanying notes are an integral part of these financial statements.

NOTE 1: DESCRIPTION OF THE BUSINESS

RBC, Inc. (Holding Company) and its wholly-owned subsidiary, Robertson Banking Company (the "Bank"), provide commercial banking services to customers through its offices in Marengo County, as well as Tuscaloosa and Birmingham, Alabama. Its primary deposit products are checking, savings, and term certificate accounts, and its primary lending products are residential mortgage, commercial, and installment loans. Substantially all loans are secured by specific items of collateral including business assets, consumer assets, and commercial and residential real estate.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the Holding Company and the Bank (collectively, the "Company"). The Company consolidates an entity if the Company has a controlling financial interest in the entity. All significant intercompany balances and transactions have been eliminated.

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

Use of Estimates

The preparation of U.S. GAAP consolidated financial statements requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to the allowance for loan losses.

Cash and Cash Equivalents

Cash and cash equivalents include cash and deposits with other financial institutions with original maturities fewer than 90 days. Net cash flows are reported for customer loan and deposit transactions and interest bearing deposits in other financial institutions.

Interest-Bearing Deposits in Other Financial institutions

Interest-bearing deposits in other financial institutions mature within five years and are carried at cost.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

The Company holds securities, including the following: Debt securities available for sale and other restricted stock.

Debt securities available for sale

Debt securities not classified as held to maturity or trading are classified as available for sale. Securities available for sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income, net of tax.

Interest income includes amortization of purchase premium or discount. Premiums and discounts on securities are amortized on the level-yield method without anticipating prepayments, except for mortgage backed securities where prepayments are anticipated. Gains and losses on sales are recorded on the trade date and determined using the specific identification method.

Management evaluates securities for other-than-temporary impairment (OTTI) on at least an annual basis, and more frequently when economic or market conditions warrant such an evaluation. For securities in an unrealized loss position, management considers the extent and duration of the unrealized loss, and the financial condition and near-term prospects of the issuer. Management also assesses whether it intends to sell, or it is more likely than not that it will be required to sell, a security in an unrealized loss position before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the entire difference between amortized cost and fair value is recognized as impairment through earnings. For securities that do not meet the aforementioned criteria, the amount of impairment is split into two components as follows: 1) OTTI related to credit loss, which must be recognized in the income statement and 2) OTTI related to other factors, which is recognized in other comprehensive income. The credit loss is defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis.

Other Restricted Stock, at cost

Federal Home Loan Bank (FHLB)

The Bank is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

First National Bankers Bank (FNBB) Stock

The Bank is a member of FNBB. FNBB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recover of par value. Both cash and stock dividends are reported as income.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at their principal balance outstanding, net of deferred loan fees and an allowance for loan losses. Interest income is accrued on the unpaid principal balance. Loan origination fees are deferred and recognized in interest income using the level-yield method without anticipating prepayments.

Interest income on mortgage and commercial loans is discontinued and placed on a non-accrual status at the time the loan in 90 days delinquent unless the loan is well-secured and in process of collection. Mortgage loans are charged off at 180 days past due, and commercial loans are charged off to the extent principal or interest is deemed uncollectible. Consumer and credit card loans continue to accrue interest until they are charged off no later than 120 days past due unless the loan is in the process of collection. Past-due status is based on the contractual terms of the loan. In all cases, loans are placed on non-accrual or charged-off at an earlier date if collection of principal or interest is considered doubtful. Non-accrual loans and loans past due 90 days still on accrual include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans.

All interest accrued but not received for loans placed on non-accrual is reversed against interest income.

Interest received on such loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Under the cover-recovery method, interest income is not recognized until the loan balance is reduced to zero. Under the cash-basis method, interest income is recorded when the payment is received. 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 uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance upon receipt. Management estimates the allowance balance required using loan loss experience, the nature and volume of the loan 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 allocated and general components.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Loan Losses (Continued)

Specific Component

The specific component relates to loans that are individual classified as impaired when, based on current information and events, it is probably 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 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 recorded and the amount of the shortfall in relation to the principal and interest owed.

Commercial and real estate loans over $50,000 and rated 6 or lower are individually evaluated for impairment. If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral.

TDRs are individually evaluated for impairment and included in the separately identified impairment disclosures. TDRs are measured at the present value of estimated future cash flows using the loan's effective rate at inception. If a TDR is considered to be a collateral dependent loan, the loan is reported, net, at the fair value of the collateral. 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 Company incorporates recent experience related to TDRs including, the performance of TDRs that subsequently default, into the calculation of the allowance by loan portfolio segment.

General Component

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 identified impairment 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 loss experience adjusted for current factors. The loss experience is determine by portfolio segment and is based on the actual losses experienced by the Company over the most recent 5 years. This actual loss experience is supplemented with other economic factors based on the risk present for each portfolio segment.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Loan Losses (Continued)

These economic factors include consideration of the following:

- Levels of and trends in delinquencies and impaired loans (including TDRs)
- Levels of and trends in charge-offs and recoveries
- Migration of loans to the classification of special mention, substandard, or doubtful
- 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 other relevant staff
- National and local economic trends and conditions; industry conditions; and effects of changes in credit concentration.

Real Estate Owned, Net

Foreclosed assets are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. Physical possession of residential real estate property collateralizing a consumer mortgage loan occurs when: 1) legal title is obtained upon completion of foreclosure or 2) when the borrower conveys all interest in the property to satisfy the loan through completion of a deed in lieu of foreclosure or a similar legal agreement. These assets are subsequently accounted for at lower of cost or fair value less estimated costs to sell. If fair value declines subsequent to foreclosure, a valuation allowance is recorded through expense. Operating costs after acquisition are expensed.

Premises and Equipment, Net

Land is carried at cost. Premises and equipment are stated at cost less accumulated depreciation. Buildings and related components generally are depreciated using the straight-line method with useful lives ranging from 5 to 50 years. Furniture, fixtures and equipment generally depreciate using the straight-line (or accelerated) method with useful lives ranging from 3 to 50 years.

Company Owned Life Insurance

The Company purchased life insurance policies on certain key employees. Company owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement.

Loan Commitments and Related Financial Instruments

Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and commercial letters of credit, issued to meet customer financing needs. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded. Instruments, such as standby letters of credit, that are considered financial guarantees are recorded at fair value at inception.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stock-Based Compensation

Compensation cost is recognized for restricted stock awards issued to employees, based on the fair value of these awards at the grant date. The market price of the Company's common stock at the date of grant is used for restricted stock awards.

Compensation cost is recognized over the required service period, generally defined as the vesting period. For awards with graded vesting, compensation cost is recognized on a straight-line basis over the requisite service period for the entire award. The Company's accounting policy is to recognize forfeitures as they occur.

Income Taxes

Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and the tax bases of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized.

Tax positions are recognized only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax position is recorded. The Company is subjected to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

The Company recognizes interest and/or penalties related to income tax matters in income tax expense.

Earnings Per Share

Basic earnings per share represent income available to common stockholders divided by the weighted-average number of common shares outstanding during the period. The weighted average number of common shares outstanding used to calculate earnings per share was 522,477 and 521,163 for the years ended December 31, 2019 and 2018, respectively.

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on securities available for sale, which are also recognized as separate components of equity.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loss Contingencies

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there are such matters that will have a material effect on the consolidated financial statements.

Treasury Stock

Treasury stock is carried at cost.

Concentrations of Credit Risk

Most of the Company's activities are with customers located in the Marengo County, Tuscaloosa, and Birmingham, Alabama region. Therefore, the Company's exposure to credit risk is significantly affected by changes in the economy of the area. The Company does not have any significant concentrations to any one industry or customer.

Fair Value of Financial Instruments

Fair value of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in a separate note. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect these estimates.

Reclassification

Some items in the prior year consolidated financial statements were reclassified to conform to the current presentation. Reclassifications had no effect on prior year net income or shareholders' equity.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, February 4, 2020, and determined there were no events that occurred that require disclosure.

Recently Issued Accounting Standards

On January 1, 2019, the Company adopted ASU 2014-09, *Revenue from Contracts with Customers* and all subsequent amendments to the ASU that comprise ASC 606, *Revenue from Contracts with Customers* (collectively, "ASC 606"), which (i) creates a single framework for recognizing revenue from contracts with customers that fall within its scope and (ii) revises when it is appropriate to recognize a gain (loss) from the transfer of nonfinancial assets, such as OREO.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Standards (Continued)

The majority of the Company's revenues come from interest income and other sources, including loans, leases, securities and derivatives that are outside the scope of ASC 606. The Company's services that fall within the scope of ASC 606 are presented within Non-Interest Income and are recognized as revenue as the Company satisfies its obligation to the customer. Services within the scope of ASC 606 include deposit service charges on deposits, other service charges, trust fees, and the sale of OREO. Refer to Note 17 *Revenue from Contracts with Customers* for further discussion on the Company's accounting policies for revenue sources within the scope of ASC 606.

The Company adopted ASC 606 using the modified retrospective method applied to all contracts not completed as of January 1, 2019. Results for reporting periods beginning after January 1, 2019 are presented under ASC 606 while prior period amounts continue to be reported in accordance with legacy U.S. GAAP. The adoption of ASC 606 did not result in a change to the accounting for any of the in-scope revenue streams; as such, no cumulative effect adjustment was recorded.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which amended existing guidance that requires lessees recognize the following for all leases (with the exception of short-term leases) at the commencement date (1) A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (2) A right-to-use asset, which is an asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. Certain targeted improvements were made to align, where necessary, lessor accounting with lessee accounting model and Topic 606, Revenue from Contracts with Customers. These amendments are effective for fiscal years beginning after December 15, 2020. Early application of the amendments in this Update is permitted for all entities. The Company is currently evaluating the impact of this new accounting standard on the consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments*, which introduces the current expected credit losses methodology. Among other things, the ASU requires the measurement of all expected credit losses for financial assets, including available-for-sale debt securities, held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. The new model will require institutions to calculate all probable and estimable losses that are expected to be incurred through the loan's entire life. ASU 2016-13 also requires the allowance for credit losses for purchased financial assets with credit deterioration since origination to be determined in a manner similar to that of other financial assets measured at amortized cost; however, the initial allowance will be added to the purchase price rather than recorded as credit loss expense. The disclosure of credit quality indicators related to the amortized cost of financing receivables will be further disaggregated by year of origination (or vintage). Disaggregation by vintage will be optional for nonpublic business entities. Institutions are to apply the changes through a cumulative-effect adjustment to their retained earnings as of the beginning of the first reporting period in which the standard is effective. The amendments are effective for fiscal years beginning after December 15, 2022. Early application will be permitted for fiscal years beginning after December 15, 2018. The Company is currently evaluating the impact of these amendments on the consolidated financial statements.

NOTE 3: SECURITIES

The following table summarizes the amortized cost and fair value of securities available for sale at December 31, 2019 and 2018 and the corresponding amounts of gross unrealized gains and losses recognized in accumulated other comprehensive income and gross unrecognized gains and losses:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2019				
Securities available for sale:				
Municipal securities	**$ 14,913,051**	**$ 154,903**	**$ (22,109)**	**$ 15,045,845**
U.S. Government securities	**8,738,262**	**62,903**	**(570)**	**8,800,595**
Mortgage backed securities	**3,677,834**	**17,821**	**(16,911)**	**3,678,744**
Corporate bonds	**278,792**	**11,026**	**-**	**289,818**
	$ 27,607,939	**$ 246,653**	**$ (39,590)**	**$ 27,815,002**
December 31, 2018				
Securities available for sale:				
Municipal securities	$ 16,259,398	$ 54,854	$ (99,430)	$ 16,214,822
U.S. Government securities	10,154,721	9,750	(74,757)	10,089,714
Mortgage backed securities	1,748,054	8,082	(13,064)	1,743,072
Corporate bonds	287,330	3,057	-	290,387
	$ 28,449,503	$ 75,743	$ (187,251)	$ 28,337,995

Other restricted stock on the balance sheet is comprised of $656,600 and $767,100 in FHLB stock at December 31, 2019 and 2018, respectively. Also included within other securities is $700,000 of FNBB stock at December 31, 2019 and 2018.

Proceeds from the sales of securities and the associated gross gains and losses are listed below:

	2019	2018
Proceeds	**$ 339,600**	$ 1,690,987
Gross gains	**-**	-
Gross losses	**4,296**	43,589

The tax benefit (provision) related to these net realized gains and losses was $279 and $2,833, respectively.

The amortized cost and fair values of debt securities are shown by contractual maturity. Expected maturities may differ from contractual maturities if borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

NOTE 3: SECURITIES (Continued)

	Available for Sale	
	Amortized Cost	Fair Value
Within one year	$ 4,797,707	$ 4,809,954
Over one year through five years	13,974,611	14,115,310
After five years through ten years	4,484,543	4,533,338
Over ten years	673,244	677,656
	23,930,105	24,136,258
Mortgage backed securities	3,677,834	3,678,744
	$ 27,607,939	$ 27,815,002

Securities with a carrying value of approximately $16,973,650 and $14,007,555 at December 31, 2019 and 2018, respectively, were pledged to secure public deposits and for other purposes as required or permitted by law.

The following table summarizes securities with unrealized and unrecognized losses at December 31, 2019 and 2018, aggregated by major security type and length of time in a continuous unrealized or unrecognized loss position:

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
December 31, 2019						
Securities available for sale:						
Municipal securities	$ 1,391,932	$ (22,109)	$ -	$ -	$ 1,391,932	$ (22,109)
U.S. Government securities	249,686	(315)	249,745	(255)	499,431	(570)
Mortgage backed securities	2,255,900	(16,911)	-	-	2,255,900	(16,911)
	$ 3,897,518	$ (39,335)	$ 249,745	$ (255)	$ 4,147,263	$ (39,590)

NOTE 3: SECURITIES (Continued)

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
December 31, 2018						
Securities available for sale:						
Municipal securities	$ 3,321,615	$ (12,980)	$ 5,664,151	$ (86,450)	$ 8,985,766	$ (99,430)
U.S. Government securities	2,461,388	(17,204)	4,584,898	(57,553)	7,046,286	(74,757)
Mortgage backed securities	44,829	(26)	752,302	(13,038)	797,131	(13,064)
	$ 5,827,832	$ (30,210)	$ 11,001,351	$ (157,041)	$ 16,829,183	$ (187,251)

In 2019 and 2018, the Company recognized no other-than-temporary losses.

Municipal Securities

The unrealized losses on five investments in Municipal Securities resulted from interest rate changes and other temporary market influences. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost bases of the investments. Because the Company does not intend to sell the investment and it is not more likely than not the Company will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at December 31, 2019.

U.S. Government Securities

The unrealized loss on two investments in U.S. Government obligations and direct obligations of U.S. Government agencies was caused by market interest rate and repayment speed changes since the time these investments were acquired. The contractual terms of the investment does not permit the issuer to settle the security at a price less than the amortized cost bases of the investment. Because the Company does not intend to sell the investments before recovery of their amortized cost bases, which may be maturity, the Company does not consider the investment to be other-than-temporarily impaired at December 31, 2019.

Mortgage Backed Securities

The decline in fair value of five mortgage back securities was a result of change in interest rate and illiquidity, not a decline in credit quality. The Company purchased the investments at a discount relative to their face amount, and the contractual cash flows of the investments are guaranteed by an agency of the U.S. government. Accordingly, it is expected that the securities would not be settled at a price less than the amortized cost bases of the Company's investments.

NOTE 3: SECURITIES (Continued)

Mortgage Backed Securities (Continued)

Because the decline in market value is attributable to the current interest rate environment and not credit quality, and because the Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Company does not consider the investments to be other-than-temporarily impaired at December 31, 2019.

NOTE 4: LOANS

Loans at year-end were as follows:

December 31,	**2019**	2018
Real estate		
Secured by 1-4 family residential properties	**$ 75,455,101**	$ 77,467,320
Secured by nonfarm, nonresidential properties	**75,593,264**	73,146,402
Secured by multi-family residential properties	**31,236,275**	22,847,744
Farmland	**18,259,179**	22,640,520
Construction, land development and other land	**21,403,044**	15,276,526
Commercial and industrial	**23,067,463**	22,881,032
Consumer	**5,495,012**	5,791,275
Tax free municipal	**4,089,997**	4,229,907
Other	**2,236,983**	2,585,461
Total loans	**256,836,318**	246,866,187
Less: Unamortized loan origination fees, net	**(202,214)**	(488,452)
Allowance for loan losses	**(3,520,902)**	(3,055,663)
Net loans	**$ 253,113,202**	$ 243,322,072

The Company grants commercial, real estate and installment loans to its customers. Although the Company has a diversified loan portfolio, 86% of the portfolio is concentrated in loans secured by real estate as of December 31, 2019 and 2018.

Real Estate – Residential

The Company originates residential mortgage real estate loans for the closed-end purchase or refinancing of mortgages for individual homeowners or rental properties. These loans are secured by 1-4 family residential properties primarily located in the Company's market area. The financial strength of the borrowers and collateral values of the properties are assessed as part of the underwriting criteria of these loans. Risks associated with these loans include reductions in cash flow of borrowers due to job loss or sickness and declines in collateral values of properties securing the loans.

NOTE 4: LOANS (Continued)

Real Estate – Nonfarm, Nonresidential

Nonresidential loans are owner occupied loans where the primary sources of repayment are cash flows from the ongoing operations and activities conducted by the owners. Underwriting criteria for these loans require initial and on-going reviews of borrower cash flows. Economic conditions impacting cash flows of the borrowers or declines in collateral values are risks to this loan type.

Real Estate – Multi-Family

The Company originates multi-family mortgage real estate loans for the closed-end purchase or refinancing of mortgages for apartment complexes and condominiums. These loans are secured by multi-family properties primarily located in the Company's market area. The financial strength of the borrowers, income from the properties, and collateral values of the properties are assessed as part of the underwriting criteria of these loans. Risks associated with these loans include reductions in cash flow of the property due to market conditions and vacancy rates and declines in collateral values of properties securing the loans.

Real Estate – Farmland

Farmland loans are loans secured by farm and timberland where the primary sources of repayment are cash flows from the farm and timber products originating from the operations and activities conducted by the owners. Underwriting criteria for these loans require initial and on-going reviews of borrower cash flows. Economic conditions impacting cash flows of the borrowers or declines in collateral values are risks to this loan type.

Real Estate – Construction, Land Development and Land other

The Company originates construction loans to builders and commercial borrowers and, to a limited extent, loans to individuals for the construction of primary residences. These loans are secured by real estate. To the extent construction loans are not made to owner occupants of single-family homes, they are more vulnerable to changes in economic conditions. Further, the nature of these loans is such that they are difficult to evaluate and monitor. The risk of loss on construction loans is dependent on the accuracy of initial estimates of property value upon completion of the projects, and the estimated costs (including interest) of the projects.

Commercial and Industrial

Commercial and industrial loans are made to small and medium sized companies in the Company's market area. Commercial loans are generally used for working capital purposes or for acquiring equipment, inventory or furniture. Primarily all of the Company's commercial loans are secured loans, along with a small amount of unsecured loans. The Company's underwriting analysis consists of a review of the financial statements of the borrower, the lending history of the borrower, the debt service capabilities of the borrower, the projected cash flows of the business, the value of the collateral, if any, and whether the loan is guaranteed by the principals of the borrower. These loans are generally secured by accounts receivable, inventory and equipment.

NOTE 4: LOANS (Continued)

Commercial and Industrial (Continued)

Commercial loans are typically made on the basis of the borrower's ability to make repayment from the cash flow of the borrower's business, which makes them of higher risk than residential loans and the collateral securing loans may be difficult to appraise and may fluctuate in value based on the success of the business. The Company seeks to minimize these risks through its underwriting standards.

Consumer

Consumer and other loans are extended for various purposes, including purchases of automobiles, recreation vehicles, and boats. The Company also offers home improvement loans, lines of credit, personal loans, and deposit account collateralized loans. Repayment of these loans is primarily dependent on the personal income of the borrowers, which can be impacted by economic conditions in their market areas such as unemployment levels. Loans to consumers are extended after a credit evaluation, including the creditworthiness of the borrower(s), the purpose of the credit, and the secondary source of repayment. Consumer loans are made at fixed and variable interest rates and may be made on terms of up to five years. Risk is mitigated by the fact that the loans are of smaller individual amounts and spread over a large number of borrowers.

Tax Free Municipal Loans

These are obligations supported by the full, faith and credit of the obligor which is a type of city, state, or other political subdivision. Collateral for these loans generally consists of a promise to pay from monies allocated to a special fund established to service the debt or an otherwise unconditional promise to cover all required payments on the obligation

Other Loans

Other loans are generally made to farmers for various purposes related to crops, livestock, related equipment/machinery, and other farm operations. Repayment is primarily dependent on the personal income of the borrower(s) and income from farming operations, which can be impacted by economic and other market conditions. As a general practice, the Company takes as collateral a security interest in the underlying crops, livestock, equipment, etc. Such loans are monitored via inspections and/or evaluations, as applicable.

NOTE 4: LOANS (Continued)

The following table presents the activity in the allowance for loan losses by portfolio segment for each of the years ending December 31, 2019 and 2018:

	Real Estate	Commercial and Industrial	Consumer	Tax Free Municipal	Other	Total
December 31, 2019						
Beginning balance	**$ 2,514,717**	**$ 385,835**	**$ 90,142**	**$ 33,570**	**$ 31,399**	**$ 3,055,663**
Provision for loan losses	**492,766**	**(3,824)**	**8,556**	**(711)**	**3,213**	**500,000**
Charge-offs	**(33,556)**	**-**	**(16,369)**	**-**	**-**	**(49,925)**
Recoveries	**62**	**6,520**	**7,582**	**-**	**1,000**	**15,164**
	$ 2,973,989	**$ 388,531**	**$ 89,911**	**$ 32,859**	**$ 35,612**	**$ 3,520,902**
December 31, 2018						
Beginning balance	$ 1,994,287	$ 206,597	$ 56,943	$ 17,535	$ 14,621	$ 2,289,983
Provision for loan losses	537,742	171,863	63,782	16,035	15,578	805,000
Charge-offs	(18,010)	-	(41,083)	-	-	(59,093)
Recoveries	698	7,375	10,500	-	1,200	19,773
	$ 2,514,717	$ 385,835	$ 90,142	$ 33,570	$ 31,399	$ 3,055,663

The following table represents the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and based on impairment method as of December 31, 2019 and 2018:

	Real Estate	Commercial and Industrial	Consumer	Tax Free Municipal	Other	Total
December 31, 2019						
Individually evaluated for impairment:						
Recorded investment	**$ 1,231,183**	**$ 203,685**	**$ -**	**$ -**	**$ -**	**$ 1,434,868**
Balance in allowance for loan losses	**3,091**	**-**	**-**	**-**	**-**	**3,091**
Collectively evaluated for impairment:						
Recorded investment	**220,715,680**	**22,863,778**	**5,495,012**	**4,089,997**	**2,236,983**	**255,401,450**
Balance in allowance for loan losses	**2,970,898**	**388,531**	**89,911**	**32,859**	**35,612**	**3,517,811**
Total evaluated for impairment:						
Recorded investment	**221,946,863**	**23,067,463**	**5,495,012**	**4,089,997**	**2,236,983**	**256,836,318**
Balance in allowance for loan losses	**$ 2,973,989**	**$ 388,531**	**$ 89,911**	**$ 32,859**	**$ 35,612**	**$ 3,520,902**

NOTE 4: LOANS (Continued)

	Real Estate	Commercial and Industrial	Consumer	Tax Free Municipal	Other	Total
December 31, 2018						
Individually evaluated for impairment:						
Recorded investment	$ 1,153,839	$ 285,943	$ -	$ -	$ -	$ 1,439,782
Balance in allowance for loan losses	4,940	45,178	-	-	-	50,118
Collectively evaluated for impairment:						
Recorded investment	210,224,673	22,595,089	5,791,275	4,229,907	2,585,461	245,426,405
Balance in allowance for loan losses	2,509,777	340,657	90,142	33,570	31,399	3,005,545
Total evaluated for impairment:						
Recorded investment	211,378,512	22,881,032	5,791,275	4,229,907	2,585,461	246,866,187
Balance in allowance for loan losses	$ 2,514,717	$ 385,835	$ 90,142	$ 33,570	$ 31,399	$ 3,055,663

The following table presents information related to impaired loans by class of loans as of and for the years ended December 31, 2019 and 2018:

	With no Related Allowance Recorded		With an Allowance Recorded		
	Recorded Investment	Unpaid Contractual Principal Balance	Recorded Investment	Unpaid Contractual Principal Balance	Related Allowance
December 31, 2019					
Real estate	**$ 1,180,679**	**$ 1,180,679**	**$ 50,504**	**$ 50,504**	**$ 3,091**
Commercial and industrial	**203,685**	**203,685**	**-**	**-**	**-**
	$ 1,384,364	**$ 1,384,364**	**$ 50,504**	**$ 50,504**	**$ 3,091**
December 31, 2018					
Real estate	$ 1,047,786	$ 1,047,786	$ 106,053	$ 106,053	$ 4,940
Commercial and industrial	230,704	230,704	55,239	55,239	45,178
	$ 1,278,490	$ 1,278,490	$ 161,292	$ 161,292	$ 50,118

NOTE 4: LOANS (Continued)

The average net investment in impaired loans and interest income recognized and received on impaired loans are as follows:

	Average Recorded Investment	Interest Income Recognized	Interest Income Received
December 31, 2019			
Real estate	**$ 1,192,511**	**$ 71,486**	**$ 72,315**
Commercial and industrial	**244,814**	**4,311**	**283**
	$ 1,437,325	**$ 75,797**	**$ 72,598**
December 31, 2018			
Real estate	$ 1,218,139	$ 78,570	$ 80,346
Commercial and industrial	230,704	3,506	8,187
	$ 1,448,843	$ 82,076	$ 88,533

The recorded investment in loans excludes accrued interest receivable and loan origination fees, net due to immateriality. For purposes of this disclosure, the unpaid principal balance is not reduced for partial charge-offs.

Non-accrual loans and loans past due over 89 days still on accrual include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans. Impaired loans include commercial loans that are individually evaluated for impairment and deemed impaired (i.e., individually classified impaired loans) as well as TDRs for all loan portfolio segments. The sum of non-accrual loans and loans past due over 89 days still on accrual will differ from the total impaired loan amount.

NOTE 4: LOANS (Continued)

The following table presents the aging of the recorded investment in past due loans and the recorded investment in non-accrual by class of loans as of December 31, 2019 and December 31, 2018:

	Accruing Loans					
	30-89 Days	Greater than 90 Days	Total	Non-Accrual	Current Loans	Total
December 31, 2019						
Real estate						
Secured by 1-4 family residential	**$ 1,364,368**	**$ -**	**$ 1,364,368**	**$ 169,144**	**$ 73,921,589**	**$ 75,455,101**
Secured by nonfarm, nonresidential	**64,692**	**-**	**64,692**	**2,662**	**75,525,910**	**75,593,264**
Secured by multi-family residential	**-**	**-**	**-**	**-**	**31,236,275**	**31,236,275**
Farmland	**94,587**	**-**	**94,587**	**-**	**18,164,592**	**18,259,179**
Construction, land development and other land	**-**	**-**	**-**	**-**	**21,403,044**	**21,403,044**
Commercial and industrial	**186,222**	**-**	**186,222**	**81,558**	**22,799,683**	**23,067,463**
Consumer	**66,686**	**-**	**66,686**	**9,868**	**5,418,458**	**5,495,012**
Tax free municipal	**-**	**-**	**-**	**-**	**4,089,997**	**4,089,997**
Other	**12,719**	**-**	**12,719**	**-**	**2,224,264**	**2,236,983**
	$ 1,789,274	**$ -**	**$ 1,789,274**	**$ 263,232**	**$ 254,783,812**	**$ 256,836,318**
December 31, 2018						
Real estate						
Secured by 1-4 family residential	$ 729,245	$ -	$ 729,245	$ 16,256	$ 76,721,819	$ 77,467,320
Secured by nonfarm, nonresidential	11,582	-	11,582	6,328	73,128,492	73,146,402
Secured by multi-family residential	-	-	-	-	22,847,744	22,847,744
Farmland	294,229	-	294,229	-	22,346,291	22,640,520
Construction, land development and other land	-	-	-	-	15,276,526	15,276,526
Commercial and industrial	224,355	-	224,355	4,022	22,652,655	22,881,032
Consumer	117,858	-	117,858	14,949	5,658,468	5,791,275
Tax free municipal	-	-	-	-	4,229,907	4,229,907
Other	5,123	-	5,123	-	2,580,338	2,585,461
	$ 1,382,392	$ -	$ 1,382,392	$ 41,555	$ 245,442,240	$ 246,866,187

NOTE 4: LOANS (Continued)

Troubled Debt Restructurings

As of December 31, 2019 and 2018, the Company has a recorded investment in TDRs of $263,530 and $34,134, respectively. The Company has allocated $0 of specific allowance for those loans at December 31, 2019 and 2018 and has committed to lend no additional amounts.

The modification of the terms of commercial loans performed during the year ended December 31, 2019 included an extension of the maturity date at a stated rate of interest lower than the current market rate. The extensions were for periods ranging from 12 months to 3 years.

The following table presents loans by class modified as TDRs that occurred during the year ending December 31, 2019:

	Number of Loans	Pre-Modification Recorded Investment	Post-Modification Recorded Investment
Troubled Debt Restructurings:			
Commercial			
Modified amortization and interest rates	3	$ 229,406	$ 229,406

The TDRs described above increased the allowance for loan losses by $0 and resulted in charge-offs of $0 during the year ended December 31, 2019.

There were no troubled debt restructurings during the year ending December 31, 2018.

Credit Quality Indicators

The Company categorizes 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 Company analyzes loans individually by classifying the loans as to credit risk. Loans classified as watch or lower are reviewed monthly by the Company for further deterioration or improvement to determine if they are appropriately classified and whether there is any impairment. All loans are graded upon initial issuance. Further, commercial loans are typically reviewed at least annually to determine the appropriate loan grading. In addition, during the renewal process of any loan, as well as when a loan becomes past due, the Company will determine the appropriate loan grade. Loans excluded from the review process above are generally classified as pass credits until: (a) they become past due; (b) management becomes aware of deterioration in the credit worthiness of the borrower; or (c) the customer contacts the Company for a modification. In these circumstances, the loan is specifically evaluated for potential classification as to special mention, substandard, doubtful or even charge off. The Company uses the following definitions for risk ratings:

NOTE 4: LOANS (Continued)

Credit Quality Indicators (Continued)

1. Loans with virtually no risk. Such loans to be 100% collateralized by Company held deposit accounts or Certificates of Indebtedness issued by government or Treasury securities.
2. Loans with little, if any risk. This grade is reserved for loans secured by readily marketable collateral, or loans within guidelines to borrowers with liquid financial statements. A liquid financial statement is a financial statement with substantial liquid assets relative to debts. These loans have excellent sources of repayment, with no significant identifiable risk of collection, and conform in all respects to Company policy, guidelines, underwriting standards, and Federal and State regulations (no exceptions of any kind).
3. Loans with less than average risk. Such loans meet or exceed the Company's guidelines, have a definite repayment agreement, and are repaid as agreed. Generally, such loans would be well collateralized loans to financially sound borrowers with significant liquid assets and no negative credit history.
4. Loans with average risk. Such loans may be adequately collateralized loans to capable borrowers as demonstrated by written financial statement or absence of both excessive negative credit history and payment delinquency, or unsecured loans to borrowers of sufficient financial position and demonstrated ability to service the amount borrowed.
5. Loans with acceptable risk that show signs of weakness in either adequate sources of repayment or collateral, but have demonstrated mitigating factors that minimize the risk of delinquency or loss.
6. Special Mention - Loans with greater than average risk. Such loans have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the Company's credit position at some future date.
7. Substandard - Loans with substantial risk. Such loans are inadequately protected by the current sound net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans classified as substandard must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt; they may be characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.
8. Doubtful - Loans with significant risk. Such loans have all the weaknesses inherent in loans classified Substandard, plus the added characteristic that the weaknesses make collection or liquidation in full on the basis of currently known facts, conditions and values, highly questionable and improbable.
9. Loss - Loans with little potential for collection. Such loans are considered uncollectible and of such little value that their continuance as bankable assets is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather that it is not practical or desirable to defer writing off the loan even though partial recovery may be affected in the future.

NOTE 4: LOANS (Continued)

Credit Quality Indicators (Continued)

Based on the most recent analysis performed, the risk category of loans by class of loans is as follows:

	Pass 1-5	Special Mention 6	Substandard 7	Doubtful 8	Total
December 31, 2019					
Real estate					
Secured by 1-4 family residential properties	**$ 72,434,851**	**$ 1,719,745**	**$ 1,300,505**	**$ -**	**$ 75,455,101**
Secured by nonfarm, nonresidential properties	**72,799,576**	**2,737,078**	**56,610**	**-**	**75,593,264**
Secured by multi-family residential properties	**30,970,019**	**-**	**266,256**	**-**	**31,236,275**
Farmland	**17,784,574**	**474,605**	**-**	**-**	**18,259,179**
Construction, land development and other land	**21,403,044**	**-**	**-**	**-**	**21,403,044**
Commercial and industrial	**22,655,444**	**101,312**	**310,707**	**-**	**23,067,463**
Consumer	**5,321,999**	**94,380**	**70,569**	**8,064**	**5,495,012**
Tax free municipal	**4,089,997**	**-**	**-**	**-**	**4,089,997**
Other	**2,224,298**	**12,685**	**-**	**-**	**2,236,983**
	$ 249,683,802	**$ 5,139,805**	**$ 2,004,647**	**$ 8,064**	**$ 256,836,318**
December 31, 2018					
Real estate					
Secured by 1-4 family residential properties	$ 74,912,904	$ 1,314,952	$ 1,239,464	$ -	$ 77,467,320
Secured by nonfarm, nonresidential properties	69,933,011	3,178,328	35,063	-	73,146,402
Secured by multi-family residential properties	21,989,937	584,514	273,293	-	22,847,744
Farmland	22,141,222	499,298	-	-	22,640,520
Construction, land development and other land	15,276,526	-	-	-	15,276,526
Commercial and industrial	22,512,254	40,851	327,927	-	22,881,032
Consumer	5,629,279	72,977	85,919	3,100	5,791,275
Tax free municipal	4,229,907	-	-	-	4,229,907
Other	2,572,509	12,952	-	-	2,585,461
	$ 239,197,549	$ 5,703,872	$ 1,961,666	$ 3,100.0	$ 246,866,187

NOTE 5: FORECLOSED ASSETS

Foreclosed assets activity was as follows:

December 31,		**2019**		2018
Beginning balance	**$**	**140,000**	$	200,000
Sales of foreclosed assets		**(98,217)**		-
Direct write-downs		**(41,783)**		(60,000)
Balance, end of year	**$**	**-**	$	140,000

At December 31, 2019 and 2018, the balance of foreclosed assets includes $0 and $140,000, respectively of foreclosed commercial real estate properties recorded as a result of obtaining physical possession of the property.

NOTE 6: FAIR VALUE

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of input that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in active markets;
- Inputs, other than quoted prices that are:
  - Observable; or
  - Can be corroborated by observable market data.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

NOTE 6: FAIR VALUE (Continued)

The Company used the following methods and significant assumptions to estimate fair value:

Securities Available for Sale. Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include highly liquid government bonds, certain mortgage products and exchange-traded equities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. Examples of such instruments, which would generally be classified within Level 2 of the valuation hierarchy, include certain collateralized mortgage and debt obligations and certain high-yield debt securities. In certain cases where there is limited activity or less transparency around inputs to the valuation, securities are classified within Level 3 of the valuation hierarchy. Securities classified within Level 3 include certain residual interests in securitizations and other less liquid securities.

Impaired Loans. A loan is considered to be impaired when it is probable the Company will be unable to collect all principal and interest payments due in accordance with the contractual terms of the loan agreement. Estimates of fair value are determined based on a variety of information, including the use of available appraisals, estimates of market value by licensed appraisers or local real estate brokers and the knowledge and experience of the Company's management related to values of properties in the Company's market areas. Management takes into consideration the type, location and occupancy of the property as well as current economic conditions in the area the property is located in assessing estimates of fair value. Management's unobservable inputs resulted in a quantitative decrease of 20%, depending on the respective collateral. Accordingly, fair value estimates for impaired loans are classified as Level 3.

Foreclosed Assets. Estimates of fair values are determined based on a variety of information, including the use of available appraisals, estimates of market value by licensed appraisers or local real estate brokers and the knowledge and experience of the Company's senior lending officers related to values of properties in the Company's market areas. These officers take into consideration the type, location and occupancy of the property as well as current economic conditions in the area the property is located in assessing estimates of fair value. Management's unobservable inputs resulted in a quantitative decrease of 20%, depending on the respective foreclose asset. Accordingly, the fair values estimates for foreclosed real estate are classified as Level 3.

NOTE 6: FAIR VALUE (Continued)

Assets measured at fair value on a recurring basis are summarized as follows:

	Fair Value Measurements at Reporting Date Using			
	Fair Value	**Quoted Prices (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Observable Inputs (Level 3)**
December 31, 2019				
Municipal securities	**$ 15,045,845**	**$ -**	**$ 15,045,845**	**$ -**
U.S. Government securities	**8,800,595**	**-**	**8,800,595**	**-**
Mortgage backed securities	**3,678,744**	**-**	**3,678,744**	**-**
Corporate securities	**289,818**	**-**	**289,818**	**-**
December 31, 2018				
Municipal securities	$ 16,214,822	$ -	$ 16,214,822	$ -
U.S. Government securities	10,089,714	-	10,089,714	-
Mortgage backed securities	1,743,072	-	1,743,072	-
Corporate securities	290,387	-	290,387	-

Assets measured at fair value on a nonrecurring basis are summarized below:

	Fair Value Measurements at Reporting Date Using			
	Fair Value	**Quoted Prices (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Observable Inputs (Level 3)**
December 31, 2019				
Impaired loans:				
Real estate	**$ 47,413**	**$ -**	**$ -**	**$ 47,413**
December 31, 2018				
Impaired loans:				
Real estate	$ 101,113	$ -	$ -	$ 101,113
Commercial	10,061	-	-	10,061
Foreclosed assets:				
Commercial real estate	140,000	-	-	140,000

Significant Unobservable Input Assumptions

The following table presents detailed information regarding assets measured at fair value using significant unobservable inputs (Level 3) as of December 31, 2019 and 2018. The table includes the valuation techniques and the significant unobservable inputs utilized. The range of each unobservable input utilized at December 31, 2019 and 2018, is included.

NOTE 6: FAIR VALUE (Continued)

	Level 3 Significant Unobservable Input Assumptions			
	Fair Value	Valuation Technique	Unobservable Input	Quantitative Unobservable Inputs
December 31, 2019				
Assets measured on a recurring basis:				
Impaired loans	$ 47,413	Discount to appraised value of collateral	Appraisal comparability adjustments	20%
December 31, 2018				
Assets measured on a recurring basis:				
Impaired Loans	$ 111,174	Discount to appraised value of collateral	Appraisal comparability adjustments	20%
Foreclosed Assets	$ 140,000	Discount to appraised value of collateral	Discount to appraised value of collateral	20%

NOTE 7: PREMISES AND EQUIPMENT

Year-end premises and equipment were as follows:

December 31,	**2019**	2018
Bank premises	**$ 5,928,543**	$ 5,818,594
Furniture, fixtures, and equipment	**3,336,673**	3,502,302
	9,265,216	9,320,896
Accumulated depreciation	**(4,734,625)**	(4,648,616)
Premises and equipment, net	**$ 4,530,591**	$ 4,672,280

Depreciation expense for the years ended December 31, 2019 and 2018 amounted to $296,753 and $304,152, respectively.

The Company leases certain branch properties and equipment under operating leases. Rent is expensed as incurred and is not significant for the years ended December 31, 2019 and 2018.

NOTE 8: DEPOSITS

Time deposits that meet or exceed the FDIC Insurance limit of $250,000 or more at December 31, 2019 and 2018 was $21,873,159 and $18,288,997, respectively.

Scheduled maturities of time deposits for the next five years were as follows:

2020	$	51,914,670
2021		21,558,645
2022		7,353,790
2023		3,393,115
2024		1,187,533
	$	85,407,753

NOTE 9: LONG-TERM DEBT

At year-end, long-term debt was as follows:

December 31,		**2019**		2018
FHLB borrowings; varying interest rates (ranging from 2.04% to 4.59% at December 31, 2019 and 2018); due in various years beginning in 2019 through 2025; collateralized by a blanket lien on the Bank's 1 to 4 family residential mortgage with lendable collateral value of $43,649,479 and $43,205,999 as of December 31, 2019 and 2018, respectively.	**$**	**9,000,000**	$	12,000,000

The Company has established credit availability of 25% of the Bank's total assets with the FHLB of Atlanta. As of December 31, 2019, the Company would be able to access an additional $73,515,856 of FHLB credit products based on the Company's current financial and operational conditions and the pledging of sufficient collateral.

At December 31, 2019, the Company also had three unsecured federal funds lines of credit with other financial institutions enabling the Company to borrow up to $19,900,000, with interest determined at the time of the draw. The arrangements are reviewed annually for renewal of each credit line.

The scheduled maturities of long-term debt as of December 31, 2019 were as follows:

Due in 2020	$	3,000,000
Due in 2021		4,000,000
Due in 2023		1,000,000
Due in 2025 and thereafter		1,000,000
	$	9,000,000

NOTE 10: PROFIT SHARING PLAN

The Company offers the benefit of participating in a 401(k) profit sharing plan (Plan) to eligible employees. A safe harbor non-elective contribution is made to the account of each eligible employee in an amount equal to 3% of the employee's compensation for the plan year. Profit sharing contributions may also be made at the Company's discretion, which will be allocated among all eligible employees. All Company contributions are subject to certain limitations set by law. For the years ended December 31, 2019 and 2018, expense attributable to the Plan amounted to $307,872 and $267,901, respectively.

NOTE 11: INCOME TAXES

Income tax expense (benefit) was as follows:

Years ended December 31,	**2019**	2018
Current tax provision		
State	**$ 418,128**	$ 359,958
Deferred tax benefit	**(38,128)**	(39,958)
Total	**$ 380,000**	$ 320,000

The provision for state income taxes differs from that computed by applying statutory rates to income before income tax expense primarily due to tax exempt interest income and other non-deductible expenses.

The components of net deferred tax assets and liabilities, included in other assets, are as follows:

December 31,	**2019**	2018
Deferred tax assets		
Provision for loan losses	**$ 228,859**	$ 198,618
Deferred tax liabilities		
Net unrealized gains on securities available for sale	**13,459**	(7,248)
Depreciation	**(49,708)**	(57,595)
	(36,249)	(64,843)
Net deferred tax asset	**$ 192,610**	$ 133,775

NOTE 12: STOCK INCENTIVE PLANS

The Company maintains a stock incentive plan for certain key employees that provides for the granting of restricted stock, incentive and performance shares. The total number of shares of stock subject to issuance under the plan may not exceed 10,000 shares. The Board of Directors determines the terms of the restricted stock granted.

NOTE 12: STOCK INCENTIVE PLANS (Continued)

Performance shares awarded annually are subject to a calculation based on amounts and ratios reflected in the call report of the Company at calendar year end and are subject to any adjustments determined by the Board of Directors. As of the year ended December 31, 2019 and 2018, performance shares of 1,495 and 1,257, have been awarded to employees since the inception of the stock incentive plan.

The following is a summary of transactions within the plan during the years ended December 31, 2019 and 2018:

	Number of Shares	Weighted - Average Price Per Share	Weighted - Average Intrinsic Value
December 31, 2019			
Non-vested shares, beginning of period	**616**	**$ 65.73**	**$ 40,490**
Granted	**238**	**75.00**	**17,850**
Non-vested shares, end of period	**854**	**$ 68.31**	**$ 58,340**
December 31, 2018			
Non-vested shares, beginning of period	392	$ 61.96	$ 24,288
Granted	224	72.33	16,202
Non-vested shares, end of period	616	$ 65.73	$ 40,490

There was $27,432 of total unrecognized compensation expense related to the unvested shares as of December 31, 2019 and 2018.

NOTE 13: MINIMUM REGULATORY CAPITAL REQUIREMENTS

Banks and bank holding companies are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action. The final rules implementing Basel Committee on Banking Supervision's capital guidelines for U.S. banks (Basel Ill rules) became effective for the Company on January 1, 2015 with full compliance with all of the requirements being phased in over a multi-year schedule, and fully phased in by January 1, 2019. Under the Basel Ill rules, the Company must hold a capital conservation buffer above the adequately capitalized risk-based capital ratios. The capital conservation buffer became fully phased effective for 2019 at 2.5% and for 2018 was 1.875%. The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital. Management believes as of December 31, 2019, the Company and Bank meet all capital adequacy requirements to which they are subject.

NOTE 13: MINIMUM REGULATORY CAPITAL REQUIREMENTS (Continued)

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are distributions required. At year-end 2019 and 2018, the most recent regulatory notifications categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the institutions category.

Actual and required capital amounts and ratios are presented below at year-end.

	Actual		Capital Requirement		To Be Well Capitalized Under Prompt Corrective Action Regulations	
	Amount	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
			(Dollars in thousands)			
December 31, 2019						
Total capital to risk weighted assets						
Company	$ 38,483	14.38%	$ 21,409	8.00%	N/A	N/A
Bank	36,384	13.60%	21,409	8.00%	26,761	10.00%
Tier 1 capital to risk weighted assets						
Company	36,506	13.64%	16,056	6.00%	N/A	N/A
Bank	33,037	12.35%	16,056	6.00%	21,409	8.00%
Common equity Tier 1 to risk weighted assets						
Company	36,506	13.64%	12,042	4.50%	N/A	N/A
Bank	33,037	12.35%	12,042	4.50%	17,395	6.50%
Tier 1 capital to average assets						
Company	36,506	11.04%	13,221	4.00%	N/A	N/A
Bank	33,037	10.00%	13,221	4.00%	16,527	5.00%

NOTE 13: MINIMUM REGULATORY CAPITAL REQUIREMENTS (Continued)

	Actual		Capital Requirement		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Dollars in thousands)			
December 31, 2018						
Total capital to risk weighted assets						
Company	$ 36,730	13.79%	$ 21,314	8.00%	N/A	N/A
Bank	34,474	12.94%	21,314	8.00%	26,642	10.00%
Tier 1 capital to risk weighted assets						
Company	34,208	12.84%	15,985	6.00%	N/A	N/A
Bank	31,418	11.79%	15,985	6.00%	21,314	8.00%
Common equity Tier 1 to risk weighted assets						
Company	34,208	12.84%	11,989	4.50%	N/A	N/A
Bank	31,418	11.79%	11,989	4.50%	17,317	6.50%
Tier 1 capital to average assets						
Company	34,208	11.12%	12,301	4.00%	N/A	N/A
Bank	31,418	10.22%	12,301	4.00%	15,377	5.00%

Dividend Restrictions

The Company and the Bank are subject to dividend restrictions set forth by the State Banking Department and federal banking agencies. Additional restrictions may be imposed by the State Banking Department and federal banking agencies under the powers granted to them by law. The Bank can pay in the form of dividends the current year earning plus the retained earnings of the two preceding years, less any required transfers to surplus. Amounts in excess of this must be approved by regulatory agencies.

NOTE 14: OFF-BALANCE SHEET ACTIVITIES

Some financial instruments, such as loan commitments, credit lines, letters of credit, and overdraft protection, are issued to meet customer financing needs. These are agreements to provide credit or to support the credit of others, as long as conditions established in the contract are met, and usually have expiration dates. Commitments may expire without being used. Off-balance-sheet risk to credit loss exists up to the face amount of these instruments, although material losses are not anticipated. The same credit policies are used to make such commitments as are used for loans, including obtaining collateral at exercise of the commitment.

NOTE 14: OFF-BALANCE SHEET ACTIVITIES (Continued)

The following financial instruments were outstanding whose contract amounts represent credit risk:

December 31,		**2019**		2018
Unfunded commitments under lines of credit	**$**	**26,870,895**	$	29,392,008
Standby letters of credit		**1,977,094**		2,552,094

Unfunded commitments under lines of credit agreements to lend to a customer 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 commitments for lines of credit may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary by the Company, is based on management's credit evaluation of the customer.

Standby letters of credit are conditional lending commitments issued by the Company to guarantee the performance of a customer to a third party. Those letters of credit are primarily issued to support public and private borrowing arrangements. Essentially all letters of credit issued have expiration dates within one year. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

NOTE 15: LEGAL CONTINGENCIES

Various legal claims also arise from time to time in the normal course of business which, in the opinion of management, will have no material effect on the Company's consolidated financial statements.

NOTE 16: RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Company has granted loans to principal officers and directors and their affiliates. Annual activity consisted of the following:

		2019		2018
Beginning balance	**$**	**5,098,403**	$	3,515,258
New loans		**1,560,051**		6,313,404
Repayments		**(1,559,258)**		(4,730,259)
Ending balance	**$**	**5,099,196**	$	5,098,403

Standby letters of credit granted to principal officers and directors and their affiliates consisted of $1,170,000 and $1,310,000 at December 31, 2019 and 2018, respectively.

Deposits from related parties held by the Company amounted to $2,679,445 and $2,384,260 at December 31, 2019 and 2018, respectively.

NOTE 17: REVENUE FROM CONTRACTS WITH CUSTOMERS

All of the Company's revenue from contracts with customers in the scope of ASC 606 is recognized within Non-Interest Income. The following table presents the Company's sources of Non-Interest Income for the twelve months ended December 31, 2019 and 2018. Items outside the scope of ASC 606 are noted as such.

For the year ended December 31,		**2019**		2018
Non-interest income				
Service charges on deposits	**$**	**1,043,650**	$	1,120,451
Other service charges		**984,622**		984,583
Trust fees		**186,676**		191,735
Net loss on sales of securities[(a)]		**(4,296)**		(43,589)
Other income[(b)]		**584,868**		307,835
Total non-interest income	**$**	**2,795,520**	$	2,561,015

Not within the scope of ASC 606

(a) The Other income category includes Gains/Losses on Sales of Other Real Estate Owned totaling $41,783, which is within the scope of ASC 606; the remaining balance of $543,085 represents Other income outside the scope of ASC 606.

(b) The Company elected the modified retrospective approach of adoption; therefore, prior period balances are presented under legacy U.S. GAAP and may not be comparable to current year presentation.

A description of the Company's revenue streams accounted for under ASC 606 follows:

Service Charges on Deposit Accounts and Other Service Charges

The Company earns fees from its deposit customers for transaction-based, account maintenance and overdraft services. Transaction-based fees, which include services such as automated teller machine (ATM) use fees, stop payment charges, statement rendering, and automated clearing house (ACH) fees, are recognized at the time the transaction is executed as that is the point in time the Company fulfills the customer's request. Account maintenance fees, which relate primarily to monthly maintenance are earned over the course of a month, representing the period over which the Company satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposits are withdrawn from the customer's account balance.

Trust Fees

The Company earns trust fees from its contracts with trust customers to manage assets for investment, and/or to transact on their accounts. These fees are primarily earned over time as the Company provides the contracted monthly or quarterly services.

NOTE 17: REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

Gains/Losses on Sales of Other Real Estate Owned

The Company records a gain or loss from the sale of other real estate owned (OREO) when control of the property transfers to the buyer, which generally occurs at the time of an executed deed. When the Company finances the sale of OREO to the buyer, the Company assesses whether the buyer is committed to perform their obligations under the contract and whether collectability of the transaction price is probable. Once these criteria are met, the OREO asset is derecognized and the gain or loss on sale is recorded upon the transfer of control of the property to the buyer. In determining the gain or loss on the sale, the Company adjusts the transaction price and related gain (loss) on sale if a significant financing component is present.

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Auditor
KORY F. FIELDS
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Dept. Supervisor
DEBBIE W. FOXHALL
Asst. Vice President/Head
Bookkeeper
KRISTI PARKER
Asst. Vice President/
Loan Officer
KELLEY F. MULLINS
Compliance Officer

MADELINE J. OUTLAW
Loan Officer
BRENDA F. PHILLIPS
Executive Assistant
WANDA N. FUQUA
Assistant Cashier
SANDY D. HENSON
Assistant Cashier
CINDY D. LADURON
Assistant Cashier
DONNA H. MCCARSON
Assistant Cashier
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MARIANNE J. TAYLOR
Assistant Cashier
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Assistant Cashier
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Assistant Cashier

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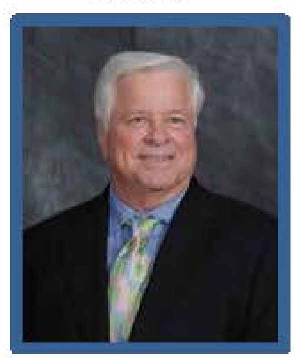

John B. Wallace
Director