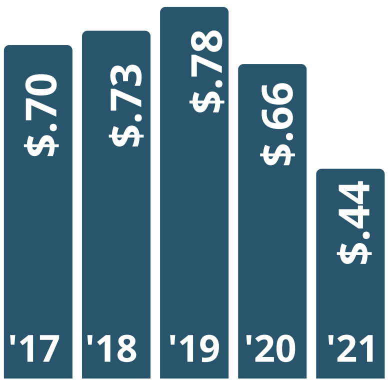
first Community Corporation

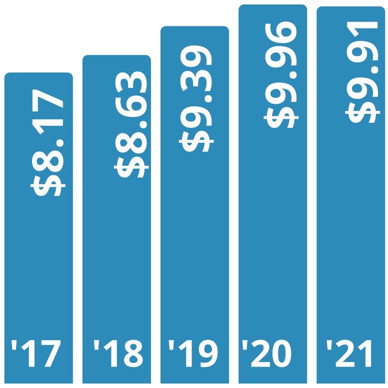
Better, Stronger, Together!

Annual Report 2021

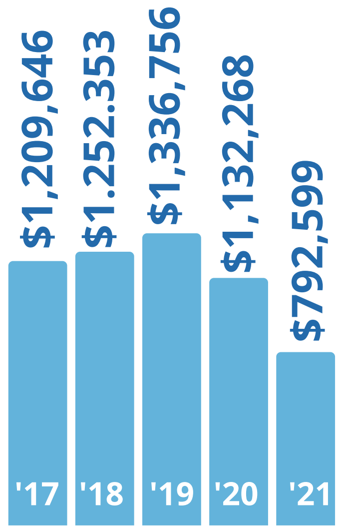
2021 FINANCIAL PERFORMANCE



EARNINGS
PER SHARE

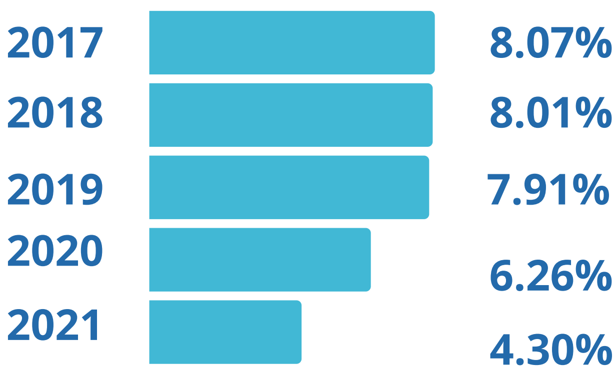


BOOK VALUE
PER SHARE



NET INCOME

RETURN ON AVERAGE EQUITY (ROE)



RETURN ON AVERAGE ASSETS (ROA)

CORE DEPOSIT
GROWTH

GROSS LOANS
GROWTH

NET

INTEREST INCOME

Dear Shareholders,

Better, Stronger, Together! The last few years have taught us that together we can accomplish almost anything. Community banks across the country demonstrated the ability to be nimble during difficult times. First Community Bank was no exception. The COVID pandemic persisted, yet so did we.

During 2021, we remained focused on providing essential banking services. We were able to continue to support local community initiatives, striving to always be a valued partner within the communities we serve. We opened our lobbies once again, meeting our customers face to face. We also met them digitally.

Usage of our digital banking platform grew steadily during the pandemic. We created a Digital Banking Specialist Team specifically to support the needs of our digital customers. Our specialists provided real time responses to questions and logistical support for our mobile/online banking customers.

In 2021, the corporation earned $792,599 in Net Income. This was a decline from the previous year's earnings by (30%). The continued low interest rate environment reduced profitability through a compression of the bank's net interest margin. Earnings per share were $0.44 in 2021 vs. $0.66 from the prior year. Book value per share was $9.91compared to $9.96 last year.

As we move forward into 2022, we will continue to adapt and meet our customers where they are, either face to face, or in the digital world of online/mobile banking. We will continue to support our local communities, helping to build successful economies. We will support our employees and strive to keep them safe. By doing these things, we know we will be **BETTER, STRONGER, TOGETHER**.

Thank you for your continued commitment to First Community Bank and to First Community Corporation.

Sincerely,

Tommy W. Young
Chairman of
First Community Corporation

Tyler K. Clinch
Chairman of
First Community Bank, President and CEO

Board of Directors

Tommy W. Young
Chairman/Secretary
Vice Chair-Hawkins Co.
Industrial Comm.
Commissioner & Sec-Hawkins
Co. Gas Utility
BOD-Wellmont Hawkins Co.
Memorial Hosp.

Tyler K. Clinch
CEO & President
First Community Bank
of East Tennessee.

Steve L. Droke
Retired, Chief Lending
Officer
First Community Bank of
East Tennessee

Matthew W. Cleek
President & CEO
Intellithought, Inc.

Dr. David R. Johnson
Kingsport Veterinary
Hospital-Partner

Sidney K. Lawson
President & CEO of
Lawson Construction
Company, Inc.

Kathy M. Richards
CPA and Business Coach

PUGH CPAs

PUGH & COMPANY, P.C.
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Senior Management
First Community Corporation and
First Community Bank of East Tennessee
Rogersville, Tennessee

Opinion

We have audited the consolidated financial statements of First Community Corporation and First Community Bank of East Tennessee (the "Company"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of operations, comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control–related matters that we identified during the audits.

Pugh & Company, P.C.

Certified Public Accountants
Knoxville, Tennessee
March 18, 2022

FIRST COMMUNITY CORPORATION AND FIRST COMMUNITY BANK OF EAST TENNESSEE
CONSOLIDATED BALANCE SHEETS

As of December 31,	2021	2020
ASSETS		
Cash and Due from Banks	$ 51,381,633	$ 42,976,546
Securities Available for Sale, at Fair Value	18,744,234	16,688,743
Loans, Net	114,367,723	107,592,801
Premises and Equipment, Net	4,224,618	4,256,068
Accrued Interest Receivable	304,834	392,908
Restricted Equity Investment, at Cost	2,330,600	2,330,600
Cash Surrender Value of Life Insurance	7,586,543	7,381,653
Foreclosed Real Estate	215,001	330,002
Deferred Income Tax Benefit	835,745	937,731
Other Assets	386,401	511,143
Total Assets	$ 200,377,332	$ 183,398,195
LIABILITIES AND EQUITY		
LIABILITIES		
Deposits:		
Noninterest-bearing	$ 43,929,092	$ 35,504,559
Interest-bearing	126,785,282	114,129,808
Total Deposits	170,714,374	149,634,367
Securities Sold Under Agreements to Repurchase	3,070,899	2,835,388
Federal Home Loan Bank Advances	671,162	727,617
Federal Reserve Bank Advances	192,197	4,591,837
Subordinated Debentures	5,217,000	5,217,000
Accrued Interest Payable	56,470	116,315
Other Liabilities	2,217,267	2,144,686
Total Liabilities	182,139,369	165,267,210
SHAREHOLDERS' EQUITY		
Preferred Stock Class A, $8.05 Par Value. Authorized 400,000 Shares; Issued 220,080; Outstanding 211,673	1,776,474	1,776,474
Preferred Stock Class B, $8.05 Par Value. Authorized 200,000 Shares; Issued 30,071; Outstanding 29,846	242,072	242,072
Common Stock, No Par Value. Authorized 10,000,000 Shares; Issued 1,699,244; Outstanding 1,650,812 in 2021 (1,679,244 Issued and 1,630,812 Outstanding in 2020)	5,743,705	5,629,202
Treasury Stock, at Cost	(946,998)	(946,998)
Retained Earnings	11,399,895	11,083,573
Accumulated Other Comprehensive Income	22,815	346,662
Total Shareholders' Equity	18,237,963	18,130,985
Total Liabilities and Shareholders' Equity	$ 200,377,332	$ 183,398,195

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

FIRST COMMUNITY CORPORATION AND FIRST COMMUNITY BANK OF EAST TENNESSEE
CONSOLIDATED STATEMENTS OF OPERATIONS

For the Years Ended December 31,	2021	2020
INTEREST INCOME		
Loans, Including Fees	$ 5,349,852	$ 5,819,361
Securities		
Taxable	257,443	300,096
Non-taxable	30,148	41,175
Other	106,133	116,430
Total Interest Income	5,743,576	6,277,062
INTEREST EXPENSE		
Deposits	253,574	422,186
Federal Home Loan Bank Advances	36,190	39,456
Subordinated Debentures	106,094	137,068
Other	17,964	13,685
Total Interest Expense	413,822	612,395
NET INTEREST INCOME	5,329,754	5,664,667
PROVISION FOR LOAN LOSSES	0	299,000
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	5,329,754	5,963,667
NONINTEREST INCOME		
Service Charges on Deposit Accounts	294,891	306,989
Increase in Cash Surrender Value of Life Insurance	204,890	201,705
Other	475,896	440,859
Total Noninterest Income	975,677	949,553
NONINTEREST EXPENSE		
Salaries and Employee Benefits	3,290,146	3,419,933
Occupancy	512,724	615,761
Data Processing	336,524	388,364
Furniture and Equipment	123,589	132,132
Advertising and Public Relations	49,259	36,578
Professional Services	138,855	194,096
Foreclosed Real Estate, Net	(137,890)	(348,122)
Operating Supplies	39,628	50,586
Computer Software Depreciation	1,528	3,873
Software Maintenance	76,793	62,068
Telephone and Data Communications	90,590	96,023
Director and Committee Fees	124,200	141,603
FDIC and State Assessments	70,468	67,874
Cybersecurity	99,776	124,380
Other	480,042	495,554
Total Noninterest Expense	5,296,232	5,480,703
INCOME BEFORE INCOME TAXES	1,009,199	1,432,517
INCOME TAX (EXPENSE) BENEFIT	(216,600)	(300,249)
NET INCOME	$ 792,599	$ 1,132,268
EARNINGS PER COMMON SHARE	$ 0.44	$ 0.66
EARNINGS PER COMMON SHARE, ASSUMING DILUTION	$ 0.42	$ 0.60

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

FIRST COMMUNITY CORPORATION AND FIRST COMMUNITY BANK OF EAST TENNESSEE
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31,	2021	2020
NET INCOME	$ 792,599	$ 1,132,268
OTHER COMPREHENSIVE INCOME (LOSS)		
Unrealized Gains (Losses) on Investment Securities Available for Sale	(438,461)	343,113
Income Taxes Related to Items of Other Comprehensive Income	114,614	(89,690)
Other Comprehensive Income (Loss), Net of Income Taxes	(323,847)	253,423
COMPREHENSIVE INCOME	$ 468,752	$ 1,385,691

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

FIRST COMMUNITY CORPORATION AND FIRST COMMUNITY BANK OF EAST TENNESSEE
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
Years Ended December 31, 2021 and 2020

	Preferred Stock A	Preferred Stock B	Common Stock	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
BALANCES, JANUARY 1, 2020	$ 1,776,474	$ 242,072	$ 5,609,699	$ (946,998)	$ 10,422,780	$ 93,239	$ 17,197,266
Preferred Stock Dividends Paid	0	0	0	0	(63,772)	0	(63,772)
Common Stock Dividends Paid	0	0	0	0	(407,703)	0	(407,703)
Net Income	0	0	0	0	1,132,268	0	1,132,268
Other Comprehensive Income (Loss)	0	0	0	0	0	253,423	253,423
Stock-Based Compensation	0	0	19,503	0	0	0	19,503
BALANCES, DECEMBER 31, 2020	1,776,474	242,072	5,629,202	(946,998)	11,083,573	346,662	18,130,985
Preferred Stock Dividends Paid	0	0	0	0	(63,574)	0	(63,574)
Common Stock Dividends Paid	0	0	0	0	(412,703)	0	(412,703)
Net Income	0	0	0	0	792,599	0	792,599
Other Comprehensive Income (Loss)	0	0	0	0	0	(323,847)	(323,847)
Stock Options Exercised	0	0	95,000	0	0	0	95,000
Stock-Based Compensation	0	0	19,503	0	0	0	19,503
BALANCES, DECEMBER 31, 2021	$ 1,776,474	$ 242,072	$ 5,743,705	$ (946,998)	$ 11,399,895	$ 22,815	$ 18,237,963

FIRST COMMUNITY CORPORATION AND FIRST COMMUNITY BANK OF EAST TENNESSEE
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31,	2021	2020
Cash Flows from Operating Activities:		
Net Income	$ 792,599	$ 1,132,268
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Depreciation and Amortization	219,137	226,283
Net Amortization of Securities	60,351	60,769
Stock Dividends Received	(12,253)	0
Provision for Loan Losses	0	(299,000)
Stock-Based Compensation	19,503	19,503
(Gain) Loss of Sales of Foreclosed Real Estate and Repossessed Assets	(153,180)	(417,461)
Write-downs of Foreclosed Real Estate	0	19,000
Deferred Income Taxes (Benefit)	216,600	304,681
(Increase) Decrease in Cash Surrender Value of Company Owned Life Insurance	(204,890)	(201,705)
Change in Accrued Interest Receivable and Other Assets	219,072	67,804
Change in Accrued Interest Payable and Other Liabilities	12,736	18,937
Net Cash Provided by (Used in) Operating Activities	1,169,675	931,079
Cash Flows from Investing Activities:		
Purchases of Securities Available for Sale	(6,036,292)	(4,890,967)
Purchases of Equity Investments	0	(519,800)
Proceeds from Maturities, Redemptions, and Paydowns of Securities Available for Sale	3,494,242	7,890,246
Net (Increase) Decrease in Loans	(6,677,172)	7,482,544
Proceeds from Sales of Foreclosed Real Estate and Repossessed Assets	164,175	1,003,579
Purchases of Premises and Equipment	(187,687)	(19,571)
Net Cash Provided by (Used in) Investing Activities	(9,242,734)	10,946,031
Cash Flows from Financing Activities:		
Cash Dividends Paid on Preferred Stock	(63,574)	(63,772)
Cash Dividends Paid on Common Stock	(412,703)	(407,703)
Exercise of Stock Options	95,000	0
Proceeds from Federal Reserve Bank Advances	0	6,600,577
Repayments of FHLB and FRB Advances	(4,456,095)	(2,062,357)
Change in Checking, Savings and Money Market Accounts	19,571,659	18,316,640
Increase (Decrease) in Time Deposits	1,508,348	(1,388,383)
Change in Securities Sold under Agreements to Repurchase	235,511	(1,326,723)
Net Cash Provided by (Used in) Financing Activities	16,478,146	19,668,279
Net Change in Cash and Cash Equivalents	8,405,087	31,545,389
Cash and Cash Equivalents at Beginning of Period	42,976,546	11,431,157
Cash and Cash Equivalents at End of Period	$ 51,381,633	$ 42,976,546
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Year for:		
Interest	$ 473,666	$ 654,514
Income Taxes	0	4,919
Supplemental Noncash Disclosures:		
Transfers from Loans to Foreclosed Real Estate and Repossessed Assets	$ 0	$ 415,000
Sales of Foreclosed Real Estate by Origination of Loans	97,750	0
Change in Unrealized Gains/Losses on Securities Available for Sale	(438,461)	343,113
Change in Deferred Income Taxes Associated with Unrealized Gains/Losses on Securities Available for Sale	(114,614)	89,690
Change in Unrealized Gains/Losses on Securities Available for Sale, Net of Deferred Income Taxes	(323,847)	253,423

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General: First Community Corporation (the Holding Company), through its wholly owned subsidiary, First Community Bank of East Tennessee (the Bank), provides a variety of banking services to individuals and businesses from its banking offices in Rogersville, Church Hill, Surgoinsville and Kingsport, Tennessee. Its primary deposit products are demand and savings deposits and certificates of deposit, and its primary lending products are commercial, residential real estate and consumer loans. The accounting principles followed and the methods of applying those principles conform with accounting principles generally accepted in the United States of America (GAAP) and to general practices in the banking industry. The significant policies are summarized as follows:

Basis of Presentation: The accompanying consolidated financial statements include the accounts of First Community Corporation, a one-bank holding company and its wholly-owned subsidiary, First Community Bank of East Tennessee, together referred to as “the Company”. All material intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates: To prepare consolidated financial statements in conformity with GAAP, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the consolidated financial statements and the disclosures provided, and future results could differ. The allowance for loan losses, fair values of financial instruments, the valuation of real estate acquired through foreclosures, and deferred compensation related to retirement plan liabilities are particularly subject to change.

Cash Flows: Cash and cash equivalents include cash and due from banks, deposits with other financial institutions with maturities under 90 days, and federal funds sold. Net cash flows are reported for loan, deposit and securities sold under agreements to repurchase transactions.

Cash and Due from Banks: The Bank maintains cash deposits with the Federal Reserve Bank, which totaled approximately $43,181,000 and $34,427,000 as of December 31, 2021 and 2020, respectively, and with the Federal Home Loan Bank of Cincinnati, which totaled approximately $69,000 and $131,000 as of December 31, 2021 and 2020, respectively. As of December 31, 2021 and 2020, balances in correspondent bank accounts in excess of FDIC insurance limits totaled approximately $4,868,000 and $4,616,000, respectively.

Investment Securities: Securities are classified as held to maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Securities are classified as available for sale when they might be sold before maturity. Securities available for sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income (loss).

Interest income includes amortization of purchase premium or discount. Gains and losses on sales are based on the amortized cost of the security sold. Securities are written down to fair value when a decline in fair value is not considered temporary (see Note 2).

Declines in the fair value of securities below their cost that are other than temporary are reflected as realized losses. In estimating other-than-temporary losses, management considers: (1) the length of time and extent that fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the Company’s ability and intent to hold the security for a period sufficient to allow for any anticipated recovery in the fair value (see Note 2).

Restricted Equity Investment: The Company’s restricted equity investment represents a required investment in the Federal Home Loan Bank (FHLB) of Cincinnati, which is pledged as collateral for FHLB advances (see Note 12). This investment is carried at cost and evaluated for impairment.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans: Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at the principal balance outstanding, net of an estimated allowance for loan losses.

Interest income is reported on the simple interest accrual method. Interest income on mortgage and commercial loans is discontinued at the time the loan is 90 days delinquent unless the credit is well secured and in process of collection. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not received for loans placed on nonaccrual 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 the accrual basis. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Estimated Allowance for Loan Losses: The estimated allowance for loan losses is a valuation allowance for probable incurred credit losses, increased by the provision for loan losses and decreased by charge-offs less recoveries. 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 trends and conditions. The entire estimated allowance is available for any loan that, in management’s judgment, should be charged-off. Loan losses are charged against the estimated allowance when management believes the uncollectibility of a loan balance is confirmed.

A general reserve is established that evaluates unimpaired loans by category. Each loan within a group has similar risk characteristics. When estimating credit losses on each group of loans, management considers the Company’s historical loss experience on the group, adjusted for changes in trends, conditions, and other relevant factors that affect repayment of the loans as of the evaluation date. These loans are collectively evaluated for estimated credit losses.

Another component of the ALLL is an allocated reserve on individually evaluated loans, as judgmentally determined by management to be impaired. A loan is considered impaired when based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. If a loan is impaired, an allocated allowance is established so that the loan is reported at the net 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.

While management uses available information to recognize losses on loans, further reductions in the carrying amounts of loans may be necessary. In addition, regulatory agencies, as an integral part of their examination process, periodically review the estimated losses on loans. Such agencies may require the Company to recognize additional losses based on their judgments about information available to them at the time of their examination. Because of these factors, it is reasonably possible that the estimated losses on loans may change materially in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

Premises and Equipment: Premises and equipment are stated at cost, less accumulated depreciation and amortization. The provision for depreciation is computed principally on the straight-line method over the estimated useful lives of the assets, which range as follows: building-40 years, equipment-3 to 15 years. Computer software is amortized using the straight-line method over the useful life of the asset and ranges from 3 to 10 years.

Foreclosed Real Estate: Real estate acquired through or instead of loan foreclosure is initially recorded at fair value when acquired, establishing a new cost basis. If fair value declines subsequent to foreclosure, a valuation allowance is recorded through expense. Costs after acquisition that do not increase the property’s value are expensed. The Company’s current average holding period for such properties is approximately 66 months.

Cash Surrender Value of Life Insurance: The Company has purchased life insurance policies on certain key executives and bank officers. Company owned life insurance is recorded at its net cash surrender value, or the amount that can be realized if surrendered.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Securities Sold Under Agreements to Repurchase: Repurchase agreements are treated as financing transactions and are carried at the amounts at which the securities will be subsequently reacquired, as specified in the respective agreements. Securities are pledged to cover these liabilities, which are not covered by federal deposit insurance.

Stock-Based Compensation: Compensation cost is recognized for stock options issued to employees and directors. Compensation cost is measured as the fair value of these awards on their date of grant. A Black-Scholes model is utilized to estimate the fair value of stock options at the date of grant. Compensation cost is recognized over the required service period, generally defined as the vesting period for stock option awards. For awards with graded vesting, compensation cost is recognized on a straight-line basis over the requisite service period for the entire award.

Earnings Per Common Share: Basic earnings per common share is net income less preferred stock dividends divided by the weighted average number of common shares outstanding during the period. Diluted earnings per share includes the effect of all dilutive potential common shares that were outstanding during the period. Earnings and dividends per share are restated for all stock splits and dividends through the date of issue of the consolidated financial statements. See Note 18.

Advertising and Public Relations: Advertising and public relations costs are expensed as incurred.

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 tax bases of assets and liabilities, computed using enacted tax rates.

Employee Benefits: The Company maintains a 401(k) profit-sharing plan that covers substantially all employees. The Company matches a portion of the employee's contribution and records the expense in the period the employee contribution is withheld. The Company has a non-qualified deferred compensation arrangement with certain current and former officers. A contribution may be made or accrued each year based on future benefits to be paid under the arrangement, at the discretion of the Board of Directors if certain financial goals are met.

Consolidated Statement of Comprehensive Income: The objective of this statement is to report a measure of all changes in equity of an enterprise that results from transactions and other economic events of the period other than transactions with owners. Items included in comprehensive income include revenues, gains and losses that under generally accepted accounting principles are directly charged to equity. Examples include foreign currency translations, pension liability adjustments and unrealized gains and losses on investment securities available for sale. The Company has included its comprehensive income in a separate financial statement as part of its consolidated financial statements.

Off-Balance Sheet Financial Instruments: Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and standby 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.

Leases: All of the Company's leases are classified as operating leases. Right-of-use assets and lease liabilities are recorded based on the present value of future lease payments, and lease expense is recognized on a straight-line basis over the lives of the leases. Rental expense was $46,400 and $37,700 for the years ended December 31, 2021 and 2020, respectively.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements: In June 2016, the FASB issued ASU 2016-13, *Financial Instruments–Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The FASB has also since issued several updates to ASU 2016-13. The ASU requires financial assets measured at amortized cost (including loans and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of income as the amounts expected to be collected change. The ASU is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company is currently evaluating the impact of adopting this new guidance on its consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in ASC 740 and also clarifies and amends existing guidance to improve consistent application. This ASU is effective for the Company beginning on January 1, 2022. The adoption of ASU 2019-12 is not expected to have a significant impact on the Company's consolidated financial statements.

Evaluation of Subsequent Events: The Company's management has evaluated subsequent events through March 18, 2022, which is the date the financial statements were available to be issued and has determined that there are no subsequent events that require disclosure.

NOTE 2 - SECURITIES

The fair values of securities available for sale and the related gross unrealized gains and losses recognized in accumulated other comprehensive income (loss) were as follows:

2021	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury Securities	$ 2,969,909	$ 41,279	$ (38,417)	$ 2,972,771
Small Business Admin. Securities	1,123,734	14,420	0	1,138,154
U.S. Government Agency Securities	6,817,842	90,817	(71,510)	6,837,149
Residential Mortgage-Backed Securities	5,204,522	51,418	(20,287)	5,235,653
Taxable Municipal Securities	966,163	0	(38,174)	927,989
Tax-Exempt Municipal Securities	1,631,174	3,917	(2,573)	1,632,518
Total	$ 18,713,344	$ 201,851	$ (170,961)	$ 18,744,234
2020				
U.S. Treasury Securities	$ 995,249	$ 79,831	$ 0	$ 1,075,080
Small Business Admin. Securities	1,433,195	32,866	0	1,466,061
U.S. Government Agency Securities	5,977,284	200,133	(1,107)	6,176,310
Residential Mortgage-Backed Securities	4,433,764	129,164	0	4,562,928
Taxable Municipal Securities	965,729	294	0	966,023
Tax-Exempt Municipal Securities	2,414,171	28,170	0	2,442,341
Total	$ 16,219,392	$ 470,458	$ (1,107)	$ 16,688,743

NOTE 2 - SECURITIES (Continued)

The amortized cost and fair value of securities at December 31, 2021, by contractual maturity, is shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations.

	Amortized Cost	Fair Value
Due through One Year	$ 3,195,000	$ 3,221,276
Due after One through Five Years	3,261,784	3,366,510
Due after Five through Ten Years	5,928,304	5,782,641
Residential Mortgage-backed and SBA Securities	6,328,256	6,373,807
Total	$ 18,713,344	$ 18,744,234

For purposes of the above maturity table, mortgage-backed securities and Small Business Administration securities, which are not due at a single maturity date, are presented on a separate line item.

There were no proceeds from sales during the years ended December 31, 2021 and 2020. The Company recognized no gross gains or losses from the sales of investment securities in either year.

Securities pledged to secure public deposits and repurchase agreements at December 31, 2021 and 2020 had a carrying amount of approximately $18,744,000 and $16,689,000, respectively.

The following table shows securities with unrealized losses and their fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2021 and 2020:

	Less than 12 Months		12 Months or More		Total	
2021	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. Treasury Securities	$ 1,934,570	$ (38,417)	$ 0	$ 0	$ 1,934,570	$ (38,417)
U.S. Government Agency Securities	1,805,330	(32,433)	943,730	(39,077)	2,749,060	(71,510)
Residential Mortgage-backed Securities	1,203,295	(20,287)	0	0	1,203,295	(20,287)
Taxable Municipal Securities	927,989	(38,174)	0	0	927,989	(38,174)
Tax-Exempt Municipal Securities	1,153,792	(2,573)	0	0	1,153,792	(2,573)
Total	$ 7,024,976	$ (131,884)	$ 943,730	$ (39,077)	$ 7,968,706	$ (170,961)
2020						
U.S. Government Agency Securities	$ 979,800	$ (1,107)	$ 0	$ 0	$ 979,800	$ (1,107)

Unrealized losses on securities have not been recognized into income because the issuer(s) securities are of higher credit quality (rated A3 or higher), management has the intent and ability to hold them for the foreseeable future, and the decline in fair value is largely due to changes in market interest rates. The fair value is expected to recover as the securities approach their maturity date and/or market rates change.

At December 31, 2021, the nine investment securities with unrealized losses have depreciated 2% from the Company's amortized cost basis. These unrealized losses relate principally to current interest rates for similar types of securities. In analyzing an issuer's financial condition, management considers whether the security is issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition.

NOTE 3 - LOANS

A summary of loans outstanding by category at December 31, 2021 and 2020 follows:

	2021	2020
Secured by Real Estate:		
Commercial - Owner-Occupied	$ 13,223,173	$ 14,793,984
Commercial - Other	32,846,978	21,451,115
Construction, Land Development and Vacant Land	8,544,145	12,106,118
Residential Properties	41,896,497	37,666,779
Commercial, Financial and Agricultural	17,452,865	20,397,324
Consumer	2,202,836	2,963,388
	116,166,494	109,378,708
Less: Allowance for Loan and Lease Losses	(1,798,771)	(1,785,907)
Loans, Net	$ 114,367,723	$ 107,592,801

NOTE 4 - LOAN QUALITY

Management performs a quarterly evaluation of the adequacy of the allowance for loan and lease losses (ALLL). Consideration is given to a variety of factors in establishing this estimate including, but not limited to, current economic conditions, diversification of the loan portfolio, delinquency statistics, results of internal loan reviews, borrowers' actual or perceived financial and managerial strengths, the adequacy of the underlying collateral (if collateral dependent) and other relevant factors. It is management's general practice to obtain a new appraisal or asset valuation for any loan that it has rated as substandard or lower, including loans on nonaccrual of interest. Management, at its discretion, may determine that additional adjustments to the appraisal or valuation are required. Valuation adjustments will be made as necessary based on other factors including, but not limited to, the economy, maintenance and general condition of the collateral, industry, type of property/equipment/vehicle, and the knowledge management has about a particular situation. In addition, the cost to sell or liquidate the collateral is also estimated when determining the realizable value to the Company.

Certain factors involved in the evaluation are inherently subjective, as they require material estimates that may be susceptible to significant change, including the amounts and timing of future cash flows expected to be received on impaired loans.

For financial statement presentation, the Company segregates its loan portfolio into the following segments based primarily on the type of supporting collateral: commercial – owner-occupied; commercial – other; construction; residential; commercial, financial and agricultural; and consumer loans. The construction and land development segment contains loans to individuals to construct their own homes as well as loans to contractors and developers to construct homes or buildings for resale or develop residential or commercial real estate. This segment has its own unique risk characteristics including the need to periodically inspect the property during construction to ensure the funds disbursed are used properly and the real estate held for collateral maintains its value in relation to the amount owed on it. The construction and land development segment also has risk characteristics related to the probability of eventual sale of the finished project or the ability to generate sufficient rental income to service the debt. The residential real estate segment is segregated from the commercial real estate segment due to the obvious differences in inherent risks in each of these types of properties and borrower types. Consumer loans have risk characteristics including the volatility of the collateral’s value and the inherent risk of loaning on collateral that is mobile and subject to damage without proper insurance coverage.

NOTE 4 - LOAN QUALITY (Continued)

The analysis for determining the ALLL is consistent with guidance set forth in generally accepted accounting principles (GAAP) and the Interagency Policy Statement on the Allowance for Loan and Lease Losses. The analysis has two components: specific and general allocations. The specific component addresses specific reserves established for loans that were individually evaluated and deemed to be impaired. For these impairment evaluations, the Company assesses loan relationships with balances exceeding $100,000 that show signs of possible impairment based on the payment status, internal risk ratings, or other credit quality factors. A loan is considered to be impaired when, based on current information and events, it is probable that the Company will be unable to collect all interest and principal payments due according to the originally contracted terms of the loan agreement.

Expected cash flow or collateral values discounted for market conditions and selling costs are used to establish specific allocations. Loans measured for the ALLL under the specific allocation method normally tend to be impaired construction, real estate, vehicle or unsecured loans.

The general component addresses the reserves established for pools of homogenous loans, including primarily non-classified loans. The general component includes a quantitative and qualitative analysis. The quantitative analysis includes the Company's historical loan loss experience (weighted towards most recent periods) and other factors derived from economic and market conditions that have been determined to have an effect on the probability and magnitude of a loss. The qualitative analysis utilizes factors such as: loan volume, loan collateral, management characteristics, levels of nonperforming loans, results of the loan review process, specific credit concentrations, and legal and regulatory issues. Input for these factors is determined on the basis of management's observation, judgment and experience. As a result of this input, additional loss percentages can be assigned to each pool of loans.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. 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 a 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. Cash payments received on impaired loans on which the accrual of interest has been discontinued are applied to principal until the loans are returned to accrual status.

The following table presents, by loan segment, the ALLL and changes to the ALLL for the years ended December 31, 2021 and 2020 with the ALLL allocated based on the segment loan volumes:

	Secured by Real Estate							
	Commercial - Owner-Occupied	Commercial - Other	Construction, Land Dev. and Vacant Land	Residential Properties	Commercial, Financial and Agricultural	Consumer	Unallocated	Total
Allowance at December 31, 2019	$ 207,875	$ 300,283	$ 244,477	$ 514,057	$ 225,949	$ 49,276	$ 10,094	$ 1,552,011
Provision	36,363	(719,502)	131,110	100,792	158,025	4,306	(10,094)	(299,000)
Charge-offs	0	0	(182,511)	(9,845)	(59,466)	(4,843)	0	(256,665)
Recoveries	0	773,361	0	9,545	6,471	184	0	789,561
Allowance at December 31, 2020	244,238	354,142	193,076	614,549	330,979	48,923	0	1,785,907
Provision	(44,310)	132,033	(63,892)	7,918	(67,311)	(13,021)	48,583	0
Charge-offs	0	0	0	0	(9,911)	(2,855)	0	(12,766)
Recoveries	0	10,456	0	9,406	5,509	259	0	25,630
Allowance at December 31, 2021	$ 199,928	$ 496,631	$ 129,184	$ 631,873	$ 259,266	$ 33,306	$ 48,583	$ 1,798,771

NOTE 4 - LOAN QUALITY (Continued)

The following tables present, by loan segment, loans that were evaluated for the ALLL under the specific reserve (individually) and those that were evaluated under the general reserve (collectively) as of December 31, 2021 and 2020:

	Secured by Real Estate							
	Commercial - Owner-Occupied	Commercial - Other	Construction, Land Dev. and Vacant Land	Residential Properties	Commercial, Financial and Agricultural	Consumer	Unallocated	Total
December 31, 2021								
Loans Evaluated for Allowance:								
Individually	$ 0	$ 0	$ 0	$ 104,717	$ 305,094	$ 0	$ 0	$ 409,811
Collectively	13,223,173	32,846,978	8,544,145	41,791,780	17,147,771	2,202,836	0	115,756,683
Total	$ 13,223,173	$ 32,846,978	$ 8,544,145	$ 41,896,497	$ 17,452,865	$ 2,202,836	$ 0	$ 116,166,494
Allowance Established for Loans Evaluated:								
Individually	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Collectively	199,928	496,631	129,184	631,873	259,266	33,306	48,583	1,798,771
Allowance at December 31, 2021	$ 199,928	$ 496,631	$ 129,184	$ 631,873	$ 259,266	$ 33,306	$ 48,583	$ 1,798,771
December 31, 2020								
Loans Evaluated for Allowance:								
Individually	$ 0	$ 0	$ 411,128	$ 442,305	$ 349,310	$ 0	$ 0	$ 1,202,743
Collectively	14,793,984	21,451,115	11,694,990	37,224,474	20,048,014	2,963,388	0	108,175,965
Total	$ 14,793,984	$ 21,451,115	$ 12,106,118	$ 37,666,779	$ 20,397,324	$ 2,963,388	$ 0	$ 109,378,708
Allowance Established for Loans Evaluated:								
Individually	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Collectively	244,238	354,142	193,076	614,549	330,979	48,923	0	1,785,907
Allowance at December 31, 2020	$ 244,238	$ 354,142	$ 193,076	$ 614,549	$ 330,979	$ 48,923	$ 0	$ 1,785,907

NOTE 4 - LOAN QUALITY (Continued)

The following tables show additional information about those loans considered to be impaired at December 31, 2021 and 2020:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
For the Year Ended December 31, 2021					
Impaired Loans with No Specific Allowance:					
Loans Secured by Real Estate:					
Residential:					
Other	$ 104,717	$ 104,717	$ 0	$ 106,855	$ 4,864
Other Loans:					
Commercial, Financial and Agricultural	305,094	305,094	0	330,395	19,195
Total Impaired Loans with No Specific Allowance	$ 409,811	$ 409,811	$ 0	$ 437,250	$ 24,059
Total Impaired Loans with Specific Allowance	$ 0	$ 0	$ 0	$ 0	$ 0
Total Impaired Loans	$ 409,811	$ 409,811	$ 0	$ 437,250	$ 24,059
For the Year Ended December 31, 2020					
Impaired Loans with No Specific Allowance:					
Loans Secured by Real Estate:					
Construction, Land Development & Vacant Land	$ 197,528	$ 197,528	$ 0	$ 212,528	$ 11,304
Residential:					
Construction	213,600	213,600	0	213,600	10,505
Other	442,305	465,939	0	469,645	22,938
Total	853,433	877,067	0	895,773	44,747
Other Loans:					
Commercial, Financial and Agricultural	349,310	349,310	0	396,134	24,748
Total Impaired Loans with No Specific Allowance	$ 1,202,743	$ 1,226,377	$ 0	$ 1,291,907	$ 69,495
Total Impaired Loans with Specific Allowance	$ 0	$ 0	$ 0	$ 0	$ 0
Total Impaired Loans	$ 1,202,743	$ 1,226,377	$ 0	$ 1,291,907	$ 69,495

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 substandard or management watch are reviewed regularly by the Company to determine if appropriately classified or to determine if the loan is impaired. The Company's loan portfolio is reviewed for credit quality with samples being selected based on loan size, credit grades, etc., to ensure that the Company's management is properly applying credit risk management processes.

NOTE 4 - LOAN QUALITY (Continued)

Loans excluded from the scope of the annual review process are generally classified as pass credit 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 customer relationship is specifically evaluated for potential classification as to special mention, substandard or doubtful, or could even be considered for charge-off. The Company uses the following definitions for risk ratings:

Pass – Strong credit with no existing or known potential weaknesses deserving management's close attention.

Management Watch – Loans included in this category are currently protected but are potentially weak. These loans constitute an undue and unwarranted credit risk but do not presently expose the Company to a sufficient degree of risk to warrant adverse classification. As a general rule, for the purpose of calculating a loan loss reserve, loans in this category will have the historical loss reserve percentage applied and will remain in a pool with loans that are considered acceptable or better when determining the general valuation reserves. Loans classified as management watch 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 loan or of the institution's credit position at some future date.

Substandard – Substandard loans are inadequately protected by the current net worth and financial capacity of the borrower or of the collateral pledged, if any. The borrower or guarantor is unwilling or unable to meet loan terms or loan covenants for the foreseeable future.

Doubtful – Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full highly questionable or improbable, based on currently existing facts, condition, and values.

Loss – Loans classified as losses are uncollectible or no longer a bankable asset. This classification does not mean that the asset has absolutely no recoverable value. Certain salvage value is inherent in these loans. Nevertheless, it is not practical or desirable to defer writing off a portion or whole of a perceived asset even though partial recovery may be collected in the future.

NOTE 4 - LOAN QUALITY (Continued)

The following table shows the Company's credit quality indicators by type of loan as of December 31, 2021 and 2020:

As of December 31, 2021	Pass	Management Watch	Substandard	Doubtful	Total Loans
Loans Secured by Real Estate:					
Commercial - Owner-Occupied	$ 12,897,466	$ 325,707	$ 0	$ 0	$ 13,223,173
Commercial - Other	29,834,630	3,012,348	0	0	32,846,978
Construction, Land Development & Vacant Land	8,544,145	0	0	0	8,544,145
Residential:					
1 - 4 Family	39,050,725	736,150	314,285	0	40,101,160
Other	1,795,337	0	0	0	1,795,337
Other Loans:					
Commercial, Financial and Agricultural	17,133,039	0	319,826	0	17,452,865
Consumer	2,202,836	0	0	0	2,202,836
Total Loans	$ 111,458,178	$ 4,074,205	$ 634,111	$ 0	$ 116,166,494

As of December 31, 2020	Pass	Management Watch	Substandard	Doubtful	Total Loans
Loans Secured by Real Estate:					
Commercial - Owner-Occupied	$ 13,807,834	$ 986,150	$ 0	$ 0	$ 14,793,984
Commercial - Other	18,378,697	3,072,418	0	0	21,451,115
Construction, Land Development & Vacant Land	11,908,590	0	197,528	0	12,106,118
Residential:					
1 - 4 Family	33,725,530	781,978	840,009	0	35,347,517
Other	2,319,262	0	0	0	2,319,262
Other Loans:					
Commercial, Financial and Agricultural	20,015,381	0	381,943	0	20,397,324
Consumer	2,961,890	0	1,498	0	2,963,388
Total Loans	$ 103,117,184	$ 4,840,546	$ 1,420,978	$ 0	$ 109,378,708

NOTE 4 - LOAN QUALITY (Continued)

The following table provides an aging analysis of the Company's loans as of December 31, 2021 and 2020:

	Current	30-89 Days Past Due	Greater Than 90 Days	Nonaccrual	Total Past Due and Nonaccrual	Total Loans
As of December 31, 2021						
Loans Secured by Real Estate:						
Commercial - Owner-Occupied	$ 13,223,173	$ 0	$ 0	$ 0	$ 0	$ 13,223,173
Commercial - Other	32,846,978	0	0	0	0	32,846,978
Construction, Land Development & Vacant Land	8,544,145	0	0	0	0	8,544,145
Residential:						
1 - 4 Family	39,899,290	90,766	0	111,104	201,870	40,101,160
Other	1,795,337	0	0	0	0	1,795,337
Other:						
Commercial, Financial and Agricultural	17,133,039	0	305,093	14,733	319,826	17,452,865
Consumer	2,202,836	0	0	0	0	2,202,836
Total Loans	$ 115,644,798	$ 90,766	$ 305,093	$ 125,837	$ 521,696	$ 116,166,494
As of December 31, 2020						
Loans Secured by Real Estate:						
Commercial - Owner-Occupied	$ 14,793,984	$ 0	$ 0	$ 0	$ 0	$ 14,793,984
Commercial - Other	21,451,115	0	0	0	0	21,451,115
Construction, Land Development & Vacant Land	12,106,118	0	0	0	0	12,106,118
Residential:						
1 - 4 Family	34,839,685	93,541	0	414,291	507,832	35,347,517
Other	2,319,262	0	0	0	0	2,319,262
Other:						
Commercial, Financial and Agricultural	20,170,201	194,490	0	32,633	227,123	20,397,324
Consumer	2,956,177	7,211	0	0	7,211	2,963,388
Total Loans	$ 108,636,542	$ 295,242	$ 0	$ 446,924	$ 742,166	$ 109,378,708

Certain loan modifications are considered troubled debt restructurings (TDRs) when the Company, for economic or legal reasons related to the debtor's financial difficulties, grants a concession to the debtor that it would not otherwise consider. The Company uses various restructuring techniques, including, but not limited to, deferral of past due interest or principal, implementing A/B note structure, redeeming past due taxes, reduction of interest rates, extending maturities and modification of amortization schedules. The Company typically does not forgive principal balances or past due interest prior to pay off or surrender of the collateral. Loans considered to be TDRs are classified as impaired loans for purposes of determination of the allowance for loans losses, until the Company determines the loans are performing based on terms specified by the restructuring agreements. The allowance for these loans is calculated in the same manner as other impaired loans, as described above. As of December 31, 2021 and 2020, the Company had no commitments to lend funds to borrowers whose terms have been modified as TDRs. Additionally, for the years ending December 31, 2021 and 2020, the Company had no loans modified as TDRs within the previous 12 months for which there was a payment default during the period. The Company did not restructure any loans as troubled debt restructuring during the year ending December 31, 2021. During the year ending December 31, 2020, the Company restructured the following loans as TDRs:

	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
For the Year Ended December 31, 2020			
Troubled Debt Restructurings			
Modified During the Year Ended by			
Type of Modification:			
Reduction of Payment Amount			
Commercial, Financial, and Agricultural	1	$ 32,633	$ 32,633

NOTE 5 - PREMISES AND EQUIPMENT

Following is a summary of premises and equipment at December 31:

	2021	2020
Land	$ 1,270,242	$ 1,270,242
Building	6,758,524	6,738,226
Furniture and Equipment	1,538,671	1,760,345
Computer Software	1,099,288	1,099,288
	10,666,725	10,868,101
Less: Accumulated Depreciation and Amortization	(6,442,107)	(6,612,033)
	$ 4,224,618	$ 4,256,068

Depreciation and amortization expense totaled $219,137 and $226,283 for 2021 and 2020.

NOTE 6 - FORECLOSED REAL ESTATE

Foreclosed real estate is carried at estimated fair value less costs to sell the property. An analysis of foreclosed real estate for the years ended December 31, 2021 and 2020 follows:

	2021	2020
Balance at Beginning of Year	$ 330,002	$ 263,330
Additions to Foreclosed Real Estate	0	415,000
Foreclosed Real Estate Sold	(115,001)	(329,328)
Write-downs of Foreclosed Real Estate	0	(19,000)
Balance at End of Year	$ 215,001	$ 330,002

Net expenses (income) applicable to foreclosed real estate for the years ended December 31, 2021 and 2020 include the following:

	2021	2020
Net (Gain) Loss on Sales of Foreclosed Real Estate	$ (146,924)	$ (495,626)
Net (Gain) Loss on Repossessions	(6,256)	78,165
Write-downs of Foreclosed Real Estate	0	19,000
Operating Expenses	15,290	50,339
Total	$ (137,890)	$ (348,122)

NOTE 7 - DEPOSITS

A summary of deposits at December 31 follows:

	2021	2020
Noninterest-Bearing	$ 43,929,092	$ 35,504,559
NOW & MMDA	67,885,218	60,789,132
Savings	31,865,595	27,814,555
Certificates of Deposit of $250,000 or More	4,653,133	3,290,667
Other Time Deposits	22,381,336	22,235,454
	$ 170,714,374	$ 149,634,367

Scheduled maturities of time deposits for the next five years are as follows at December 31, 2021:

2022	$ 20,628,148
2023	4,580,007
2024	1,152,245
2025	478,638
2026	195,431
	$ 27,034,469

NOTE 8 - SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

Securities sold under agreements to repurchase are financing arrangements that do not have a stated maturity but may be cancelled by either party with a five-day written notice. Information concerning securities sold under agreements to repurchase is summarized as follows:

	2021	2020
Average Daily Balance during the Year	$ 3,132,980	$ 4,966,000
Average Interest Rate during the Year	0.10%	0.19%
Maximum Month-End Balance during the Year	$ 5,754,400	$ 8,193,000
Weighted Average Interest Rate at Year-End	0.10%	0.10%

NOTE 9 - REVENUE FROM CONTRACTS WITH CUSTOMERS

All of the Company's revenue from contracts with customers in the scope of ASC 606 is recognized within noninterest income except for gains/losses on sales of foreclosed real estate, which are recorded within net foreclosed real estate expense. A description of the Company's revenue streams accounted for under ASC 606 follows:

Service Charges on Deposit Accounts - The Company earns fees from its deposit customers for transaction-based, account maintenance, and overdraft services. Transaction-based fees, which include services such as ATM use fees, stop payment charges, statement rendering, and 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.

Interchange Income - Interchange income represents fees for standing ready to authorize and providing settlement on credit card and debit card transactions processed through the Visa© interchange network. The levels of service and structure of interchange rates are set by Visa© and can vary based on cardholder purchase volume. The Company recognizes interchange income upon settlement with the interchange network. Based on the Company's underlying contracts, ASC 606 requires reporting network costs associated with debit card and credit card transactions netted against the related fees from such transactions. Interchange network costs reduced interchange income by $142,585 and $138,279 for the years ended December 31, 2021 and 2020, respectively. Net interchange fees totaled $170,094 and $132,862 for the years ended December 31, 2021 and 2020, respectively, and are reported within other income.

Investment Brokerage Fees - The Company earns fees from investment brokerage services provided to its customers by a third-party service provider. The Company receives commissions from the third-party service provider on a monthly basis based upon customer activity for the month. The fees are recognized and paid monthly. Because the Company (i) acts as an agent in arranging the relationship between the customer and the third-party service provider and (ii) does not control the services rendered to the customers, investment brokerage fees are presented net of related costs. Net brokerage commissions totaled $148,320 and $57,822 for the years ended December 31, 2021 and 2020, respectively, and are reported within other income.

Gains/Losses on Sales of Foreclosed Real Estate - The Company records a gain or loss from the sale of foreclosed real estate 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 foreclosed real estate 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 foreclosed real estate 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.

NOTE 10 - INCOME TAX EXPENSE (BENEFIT)

The Company files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. The Company has not accrued or expensed any amounts for interest or penalties associated with income taxes for the years ended December 31, 2021 and 2020.

Income tax expense (benefit) as shown in the consolidated statements of operations differs from the amount computed using the statutory federal income tax rate follows:

	2021		2020	
	Amount	Percent of Pretax Income	Amount	Percent of Pretax Income
Federal Income Tax at Statutory Rate	$ 211,932	21.0 %	$ 300,830	21.0 %
State Income Tax, Net	46,999	4.7	68,450	4.8
Tax Exempt Interest	(16,536)	-1.6	(19,467)	-1.4
Other Nontaxable Income	(42,992)	-4.3	(42,334)	-3.0
Nondeductible Expenses	1,470	0.1	2,836	0.2
Credits and Other, Net	15,727	1.6	(10,066)	-0.7
	$ 216,600	21 %	$ 300,249	21 %

	2021	2020
Income Taxes (Benefit) Consist of:		
Current (Benefit)	$ 0	$ (4,432)
Deferred (Benefit)	216,600	304,681
	$ 216,600	$ 300,249

The deferred tax assets shown below relate primarily to unrealized losses on foreclosed real estate, deferred compensation, and net operating loss carryforwards. The deferred tax liabilities relate primarily to the provision for loan losses, depreciation of fixed assets, FHLB stock dividends and certain prepaid expenses.

	2021	2020
Deferred Tax Assets	$ 1,480,591	$ 1,691,479
Deferred Tax Liabilities	(644,846)	(753,748)
Net Deferred Tax Assets (Liabilities)	$ 835,745	$ 937,731

Included in the 2021 deferred tax liabilities above is $8,074 of deferred tax effect on the net unrealized gain on securities available for sale ($122,688 in deferred tax liabilities on the net unrealized gain in 2020).

Federal net operating loss carry-forwards are approximately $3 million, which expire at various dates from 2033 to 2035, and state net operating loss carry-forwards are approximately $3 million at December 31, 2021, which expire at various dates from 2028 to 2030.

NOTE 11 - RELATED PARTY TRANSACTIONS

There were no loans to principal officers, directors, or their affiliates at December 31, 2021 and 2020.

Deposit account balances owned by principal officers, directors, and their affiliates at December 31, 2021 and 2020 were approximately $2,915,000 and $2,104,000, respectively.

NOTE 12 - FEDERAL HOME LOAN BANK ADVANCES

The following table is a maturity schedule of advances from the Federal Home Loan Bank as of December 31, 2021:

Date of Advance	Interest Rate	Final Maturity Date		Amount Outstanding at 12/31/21
12/21/05	5.17%	01/01/31	$	671,162

Interest expense associated with the advances from the FHLB totaled $36,190 for the year ended December 31, 2021 ($39,456 in2020). Pursuant to collateral agreements with the FHLB, the advances are secured by the Company's FHLB stock and certain qualifying residential first mortgage loans totaling approximately $32,200,000 as of December 31, 2021 ($26,300,000 in 2020), and commercial real estate loans totaling approximately $14,200,000 as of December 31, 2021 ($16,500,000 in 2020). All of the fixed rate advances have a prepayment penalty. The prepayment penalty would be based on the market rates and the length of time remaining until maturity at the time of payoff.

Additionally, the Company maintains a line of credit advance agreement with the FHLB which allows borrowings up to $13,000,000. This line was undrawn as of December 31, 2021 and 2020. The Company also maintains a letter of credit line for the collateralization of public unit deposits up to $30,000,000, for which balances outstanding as of December 31, 2021 and 2020 were $11,000,000 and $14,300,000, respectively.

NOTE 13 - FEDERAL RESERVE BANK ADVANCES

During 2020, the Company borrowed funds from the Federal Reserve Bank through the Paycheck Protection Program Liquidity Facility (PPPLF) in order to facilitate the extension of Paycheck Protection Program (PPP) loans to their customers. The advances are secured by the underlying PPP loans. The PPPLF advances bear interest at 0.35% and mature on the maturity dates of the PPP loans pledged as collateral. Interest expense associated with the advances from the FRB totaled $14,830 for the year ended December 31, 2021 ($4,248 in 2020). The outstanding balance of advances as of December 31, 2021 is $192,197 ($4,591,837 in 2020).

NOTE 14 - SUBORDINATED DEBENTURES AND OTHER DEBT

On September 20, 2004, the Company borrowed $3,000,000 of floating rate mandatory redeemable securities through a special purpose entity, Rogersville Statutory Trust II, as part of a private offering. The rate, which varies quarterly with LIBOR, was 2.41% at December 31, 2021. The securities mature on September 20, 2034; however, the maturity may be shortened on a quarterly basis, subject to approval of a repayment or refinancing plan by the Federal Reserve. Outstanding securities as of December 31, 2021 and 2020 were $2,000,000.

On December 14, 2006, the Company borrowed $4,000,000 of floating rate mandatory redeemable securities through a special purpose entity, Rogersville Statutory Trust III, as part of a private offering. The rate, which varies quarterly with LIBOR, was 1.81% at December 31, 2021. The securities mature on December 14, 2036; the maturity may be shortened on a quarterly basis, subject to approval of a repayment or refinancing plan by the Federal Reserve. Outstanding securities as of December 31, 2021 and 2020 were $3,000,000.

NOTE 14 - SUBORDINATED DEBENTURES AND OTHER DEBT (CONTINUED)

The Company has provided a full, irrevocable, and unconditional guarantee on a subordinated basis of the obligations of the Trusts under the preferred securities in the event of a default, as defined in such guarantees. These subordinated debentures allow the Company to defer the payment of quarterly interest payments for up to 20 consecutive quarters without creating an event of default. Pursuant to the debentures, the Company and its affiliates cannot declare or pay any dividends or distributions on their capital stock (other than the payment of dividends or distributions from the Bank to the Holding Company), or repurchase, redeem, or acquire their capital stock during an interest deferred period until the unpaid interest payments have been paid. Accrued but unpaid interest totaled $6,060 at December 31, 2021 ($5,950 at December 31, 2020).

These securities are presented as liabilities on the Company's balance sheet and count as Tier 1 and Tier 2 capital for regulatory capital purposes. In accordance with GAAP, the Trusts are not consolidated with the Company. Accordingly, the Company reports as liabilities the subordinated debentures issued by the Company and held by the Trusts. The Company's equity investment in the Trusts ($217,000) is included in other assets at year-end 2021 and 2020.

The Company also has available federal funds lines (or equivalent thereof) with correspondent banks totaling $22,100,000 as of December 31, 2021 and 2020. None of these lines had balances outstanding as of December 31, 2021 and 2020. No collateral was pledged related to these lines as of December 31, 2021 and 2020.

NOTE 15 - SHAREHOLDERS' EQUITY

As of December 31, 2021 and 2020, the Company's charter authorized the issuance of up to 10,000,000 shares of common stock, no par value, 1,000,000 shares of preferred stock, no par value, and 400,000 shares of Series A and 200,000 shares of Series B Preferred Stock, at a par value of $8.05.

The Series A and Series B preferred stock are noncumulative, have no voting rights, have a dividend and liquidation preference to the common stock, and participate equally with the common stock in a sale or change in control of the Company. Preferred Series A shareholders are entitled to receive a dividend that is 105% of the dividend paid on the common stock. Preferred Series B shareholders are entitled to receive a dividend that is 110% of the dividend paid on the common stock. In the event of a change of control of the corporation, each share of Series A and Series B preferred stock is convertible into one share of common stock. Series A and Series B preferred stock have no redemption rights.

Treasury stock includes 48,432 shares of common stock at a cost of $809,687; 8,408 shares of Series A preferred stock at a cost of $133,742; and 225 shares of Series B preferred stock at a cost of $3,569 at December 31, 2021 and 2020.

NOTE 16 - REGULATORY CAPITAL REQUIREMENTS

The Bank and Holding Company are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet the minimum regulatory capital requirements can initiate certain mandatory – and possibly additional discretionary – actions by regulators that, if undertaken, could have a direct material effect on the Bank's and Holding Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank and Holding Company must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items, as calculated under regulatory accounting practices. The Bank's and Holding Company's 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 Bank and Holding Company to maintain minimum amounts and ratios. Management believes, as of December 31, 2021 and 2020, that the Bank and Holding Company meet all capital adequacy requirements to which they are subject.

NOTE 16 - REGULATORY CAPITAL REQUIREMENTS (CONTINUED)

As of December 31, 2021 and 2020, the Bank is categorized as *well capitalized* under the regulatory framework for prompt corrective action. There are no conditions or events since that date that management believes have changed the Bank's category.

The Bank and Holding Company must also maintain a capital conservation buffer consisting of additional Common Equity Tier 1 capital greater than 2.5% of risk-weighted assets above the required minimum risk-based capital levels in order to avoid limitations on distributions, including dividend payments, and certain discretionary bonuses to executive officers. At December 31, 2021, the Bank and Holding Company continued to exceed the minimum required capital ratios applicable to them under the capital adequacy guidelines.

In November 2019, the Office of the Comptroller, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation (collectively, the agencies) jointly issued a final rule that provides for an optional, simplified measure of capital adequacy, the community bank leverage ratio (CBLR) framework, for qualifying community banking organizations, consistent with section 201 of the Economic Growth, Regulatory Relief, and Consumer Protection Act. The final rule became effective on January 1, 2020 and was elected by the Bank and Holding Company for the year ending December 31, 2020.

The community bank leverage ratio removes the requirement for qualifying banking organizations to calculate and report risk-based capital but rather only requires a leverage ratio (equal to tier 1 capital divided by average total assets). Qualifying banking organizations that elect to use the CBLR framework and that maintain a leverage ratio of greater than required minimums will be considered to have satisfied the risk-based and leverage capital requirements in the agencies' generally applicable capital rule and will be considered to have met the well-capitalized ratio requirements for purposes of section 38 of the Federal Deposit Insurance Act. Under the interim final rules, the community bank leverage ratio minimum requirement is 8% as of December 31, 2020, 8.5% for 2021, and 9% for 2022 and beyond. The interim rule allows for a two-quarter grace period to correct a ratio that falls below the required amount, provided that the banking organization maintains a leverage ratio of 7% as of December 31, 2020, 7.5% for 2021, and 8% for 2022 and beyond.

Under the final rule, an eligible banking organization can opt out of the CBLR framework and revert back to the risk-weighting framework without restriction. As of December 31, 2021 and 2020, both the Bank and Holding Company were qualifying community banking organizations as defined by the federal banking agencies and elected to measure capital adequacy under the CBLR framework.

NOTE 16 - REGULATORY CAPITAL REQUIREMENTS (CONTINUED)

The Holding Company's and Bank's actual capital amounts and ratios as of December 31, 2021 and 2020 are presented in the following table. All dollar amounts are in thousands of dollars.

				To Be Well Capitalized Under Prompt Corrective Action Provisions (CBLR Framework)	
		Amount	Ratio	Amount	Ratio
As of December 31, 2021					
Tier I Capital (to Average Assets):					
Holding Company (Consolidated)	$	22,402	11.08%	$ 17,188	8.50%
Bank	$	20,331	10.06%	$ 17,184	8.50%
As of December 31, 2020					
Tier I Capital (to Average Assets):					
Holding Company (Consolidated)	$	21,591	12.23%	$ 14,127	8.00%
Bank	$	20,757	11.76%	$ 14,124	8.00%

The Bank and Holding Company are also subject to federal and state regulations restricting the amount of dividends paid.

NOTE 17 - STOCK COMPENSATION PLANS

The Company has two stock-based compensation plans, the 1994 Employee Stock Option Plan (the employee plan), and the 1994 Outside Directors' Stock Option Plan (the directors' plan), which are described below. The stock-based compensation cost that has been charged against income for those plans was $19,503 for the years ending December 31, 2021 and 2020. The total related income tax benefit recognized was $5,097 for 2021 and 2020.

1994 Employee Stock Option Plan - This plan provides for the granting of options to purchase up to 475,000 shares of common stock by officers and key employees of the Company. No options were granted under the plan in 2021 or 2020. As of December 31, 2021, this plan has expired and will have no additional activity.

1994 Outside Directors' Stock Option Plan – This plan provides for the granting of options to purchase up to 225,000 shares of common stock by non-employee directors of the Company. This Plan has been amended to extend through June 30, 2026. No options were granted under this plan during the year ended December 31, 2021 or 2020. As of December 31, 2021, there are 67,500 options remaining to be granted under this plan.

Under both plans, option awards are granted with an exercise price equal to the market price of the Company's stock at the date of grant; these option awards vest based on five years of continuous service and have ten-year contractual terms. Share awards vest at a rate of 20% per year over a five-year period.

NOTE 17 - STOCK COMPENSATION PLANS (CONTINUED)

The fair value of each option award is estimated on the date of grant using a Black-Scholes valuation model. Expected volatility is based on historical volatility of the Company's stock over similar terms. The expected term of options granted is based on the contractual terms and estimates of the period that options granted are expected to be outstanding. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

A summary of option activity under the Company's stock-based compensation plans as of December 31, 2021 and 2020 and changes during the years then ended is presented below:

Options	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1, 2021	75,500	$ 6.12		
Granted	0			
Exercised	(20,000)	4.75		
Forfeited	0			
Expired	0			
Outstanding at December 31, 2021	55,500	$ 6.61	7.50	$ 104,895
Exercisable at December 31, 2021	22,200	$ 6.61	7.50	$ 41,958

Options	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1, 2020	75,500	$ 6.12		
Granted	0			
Exercised	0			
Forfeited	0			
Expired	0			
Outstanding at December 31, 2020	75,500	$ 6.12	6.43	$ (39,055)
Exercisable at December 31, 2020	31,100	$ 5.41	3.46	$ 5,789

No options were granted during 2021 or 2020. During the year ended December 31, 2021, 20,000 options were exercised from the Employee Stock Option Plan for a cash value of $95,000. The intrinsic value of each option at the exercise date was $3.22. No options were exercised during the year ended December 31, 2020.

NOTE 17 - STOCK COMPENSATION PLANS (CONTINUED)

A summary of the status of the Company's nonvested shares as of December 31, 2021 and 2020 and changes during the years then ended is presented below:

Options	Shares	Grant-Date Fair Value
Nonvested at January 1, 2021	44,400	$ 1.76
Granted	0	
Vested	(11,100)	1.76
Forfeited	0	
Nonvested at December 31, 2021	33,300	$ 1.76

Options	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at January 1, 2020	55,500	$ 1.76
Granted	0	
Vested	(11,100)	1.76
Forfeited	0	
Nonvested at December 31, 2020	44,400	$ 1.76

As of December 31, 2021, there was $48,758 of total unrecognized compensation cost related to nonvested stock-based compensation arrangements granted under the Company's plans. That cost is expected to be recognized over a weighted-average period of 2.5 years. 11,100 shares were vested during the years ended December 31, 2021 and 2020.

NOTE 18 - EARNINGS PER SHARE

The following table illustrates the computation of basic and diluted earnings per share of common stock for the years ended December 31, 2021 and 2020:

	2021			2020		
	Income	Weighted Average Shares	Per Share Amount	Income	Weighted Average Shares	Per Share Amount
Net Income	$ 792,599			$ 1,132,268		
Less: Dividends Paid to Preferred Shareholders	(63,574)			(63,772)		
Basic Earnings Per Share						
Net Income Available to Common Shareholders	729,025	1,640,511	$ 0.44	1,068,496	1,630,812	$ 0.66
Effect of Dilutive Securities						
Incremental Shares - Exercise of Stock Options		8,945			2,537	
Convertible Preferred Stock	63,574	241,518		63,772	241,518	
Diluted Earnings per Share						
Net Income Available to Common Shareholders Plus Assumed Conversions	$ 792,599	1,890,974	$ 0.42	$ 1,132,268	1,874,867	$ 0.60

NOTE 19 - EMPLOYEE BENEFITS

The Company maintains a 401(k) plan for all employees who have attained the age of 18 and have at least three months of service. The plan provides for a discretionary employer matching contribution, in which the employee is 100% vested. The Company may also make additional discretionary contributions (qualified non-elective or profit-sharing contributions) as determined by the Board of Directors. For these contributions, employees begin to vest in the second year and are fully vested after six years. The Company's employer matching contribution to the 401(k) plan amounted to $40,275 in 2021 and $42,499 in 2020.

The Company is providing post-retirement pension benefits to a former employee. A present value-based charge, which is included in non-interest expense, is made each year based on the future benefits to be paid to the employee (or beneficiary) under the plan. Total amounts paid or accrued during the year under such arrangements amounted to $21,256 and $20,783 in 2021 and 2020, respectively.

The Company has a Supplemental Executive Retirement Plan which provides retirement benefits to several retired officers. In addition, the Company also has an Executive Deferred Compensation Plan which provides deferred compensation benefits for certain key officers. The accrued retirement liability for these plans was $1,713,155 at December 31, 2021 ($1,644,023 at December 31, 2020). Expense related to these plans was $205,600 in 2021 and $200,292 in 2020, and is included in salaries and employee benefits expense.

The Company also provides life insurance benefits to certain employees under split-dollar insurance contracts. The accrued liability was $258,631 at December 31, 2021 and $252,526 at December 31, 2020). Expense related to this plan was $6,106 in 2021 and $8,212 in 2020, and is included in salaries and employee benefits expense.

NOTE 20 - OFF-BALANCE SHEET ACTIVITIES

Certain 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.

The approximate contractual amounts of financial instruments with off-balance sheet risk were as follows at December 31:

	2021		2020	
	Fixed Rate	Variable Rate	Fixed Rate	Variable Rate
Commitments to Make Loans	$ 8,943,000	$ 15,260,000	$ 3,682,000	$ 8,636,000
Unused Letters of Credit	0	518,000	0	711,000

Commitments to make loans are generally made for periods of 1 year or less. The fixed rate loan commitments have interest rates ranging from 3.25% to 10.00% and maturities ranging from 1 year to 16 years. Approximately $13,922,000 of the commitments to make loans were collateralized, primarily by real estate, at December 31, 2021 ($7,145,000 at December 31, 2020).

NOTE 21 - FAIR VALUE DISCLOSURES

GAAP establishes a framework for using fair value. It also defines fair value rules as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP generally permits the measurement of selected eligible financial instruments at fair value at specified election dates. The Company did not elect to adopt the fair value option for any financial instruments. However, other accounting pronouncements require the Company to measure certain financial instruments at fair value as described below.

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. An active market for the asset and liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or the liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs are unobservable inputs for the asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. Unobservable inputs reflect the reporting entity’s own assumptions about the assumptions that market participants would use in pricing the asset or liability.

A description of valuation methodologies used for assets and liabilities recorded at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is shown below. The categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Investment Securities Available for Sale - Investment securities available for sale are recorded at fair value in accordance with GAAP on a recurring basis. Fair value measurement for these securities is based upon quoted prices of like or similar securities, utilizing Level 2 inputs. These measurements are obtained from a service provider who considers observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the securities’ terms and conditions, among other things.

Impaired Loans - For impaired loans, a specific allowance is established as a component of the allowance for loan losses based on the present value of expected payments, the loans' observable market price, or the fair value of the collateral less selling costs if the loans are collateral-dependent. Impaired loans are classified within Level 3 of the valuation hierarchy. The Company's impaired loans are considered to be collateral-dependent and are primarily valued using third-party appraisals or other valuations based on sales of similar assets. Collateral is primarily real estate but may sometimes include other business assets, including equipment, inventory, or accounts receivable. The appraisals or other valuations are sometimes further discounted based on management's historical knowledge, changes in market conditions from the date of the most recent appraisal, and management's expertise and knowledge of the customer and the customer's business. Such discounts by management are subjective and are typically significant unobservable inputs for determining fair value.

NOTE 21 - FAIR VALUE DISCLOSURES (Continued)

Foreclosed Real Estate - Foreclosed real estate is carried at the lower of the outstanding loan amount at time of foreclosure or estimated fair value less estimated selling costs. Estimated fair value is determined using third-party appraisals based on sales of comparable properties and is classified with Level 3 of the valuation hierarchy. The appraisals are sometimes further discounted based on management's historical knowledge, changes in market conditions from the date of the most recent appraisal, and management's expertise and knowledge of the customer and the customer's business. Such discounts are typically unobservable inputs for determining fair value.

Assets Recorded at Fair Value on a Recurring Basis

Below is a table that presents information about certain assets measured at fair value:

		Fair Value Measurements Using		
	Carrying Amount in the Balance Sheet	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of December 31, 2021				
U.S. Treasury Securities	$ 2,972,771	$ 2,972,771	$ 0	$ 0
Small Business Admin. Securities	1,138,154	0	1,138,154	0
U.S. Government Agency Securities	6,837,149	0	6,837,149	0
Residential Mortgage-Backed Securities	5,235,653	0	5,235,653	0
Taxable Municipal Securities	927,989	0	927,989	0
Tax Exempt Municipal Securities	1,632,518	0	1,632,518	0
Investment Securities Available for Sale	$ 18,744,234	$ 2,972,771	$ 15,771,463	$ 0
As of December 31, 2020				
U.S. Treasury Securities	$ 1,075,080	$ 1,075,080	$ 0	$ 0
Small Business Admin. Securities	1,466,061	0	1,466,061	0
U.S. Government Agency Securities	6,176,310	0	6,176,310	0
Residential Mortgage-Backed Securities	4,562,928	0	4,562,928	0
Taxable Municipal Securities	966,023	0	966,023	0
Tax Exempt Municipal Securities	2,442,341	0	2,442,341	0
Investment Securities Available for Sale	$ 16,688,743	$ 1,075,080	$ 15,613,663	$ 0

NOTE 21 - FAIR VALUE DISCLOSURES (Continued)

Assets Recorded at Fair Value on a Nonrecurring Basis (Continued)

Assets measured at fair value on a nonrecurring basis are included in the table below.

	Carrying Amount in the Balance Sheet	Fair Value Measurements Using: Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of December 31, 2021				
Impaired Loans, Net of Specific Allowance	$ 409,811	$ 0	$ 0	$ 409,811
Foreclosed Real Estate	215,001	0	0	215,001
	$ 624,812	$ 0	$ 0	$ 624,812
As of December 31, 2020				
Impaired Loans, Net of Specific Allowance	$ 1,202,743	$ 0	$ 0	$ 1,202,743
Foreclosed Real Estate	330,002	0	0	330,002
	$ 1,532,745	$ 0	$ 0	$ 1,532,745

The following table presents quantitative information about Level 3 fair value measurements for assets measured at fair value on a non-recurring basis:

	Fair Value	Valuation Technique	Unobservable Inputs	Range	Weighted Average*
As of December 31, 2021					
Impaired Loans, Net of Specific Allowance	$ 409,811	Appraisal	Appraisal discounts	0%	0%
Foreclosed Real Estate	$ 215,001	Appraisal	Appraisal discounts	0% - 100%	0%
As of December 31, 2020					
Impaired Loans, Net of Specific Allowance	$ 1,202,743	Appraisal	Appraisal discounts	0%	0%
Foreclosed Real Estate	$ 330,002	Appraisal	Appraisal discounts	0% - 100%	0%

* The weighted averages were calculated based on the relative fair value of the assets.

NOTE 21 - FAIR VALUE DISCLOSURES (Continued)

The following table presents the carrying amounts, estimated fair value and placement in the fair value hierarchy of the Company's financial instruments that are not carried at fair value at December 31, 2021 and 2020:

			Fair Value Measurements Using		
	Carrying Amount in the Balance Sheet	Estimated Fair Value	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of December 31, 2021					
Financial Assets:					
Cash and Cash Equivalents	$ 51,381,633	$ 51,381,633	$ 51,381,633	$ 0	$ 0
Loans, Net	114,367,723	116,678,169	0	0	116,678,169
Cash Surrender Value of Life Insurance	7,586,543	7,586,543	0	0	7,586,543
Financial Liabilities:					
Deposits	170,714,374	170,799,374	0	0	170,799,374
Securities Sold Under Agreements to Repurchase	3,070,899	3,070,899	0	0	3,070,899
Federal Home Loan Bank Advances	671,162	671,162	0	0	671,162
Federal Reserve Bank Advances	192,197	192,197	0	0	192,197
Subordinated Debentures	5,217,000	5,217,000	0	0	5,217,000
As of December 31, 2020					
Financial Assets:					
Cash and Cash Equivalents	$ 42,976,546	$ 42,976,546	$ 42,976,546	$ 0	$ 0
Loans, Net	107,592,801	111,694,325	0	0	111,694,325
Cash Surrender Value of Life Insurance	7,381,653	7,381,653	0	0	7,381,653
Financial Liabilities:					
Deposits	149,634,367	149,827,367	0	0	149,827,367
Securities Sold Under Agreements to Repurchase	2,835,388	2,835,388	0	0	2,835,388
Federal Home Loan Bank Advances	727,617	727,617	0	0	727,617
Federal Reserve Bank Advances	4,591,837	4,591,837	0	0	4,591,837
Subordinated Debentures	5,217,000	5,217,000	0	0	5,217,000

The methods and assumptions used to estimate fair value are described as follows.

The carrying amount approximates the estimated fair value for cash and cash equivalents, short-term borrowings, demand deposits and securities sold under agreements to repurchase. The fair value of loans is estimated with a discounted cash flow approach using market rates and incorporates a credit risk factor to determine the exit price. For time deposits fair value is based on discounted cash flows using current market rates. Recorded book value of cash surrender value of life insurance is a reasonable estimate of fair value. Fair value of FHLB advances, Federal Reserve Bank and subordinated debentures is based on current rates for similar financing. The fair value of off-balance sheet loan commitments is considered nominal and not disclosed above. Management does not consider it practicable to estimate the fair value of equity investments carried at cost. Therefore, no estimate of fair value for these investments is disclosed.

Much of the information as well as the amounts disclosed above are highly subjective and judgmental in nature. The subjective factors include estimates of cash flows, risk characteristics, credit quality, and interest rates, all of which are subject to change. Because the fair value is estimated as of December 31, 2021 and 2020, the amounts which will actually be realized or paid upon settlement or maturity of the various financial instruments could be significantly different.

NOTE 22 - SIGNIFICANT GROUP CONCENTRATIONS OF CREDIT RISK

Most of the Company's business activity is with customers located within East Tennessee. As of December 31, 2021 and 2020, the Company had concentrations of loans in residential real estate, commercial real estate and commercial lending. Generally, these loans are secured by the underlying real estate or commercial assets. The usual risks associated with such concentrations are generally mitigated by being spread over numerous borrowers and by adequate loan to collateral value ratios. The Company has concentrations in U.S. Government agency and residential mortgage-backed securities that are guaranteed by the Federal National Mortgage Association, the Federal Home Loan Mortgage Association, the Federal Farm Credit Company and the Federal Home Loan Bank. The Company also has a concentration in municipal bonds, which are issued by instrumentalities across the State of Tennessee.

NOTE 23 - COMMITMENTS AND CONTINGENCIES

The Company is subject to claims and lawsuits which arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position of the Company.

Shareholder Information

www.fcbanktn.bank

423-272-5800

(Ask for Matt Cradic for Shareholder Support)

Stock Transfer Agent

Pacific Stock Transfer Company (PSTC)

If you have any questions regarding address changes, transfers, receiving duplicate 1099s, direct deposit set up, etc., please contact PSTC at:

Contact: **Mr. William Saeger**
PH: **540-216-3011**
EMAIL: **bsaeger@pacificstocktransfer.com**

MAIL:
Pacific Stock Transfer Company
Global Operations
6725 Via Austi Pkwy, Suite 300
Las Vegas, Nevada 89119

PH: 800-785-7782
10:00 a.m. to 8:00 p.m. EST

EMAIL: info@pacificstocktransfer.com

WEB: www.pacificstocktransfer.com

Raymond James

Market Maker for First Community Corporation stock:

Raymond James and Associates, Inc.
Lou C. Coines
Financial Institutions Sales & Trading
222 South Riverside Plaza, 7th Floor
Chicago, Illinois 60606
(800) 800-4693
Lou.Coines@raymondjames.com

OTCMarkets

OTCMarkets contains information about First Community Corporation stock (Profile, Prices, etc.)

http://www.otcmarkets.com/home

Stock Symbols

FCCT	First Community Corporation (Common)
FCCTP	First Community Corporation (Preferred A)
FCCTO	First Community Corporation (Preferred B)

FIRST COMMUNITY CORPORATION
COMMON STOCK AND DIVIDEND INFORMATION
Years Ended December 31, 2020 and 2021

First Community Corporation (the "Corporation") has only one class of common stock authorized, issued and outstanding. In December 2006, the Corporation listed its stock on the Over-The-Counter Bulletin Board (OTCBB) quotation service. This company transitioned to the OTC Markets Group quotation service in early 2012. The Corporation has appointed Raymond James & Associates, Inc. as the principal market maker for the stock. Information about the stock may be obtained at the OTC Markets Group website at www.otcmarkets.com, under the symbol FCCT. In addition, anyone wishing to buy or sell shares of Corporation stock may contact Raymond James & Associates at 1-800-800-4693. However, there can be no assurance that, at any given time, any persons will be interested in acquiring shares of the Corporation's common stock.

On February 23, 2007, the Shareholders of the Corporation approved a reclassification transaction whereby holders of fewer than 1,500 shares of common stock had their shares exchanged for either Series A Preferred or Series B Preferred stock. An amendment to the Corporation's Charter was also filed on February 23, 2007, creating these two new classes of stock.

The Corporation pays dividends from time to time on the outstanding shares of our stock as determined by the Board of Directors in its discretion based on the Corporation's financial performance and condition. Future dividends will depend upon earnings, financial position, cash requirements and such other factors as the Board of Directors may deem relevant. The following table sets forth the cash dividends declared per share of the Corporation's common stock and the highest and lowest per share prices at which the Corporation's common stock has actually traded in private transactions during the periods indicated. To the best of management's knowledge, such prices do not include any retail mark-up, mark-down or commission. Shares may have been sold in transactions, the price and terms of which are not known to the Corporation. Therefore, the per share prices at which the Corporation's common stock has previously traded may not necessarily be indicative of the true market value of the shares.

2021	High	Low	Dividends per share
First quarter	$ 7.25	5.36	.00
Second quarter	7.97	7.25	.00
Third quarter	8.75	8.10	.00
Fourth quarter	9.09	8.45	.25

2020	High	Low	Dividends per share
First quarter	$ 7.50	6.25	.00
Second quarter	6.35	5.13	.00
Third quarter	5.50	4.34	.00
Fourth quarter	5.75	5.02	.25

The authorized common stock of the Corporation consists of 10,000,000 shares of common stock, no par value per share, of which 1,650,812 were outstanding at December 31, 2021. There were 55,500 shares of the Corporation's common stock that are subject to outstanding options, warrants or securities convertible into common stock. The Corporation had approximately 154 common shareholders of record as of December 31, 2021.

First Community Bank of East Tennessee

Board of Directors, Officers & Staff

As of April 06, 2022

Executive Officers

Tyler K. Clinch
Chief Executive Officer and President

Michael Estes
Senior Vice President and Chief Lending Officer

Matthew R. Cradic
Vice President and Chief Financial Officer

Board of Directors

Tyler K. Clinch, Chairman and President
Tommy W. Young, Secretary
Matthew Cleek
Steve L. Droke
Dr. David R. Johnson
Sidney K. Lawson
Kathy Richards

Officers

Paul G. Penland
Senior Vice President and Chief Credit Officer

Bevery A.Oxford
Senior Vice President and Loan Operations Manager

Dana L. Parkinson
Senior Vice President and Senior Commercial Lending Officer

Stephanie M. Potts
Vice President of Business Development and Security Officer/Lender/Facilities Manager

Miles Snider
Vice President and Senior Credit Analyst

Debbie G. Price
Vice President Branch Manager/Lender
East Main Office, Rogersville

Ashley Lawson
Assistant Vice President and Branch Manager/Lender
W. Main Street Office, Rogersville

Emily N. Reese
Assistant Vice President and Technology Operations Manager

Cathy D. Trent
Assistant Vice President and Controller

B. Evelyn Anderson
Assistant Vice President and Human Resources Director

Allison M. Ball
Assistant Vice President and BSA/Compliance Officer

Jordan P. Key
Assistant Vice President and System and Security Administrator

Tammy F. Hobbs
Assistant Vice President and Commercial Loan Portfolio Specialist

Jennifer Starnes
Assistant Vice President and Retail Banking and Marketing Coordinator

Melissa Brooks
Assistant Vice President and Branch Manager/Lender
Center Street Office, Kingsport

Stacci Baker
Banking Officer and Customer Information File (CIF) Specialist/Customer Service Representative

Mollie L. Carr
Banking Officer and Financial Analyst

Robin L. Carter
Banking Officer and Commercial Loan Portfolio Specialist

Jamie L. Ward
Banking Officer and Branch Manager/Lender
Church Hill Office

Kayla Blevins
Banking Officer and Compliance Specialist

Staff

Rebecca Arnold
Christopher Bowman
Mary Alice Beck
Mahala Brooks
Angie Burr
Liz Calton
Elizabeth Craft
Emily Collins
Tina Dunn
Cody Ferrell
Susan Hamrick
Donna Hartley
Vicky Higgenbottom
Lily Hoard
Karen Horton
Morganne Justice
Jospeh Kinser
Yvette Knight
Elizabeth Lawson
Darla LeBlanc
Abby Long
Brittany McGlothlin
Mauricia Moore
Melanie Morelock
Kassidy Parvin
Kathy Payne
Marsha Powell
Hannah Sexton
Heidi Shanks
Mariah Thacker
Karrie Walker
Carolyn Winstead

Legal Counsel

Bill Argabrite at Hunter, Smith, & Davis

first Community Corporation

Locations

West Main Street
P.O. Box 820
809 West Main Street
Rogersville., TN 37857
(423) 272-5800
(423) 272-1962 fax

East Main Office
P.O. Box 820
1104 East Main Street
Rogersville, TN 37857
(423) 272-5800
(423) 272-6607 fax

Church Hill Office
P.O. Box 40
441 Richmond Street
Church Hill, TN 37642
(423) 357-5800
(423) 357-5302 fax

Downtown Kingsport Office
P.O. Box 1384
444 East Center Street
Kingsport, TN 37662
(423) 392-5800
(423) 246-8842 fax

Surgoinsville Office
P.O. Box 15
290 Bellamy Avenue
Surgoinsville, TN 37873
(423) 445-2800

first Community Corporation

Lenders

Lenders you Know and Trust

Dana Parkinson
NMLS #1465002

Michael Estes

Stephanie Potts
NMLS #1120342

Ashley Lawson
NMLS #1118458

Jamie Ward
NMLS #1852053

Debbie Price
NMLS #757649

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