CBBCBank

Twin Cities Financial Services, Inc.

# 2021 Annual Report

Twin Cities Financial Services, Inc.

# CBBC Bank

2021 | **Annual Report**

CBBC Bank

**The mission of CBBC Bank is to make our LOCAL community a better place to live and work. This is accomplished by employing highly skilled and motivated team members with personal integrity and strong core values. Our commitment is to anticipate and exceed expectations in providing the best possible banking solutions for our customers' needs. Our clients are not only our customers, they are also our friends, neighbors and family.**

# Table of Contents

**Financial Statements**
**December 31, 2021**

# Locations

**Main Office**
330 E. Broadway Ave.
P. O. Box 9730
Maryville, TN 37802-9730
Phone (865) 977-5900

**Foothills**
600 Foothills Mall Dr.
Maryville, TN 37801
Phone (865) 977-5971

**Heritage**
2614 E. Lamar Alexander Pkwy.
Maryville, TN 37804
Phone (865) 977-5946

**Hwy. 411 South**
2307 Market Place Dr.
Maryville, TN 37801
Phone (865) 380-1361

**Midland**
214 N. Calderwood St.
Alcoa, TN 37701
Phone (865) 977-5951

**Topside**
2041 Topside Rd.
Louisville, TN 37777
Phone (865) 977-5985

**Townsend**
7729 E. Lamar Alexander Pkwy.
Townsend, TN 37882
Phone (865) 448-5990

**Fingertip Banking**
24 Hour Account Information
(865) 977-5999

**BankOnLine**
cbbcbank.com

TO OUR SHAREHOLDERS AND FRIENDS:

Your investment in Twin Cities Financial Services, Inc. continued to grow and prosper during CBBC Bank's successful 2021. Since 1973, the Bank has financially rewarded the investment and strengthened the trust of our shareholders while also providing superior service and community contributions.

The Bank's performance for 2021 created net profits of over $5.2 million, which provided a dividend payout of $2.45 per share. Book value per share also increased from $116.76 to $120.14, and the return on average equity was 7.38%.

The Bank had strong deposit growth in 2021, which resulted in deposits rising from $348 million to $414 million. Commercial, Branch Lenders, and the Residential Mortgage Department had a solid year in loan production. Vigilant growth of our loan portfolio continues to be a primary goal in 2022 to further increase your profitability and investor return.

This past year we continued to feel the effects of COVID-19; however, this has not deterred us in any way from increasing our presence in the community and striving to grow our share of deposits and loans. We will strive to continue providing excellent customer service by improving our existing products and services for the future. The strength and stability of your LOCAL bank are evident with a 5-Star rating from BauerFinancial.

We continue to focus on the long-term growth of your investment in TCFS, Inc. and CBBC Bank. An instrumental part of the Bank's success is your willingness to provide referrals from your friends, family, and business associates. We promise an excellent banking experience for them!

Thank you for your continued support,

**Jerry H. Dean**
**Chairman of the Board**

**Michael L. Baker**
**President & CEO**

# Twin Cities Financial Services, Inc.
# Directors & Officers

## Directors

**Mike Baker**
President & CEO, CBBC Bank

**Robert L. Carroll**
Retired, CBBC Bank

**Bill Clabough**
Exec. Dir. Foothills Land Conservancy

**Jerry H. Dean**
Ready Set Go (RSG) Delivery
Retired, U.S. Office of Personnel Mgmt.
& U.S. Investigations Services

**Al Grubb**
Retired, CBBC Bank

**Leann E. Hicks**
Blount County Schools

**Gaynell Lawson**
Retired, CBBC Bank

**John G. Proffitt**
Retired, State of Tennessee

**Dr. James Robertson**
Retired, Dentist
Instructor, Dental Assisting Dept. at Tennessee College
of Applied Technology, Knoxville

**Leon Shields**
Leon Shields Insurance

## Officers

**Jerry H. Dean**
Chairman

**Dr. James Robertson**
Vice Chairman

**Mike Baker**
President & CEO

**Leann E. Hicks**
Secretary

**Mindy Stooksbury**
Treasurer/Assistant Secretary

**Mike Baker**
President
Chief Executive Officer

**John Harris**
Executive Vice President
Chief Lending Officer

### SENIOR VICE PRESIDENTS

**Heidi Carriero**
Chief Operations Officer

**Robert Carter**
Commercial Banker

**Marilyn Cobble**
Commercial Banker

**Paige Davis**
Chief Credit Officer

**Brian Hord**
Commercial Banker

**Kathy Johnson**
Business Development

**Novella Jones**
Residential Department Manager

**Beth Pyle**
Retail Banking Manager

**Mindy Stooksbury**
Chief Financial Officer

**Susan Zerambo**
Human Resources Manager

### VICE PRESIDENTS

**Mindy Boudreau**
Manager, Main Office

**Keith Daniel**
Information Technology Manager

**Scott Edmondson**
Facilities & Security Manager

### VICE PRESIDENTS

**Laura Lenear**
Marketing & Advertising Director

**Julie Miller**
Manager, Foothills Office

**Brent Musick**
Manager, Townsend Office

**Perry Roberts**
Manager, Midland Office

### ASSISTANT VICE PRESIDENTS

**Meagan Byrd**
Ex. Asst., Social Media & Events Coordinator

**Chad Hicks**
Mortgage Loan Officer

**Scott Small**
Information Technology Officer

**Karen Watson**
Lending Compliance Officer

### BANKING OFFICERS

**Sean Garrett**
BSA Administrator & Fraud Expert

**Joy Paine**
Operations Officer, Midland Office

**Kristina Ragan**
Portfolio Manager

**Leah Smith**
Loan Operations Officer

**Molly Surrette**
Manager, Topside Office

**Dillan Teffeteller**
Manager, Hwy. 411 South Office

# Financial Highlights

| | 2017 | 2018 | 2019 | 2020 | **2021** |
|---|---|---|---|---|---|
| **Condensed consolidated income statements in thousands** | | | | | |
| Net interest income | $10,400 | $11,648 | $12,007 | $12,502 | **$13,918** |
| Other noninterest income* | 1,384 | 1,569 | 1,547 | 4,050 | **1,804** |
| Total revenue, net interest expense | 11,784 | 13,217 | 13,554 | 16,552 | **15,722** |
| Provision for loan losses | 17 | 29 | 33 | 1,059 | **93** |
| Noninterest expense | 8,776 | 8,924 | 8,753 | 9,155 | **8,973** |
| Net income (loss) prior to taxes (benefit) | 2,991 | 4,264 | 4,768 | 6,338 | **6,656** |
| Income taxes (benefit) | 387 | 1,005 | 1,168 | 1,655 | **1,442** |
| Net income (loss)* | 2,603 | 3,259 | 3,600 | 4,684 | **5,214** |
| **Per common share** | | | | | |
| Net earnings (loss) | $ 4.85 | $ 6.04 | $ 6.68 | $ 8.71 | **$ 9.66** |
| Dividends paid** | 2.05 | 2.10 | 2.15 | 3.90 | **2.45** |
| Book value | 94.50 | 97.39 | 105.99 | 116.76 | **120.14** |
| **Year-end balance sheet data in thousands** | | | | | |
| Assets | $350,579 | $347,089 | $357,122 | $419,424 | **$486,728** |
| Allowance for loan losses | 3,252 | 3,313 | 3,353 | 4,413 | **4,409** |
| Loans, net of unearned | 194,360 | 203,914 | 206,569 | 235,725 | **211,399** |
| Deposits | 297,323 | 291,823 | 296,377 | 347,739 | **414,444** |
| Shareholders' equity | 50,898 | 52,339 | 57,004 | 62,801 | **65,415** |
| **Performance ratios** | | | | | |
| Return on average assets | 0.74% | 0.95% | 1.01% | 1.12% | **1.07%** |
| Return on average common equity | 5.10% | 6.48% | 6.53% | 7.46% | **7.97%** |
| Overhead expenses to average assets | 2.57% | 2.54% | 2.44% | 2.34% | **1.96%** |
| Employees per $1 million assets | 0.24 | 0.24 | 0.22 | 0.18 | **0.16** |
| Net interest margin to average assets | 3.04% | 3.33% | 3.42% | 3.20% | **3.04%** |
| **Capital ratios** | | | | | |
| Equity and reserves to assets | 15.40% | 15.92% | 16.69% | 15.85% | **14.03%** |

*2020 had an extraordinary net gain of $1.8 million on a loan recovery
**2 separate dividends were paid during 2020 - 1 special dividend based on the loan recovery and 1 regular dividend based on projected earnings



See Independent Auditor's Report on the Supplementary Information.

**TWIN CITIES FINANCIAL SERVICES, INC., AND CBBC BANK**

| | | | | |
|---|---|---|---|---|
| ASSETS | | | | |
| Cash and cash equivalents: | | | | |
| Cash and noninterest-bearing due from banks | **$** | **11,542,326** | $ | 13,428,786 |
| Interest-bearing due from banks | | **57,061,838** | | 19,385,506 |
| Federal funds sold | | **17,237,974** | | 10,530,181 |
| Total cash and cash equivalents | | **85,842,138** | | 43,344,473 |
| Securities available-for-sale, at estimated fair value | | **181,332,670** | | 130,738,315 |
| Federal Home Loan Bank stock, at cost | | **1,246,400** | | 1,246,400 |
| Other investments | | **1,817,665** | | 2,307,439 |
| Loans, net of estimated allowance for loan losses of $4,408,760 in 2021 and $4,412,756 in 2020 | | **206,990,476** | | 231,311,806 |
| Interest receivable | | **1,370,155** | | 1,809,034 |
| Premises and equipment, net | | **7,541,137** | | 8,140,822 |
| Other assets | | **587,085** | | 525,523 |
| TOTAL ASSETS | **$** | **486,727,726** | $ | 419,423,812 |

*See accompanying notes to consolidated financial statements.*

## Consolidated Balance Sheets

**TWIN CITIES FINANCIAL SERVICES, INC., AND CBBC BANK**

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| LIABILITIES | | |
| Deposits: | | |
| Noninterest-bearing | **$ 128,012,883** | $ 99,161,600 |
| Interest-bearing | **286,431,459** | 248,577,830 |
| Total deposits | **414,444,342** | 347,739,430 |
| Securities sold under repurchase agreements | **5,324,167** | 6,213,309 |
| Interest payable | **22,432** | 32,901 |
| Accounts payable and accrued liabilities | **379,461** | 1,274,219 |
| Deferred income taxes, net | **1,142,691** | 1,363,150 |
| TOTAL LIABILITIES | **421,313,093** | 356,623,009 |
| COMMITMENTS AND CONTINGENCIES - Notes K and L | | |
| STOCKHOLDERS' EQUITY | | |
| Common stock, $1 par value; 100,000,000 shares authorized; 540,400 shares issued and outstanding at December 31, 2021 and 537,861 shares issued and outstanding at December 31, 2020 | **540,400** | 537,861 |
| Additional paid-in capital | **12,656,902** | 12,469,017 |
| Retained earnings | **50,210,716** | 46,319,865 |
| Accumulated other comprehensive income | **2,006,615** | 3,474,060 |
| TOTAL STOCKHOLDERS' EQUITY | **65,414,633** | 62,800,803 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | **$ 486,727,726** | $ 419,423,812 |

*See accompanying notes to consolidated financial statements.*

**TWIN CITIES FINANCIAL SERVICES, INC., AND CBBC BANK**

| | *Year Ended December 31,* *2021* | *2020* |
|---|---|---|
| INTEREST INCOME | | |
| Loans, including fees | $ **11,317,130** | $ 11,162,942 |
| Securities: | | |
| Taxable | **2,837,747** | 2,061,648 |
| Tax-exempt | **483,831** | 313,840 |
| Federal funds sold | **21,173** | 53,236 |
| TOTAL INTEREST INCOME | **14,659,881** | 13,591,666 |
| INTEREST EXPENSE | | |
| Interest on deposits | **733,185** | 1,083,504 |
| Interest on securities sold under repurchase agreements | **8,784** | 6,582 |
| TOTAL INTEREST EXPENSE | **741,969** | 1,090,086 |
| NET INTEREST INCOME | **13,917,912** | 12,501,580 |
| ESTIMATED PROVISION FOR LOAN LOSSES | **93,100** | 1,059,200 |
| NET INTEREST INCOME AFTER ESTIMATED PROVISION FOR LOAN LOSSES | **13,824,812** | 11,442,380 |
| NONINTEREST INCOME | | |
| Service charges on deposit accounts | **1,390,427** | 1,201,683 |
| Gain on the sale of foreclosed assets | **6,660** | 2,507,778 |
| Other | **406,829** | 340,840 |
| TOTAL NONINTEREST INCOME | **1,803,916** | 4,050,301 |
| NONINTEREST EXPENSE | | |
| Salaries and employee benefits | **4,636,978** | 4,649,810 |
| Occupancy | **627,504** | 888,321 |
| Equipment | **341,125** | 762,971 |
| Data processing | **1,070,346** | 1,052,500 |
| Advertising | **181,310** | 158,736 |
| Supplies | **89,025** | 113,636 |
| Communication | **248,864** | 285,723 |
| Banking agency assessments | **144,292** | 97,821 |
| Other operating | **1,633,740** | 1,145,303 |
| TOTAL NONINTEREST EXPENSE | **8,973,184** | 9,154,821 |
| INCOME BEFORE INCOME TAXES | **6,655,544** | 6,337,860 |
| INCOME TAX EXPENSE | **1,441,834** | 1,654,518 |
| NET INCOME | $ **5,213,710** | $ 4,683,342 |
| EARNINGS PER COMMON SHARE OUTSTANDING | **9.66** | 8.71 |

*See accompanying notes to consolidated financial statements.*

# Consolidated Statements of Comprehensive Income

## TWIN CITIES FINANCIAL SERVICES, INC., AND CBBC BANK

| | Year Ended December 31, 2021 | 2020 |
|---|---|---|
| OTHER COMPREHENSIVE INCOME | | |
| NET OF INCOME TAXES: | | |
| Change in net unrealized gains or losses on securities available-for-sale, net of deferred income tax (benefit) expense of $(390,081) in 2021 and $846,918 in 2020 | **$ (1,467,445)** | $ 3,186,023 |
| Total other comprehensive income (loss) | **(1,467,445)** | 3,186,023 |
| COMPREHENSIVE INCOME | **$ 3,746,265** | $ 7,869,365 |

*See accompanying notes to consolidated financial statements.*

**TWIN CITIES FINANCIAL SERVICES, INC., AND CBBC BANK**

| | Shares of Common Stock | Common Stock | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Treasury Stock | Total |
|---|---|---|---|---|---|---|---|
| BALANCES, January 1, 2020 | 537,861 | $ 537,861 | $ 12,469,017 | $ 43,708,639 | $ 288,037 | $ - | $ 57,003,554 |
| Cash dividends ($1.75 and $2.15 per share) | - | - | - | (2,072,116) | - | - | (2,072,116) |
| Treasury stock acquired (2,000 shares) | - | - | - | - | - | (150,000) | (150,000) |
| Treasury stock sold (2,000 shares) | - | - | - | - | - | 150,000 | 150,000 |
| Net income | - | - | - | 4,683,342 | - | - | 4,683,342 |
| Other comprehensive income | - | - | - | - | 3,186,023 | - | 3,186,023 |
| BALANCES, December 31, 2020 | 537,861 | 537,861 | 12,469,017 | 46,319,865 | 3,474,060 | - | 62,800,803 |
| Cash dividends ($2.45 per share) | - | - | - | (1,322,859) | - | - | (1,322,859) |
| Issuance of 2,539 shares of common stock in connection with employee stock purchase plans | 2,539 | 2,539 | 187,885 | - | - | - | 190,424 |
| Treasury stock acquired (165 shares) | - | - | - | - | - | (12,375) | (12,375) |
| Treasury stock sold (165 shares) | - | - | - | - | - | 12,375 | 12,375 |
| Net income | - | - | - | 5,213,710 | - | - | 5,213,710 |
| Other comprehensive loss | - | - | - | - | (1,467,445) | - | (1,467,445) |
| BALANCES, December 31, 2021 | 540,400 | $ 540,400 | $ 12,656,902 | $ 50,210,716 | $ 2,006,615 | $ - | $ 65,414,633 |

*See accompanying notes to consolidated financial statements.*

## Consolidated Statements of Cash Flows

**TWIN CITIES FINANCIAL SERVICES, INC., AND CBBC BANK**

| | | Year Ended December 31, 2021 | | 2020 |
|---|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Net income | $ | **5,213,710** | $ | 4,683,342 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | |
| Estimated provision for loan losses | | **93,100** | | 1,059,200 |
| Depreciation | | **379,163** | | 460,456 |
| Gain on the sale of foreclosed assets | | **(6,660)** | | (2,507,778 |
| Net accretion and amortization of investment securities | | **734,280** | | 689,758 |
| Deferred income tax benefit | | **169,622** | | (341,712 |
| Net change in: | | | | |
| Interest receivable | | **438,879** | | (863,272 |
| Other assets | | **(61,562)** | | (49,497 |
| Interest payable | | **(10,469)** | | (20,480 |
| Accounts payable and accrued liabilities | | **(590,759)** | | 487,765 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | | **6,359,304** | | 3,597,782 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Activity in available-for-sale securities: | | | | |
| Maturities, prepayments and calls | | **24,586,241** | | 40,799,831 |
| Purchases | | **(77,772,402)** | | (54,900,575 |
| Activities in other investments: | | | | |
| Maturities and calls | | **489,774** | | 1,229,336 |
| Loan originations and principal collections, net | | **24,228,230** | | (29,155,193 |
| Additions to premises and equipment | | **(83,477)** | | (69,022 |
| Proceeds from the sale of foreclosed assets | | **6,660** | | 2,507,779 |
| NET CASH USED IN INVESTING ACTIVITIES | | **(28,544,974)** | | (39,587,844 |



*See accompanying notes to consolidated financial statements.*

**TWIN CITIES FINANCIAL SERVICES, INC., AND CBBC BANK**

| | *Year Ended December 31,* 2021 | 2020 |
|---|---|---|
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net change in deposits (non-time deposits) | **62,827,495** | 55,177,833 |
| Net change in time deposits | **3,877,417** | (3,815,029) |
| Net increase in securities sold under repurchase agreements | **(889,142)** | 4,169,507 |
| Issuance of common stock | **190,424** | - |
| Cash dividends | **(1,322,859)** | (2,072,116) |
| Purchase of treasury stock | **(12,375)** | (150,000) |
| Proceeds from sale of treasury stock | **12,375** | 150,000 |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | **64,683,335** | 53,460,195 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | **42,497,665** | 17,470,133 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | **43,344,473** | 25,874,340 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | **$ 85,842,138** | $ 43,344,473 |
| SUPPLEMENTAL INFORMATION: | | |
| Cash paid during the year for: | | |
| Interest | **$ 752,438** | $ 1,110,566 |
| Income taxes | **$ 1,314,000** | $ 1,264,000 |
| SUPPLEMENTAL SCHEDULE OF NON-CASH ACTIVITIES: | | |
| Premises and equipment losses accrued in prior years | **$ 303,999** | $ - |
| Change in unrealized gain/loss on securities available-for-sale | **$ 1,857,526** | $ 4,032,941 |
| Change in unrealized gain/loss on securities available-for-sale, net of tax effects and reclassification adjustments for realized gain/loss | **$ 1,467,445** | $ 3,186,023 |

*See accompanying notes to consolidated financial statements.*

**TWIN CITIES FINANCIAL SERVICES, INC., AND CBBC BANK**

***Years Ended December 31, 2021 and 2020***

NOTE A--OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Nature of Operations:* Twin Cities Financial Services, Inc. (the Holding Company) is a bank holding company whose principal activity is the ownership and management of its wholly owned subsidiary, CBBC Bank (the Bank) (collectively, the Company). The Bank generates commercial, mortgage and consumer loans and receives deposits from customers located primarily in Blount County, Tennessee and the surrounding area. The Bank operates under a state bank charter and provides a full range of banking services. As a state-chartered bank, the Bank is subject to regulation by the Tennessee Department of Financial Institutions and the Federal Deposit Insurance Corporation. In addition, the Holding Company is subject to regulation by the Federal Reserve Bank.

*Basis of Presentation and Consolidation:* The consolidated financial statements include the accounts of the Holding Company and the Bank after elimination of material intercompany accounts and transactions.

*Use of Estimates:* The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, foreclosed assets and the valuation of deferred taxes.

*Significant Group Concentrations of Credit Risk:* Most of the Bank's activities are with customers located within Blount County, Tennessee and the surrounding area. Blount County and the surrounding area are in close proximity to the Great Smoky Mountains National Park and are therefore impacted by the tourism industry. As such, the Bank has a concentration of loans secured by hotels which are dependent upon both the tourism industry and business travel to service the loans. Note B discusses the types of securities in which the Bank invests. Note C discusses the types of lending in which the Bank engages.

*Cash and Cash Equivalents:* Due from bank balances in excess of Federal Deposit Insurance Corporation (FDIC) limits are not insured. For purposes of the consolidated statements of cash flows, cash and cash equivalents include all cash and amounts due from depository institutions, interest-bearing deposits in other banks, and federal funds sold, all of which mature within 90 days of purchase.

*Securities:* Debt securities are classified as "available-for-sale" and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income (loss), net of deferred income taxes. Gains and losses on equity securities are recognized in net income. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

A decline in the fair value of any available-for-sale debt security below cost that is deemed to be other-than-temporary results in a reduction in the carrying amount of the security. To determine whether impairment is other-than-temporary, management considers the extent and duration of the unrealized loss, and the financial condition and near-term prospects of the issuer. Management also assesses whether it intends to sell, or it is more likely than not that it will be required to sell, a security in an unrealized loss position before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the entire difference between amortized cost and fair value, referred to as a credit loss, is recognized as impairment through earnings. For debt securities that do not meet the aforementioned criteria, the amount of impairment is split into two components as follows: 1) other-than-temporary impairment (OTTI) related to credit loss, which must be recognized in the income statement and 2) OTTI related to other factors, which is recognized in other comprehensive income. The credit loss is defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis.

*Federal Home Loan Bank (FHLB) Stock:* The Bank is a member of the FHLB of Cincinnati and as such is required to maintain an investment in the capital stock of the FHLB of Cincinnati. The FHLB stock is carried at cost. The amount of stock required to be held by the Bank is determined annually based on an assessment made by the FHLB of Cincinnati.

*Other Investments:* The Bank invests in negotiable certificates of deposit with other depository institutions. Certificates of deposit with maturities greater than 90 days from the date of purchase are classified as other investments. Certificates of deposit are carried at cost which approximates fair value. There were no certificates of deposit that exceeded the FDIC insurance limit at December 31, 2021 and 2020.

*Loans:* Loans that management has the intent and ability to hold for the foreseeable future, or until maturity or pay-off, generally are reported at their outstanding unpaid principal balances adjusted for charge-offs, the estimated allowance for loan losses, and any deferred fees or costs on originated loans. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the related loan yield using the interest method, if material.

The Bank's loans are generally secured by specific items of collateral including real property, consumer assets, and business assets. Although the Bank has a diversified loan portfolio, a substantial portion of its debtors' ability to honor their contracts is dependent on the regional hotel industry and tourism.

TWIN CITIES FINANCIAL SERVICES, INC., AND CBBC BANK

*Years Ended December 31, 2021 and 2020*

The accrual of interest on mortgage and commercial loans is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in the process of collection. Consumer loans are typically charged-off when they become 90 days past due.

Past due status is based on contractual terms of the loan. In all cases, loans are placed on non-accrual or charged-off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on non-accrual or charged-off is reversed against interest income. The interest on these loans is accounted for on the cash-basis, or cost-recovery method, until qualifying for return to accrual status. 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 allowance for loan losses is established as losses are estimated to have occurred through an estimated provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance for loan losses.

The estimated allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

While management uses available information to recognize losses on loans, further reductions in the carrying amounts of loans may be necessary based on changes in economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the estimated allowance for loan losses. Such agencies may require the Bank 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 allowance for loan losses may change materially in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

The estimated allowance consists of specific and general components. The specific component relates to loans that are classified as loss, doubtful, or substandard (as defined by the Bank, consistent with the definitions given by regulatory agencies). For such loans that are also classified as impaired, an allowance is established when the estimated discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers non-classified loans and classified loans that are determined not to be impaired by management. The general component is based on historical loss experience adjusted for qualitative factors.

**TWIN CITIES FINANCIAL SERVICES, INC., AND CBBC BANK**

***Years Ended December 31, 2021 and 2020***

A loan is considered impaired when, based on current information and events, it is probable that the Bank 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 or shortfalls generally are not classified as impaired. Management determines the significance of payment delays or 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. Impairment is measured on a loan-by-loan basis for commercial, residential and construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Bank does not separately identify individual consumer loans for impairment disclosures, unless such loans are the subject of a restructuring agreement.

*Foreclosed Assets:* Assets acquired through, or in lieu of, loan foreclosure are initially recorded at estimated fair value less estimated selling cost at the date of foreclosure, establishing a new cost basis. Any write-downs based on the asset's estimated fair value at the date of acquisition are charged to the allowance for loan losses. After foreclosure, property held for sale is carried at the lower of the new cost basis or estimated fair value less cost to sell. Impairment losses on property to be held and used are measured as the amount by which the carrying amount of a property exceeds its estimated fair value. Costs of significant property improvements on foreclosed assets are capitalized, whereas costs relating to holding the property are expensed. The portion of interest costs relating to development of foreclosed real estate is capitalized. Valuations are periodically performed by third parties, and any subsequent write-downs are recorded as a charge to operations, if necessary, to reduce the carrying value of a property to the lower of its cost or estimated fair value, less cost to sell. There were no foreclosed assets as of December 31, 2021 and 2020. As of December 31, 2021, the Bank had no consumer mortgage loans collateralized by residential real estate property that were in the process of foreclosure.

*Premises and Equipment:* Land is carried at cost. Other premises and equipment are stated at cost less accumulated depreciation. Depreciation has been computed using the straight-line method based on the estimated useful lives of the respective assets.

Maintenance and repairs are expensed as incurred while major additions and improvements are capitalized. Gains and losses on dispositions are included in current operations.

*Income Taxes:* Income taxes are provided for the tax effects of the transactions reported in the consolidated financial statements and consist of taxes currently due plus deferred taxes related primarily to net operating loss carryforwards, differences between the tax and book bases of the estimated allowance for loan losses, premises and equipment depreciation, foreclosed asset write-downs and other assets and liabilities. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred tax assets and liabilities are reflected at income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through income tax expense or benefit. A valuation allowance is required for deferred tax assets if, based on available evidence, it is more likely than not that all or some portion of the asset may not be realized due to the Company's inability to generate sufficient taxable income in the period and/or of the character necessary to utilize the benefit of the deferred tax asset. The Holding Company files consolidated income tax returns with the Bank. The Company has not taken any material uncertain income tax positions in its previously filed income tax returns or in income tax returns expected to be filed. When applicable, the Company recognizes interest related to income tax matters and penalties related to income tax matters as other noninterest expense. The Company is currently open to audit under the statute of limitations by the Internal Revenue Service for the years ended December 31, 2018 through 2021, and the state of Tennessee for the years ended December 31, 2018 through 2021.

*Off-Balance Sheet Financial Instruments:* In the ordinary course of business, the Bank has entered into certain off-balance sheet financial instruments consisting of commitments to extend credit, commercial letters of credit, and standby letters of credit. Such financial instruments are recorded in the consolidated financial statements when they are funded.

*Earnings Per Common Share:* Net income per common share is calculated on the weighted average number of common shares outstanding during each year. The average shares outstanding was 539,774 and 537,861 for the years ended December 31, 2021 and 2020, respectively. Treasury shares are not deemed outstanding for earnings per share calculations.

*Comprehensive Income:* United States generally accepted accounting principles (GAAP) require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on debt securities available-for-sale, are reported as a separate component of the stockholders' equity section of the consolidated balance sheets. Such items, along with net income, are components of comprehensive income.

**TWIN CITIES FINANCIAL SERVICES, INC., AND CBBC BANK**

***Years Ended December 31, 2021 and 2020***

NOTE B--SECURITIES

The amortized cost of available-for-sale securities and their approximate fair values are as follows:

| | *Amortized Cost* | *Gross Unrealized Gains* | *Gross Unrealized Losses* | *Fair Value* |
|---|---|---|---|---|
| ***As of December 31, 2021:*** | | | | |
| Mortgage-backed securities | $ 57,897,942 | $ 1,016,096 | $ 633,728 | $ 58,280,310 |
| Collateralized mortgage obligations and real estate mortgage investment conduits | 7,330,369 | 38,419 | 15,572 | 7,353,216 |
| Corporate | 250,305 | - | - | 250,305 |
| State and municipal securities | 113,314,034 | 2,330,850 | 196,045 | 115,448,839 |
| | $ 178,792,650 | $ 3,385,365 | $ 845,345 | $ 181,332,670 |
| ***As of December 31, 2020:*** | | | | |
| Mortgage-backed securities | $ 62,969,323 | $ 2,010,884 | $ 12,626 | $ 64,967,581 |
| Collateralized mortgage obligations and real estate mortgage investment conduits | 5,223,108 | 115,268 | - | 5,338,376 |
| Corporate | 250,305 | - | - | 250,305 |
| State and municipal securities | 57,898,033 | 2,284,459 | 439 | 60,182,053 |
| | $ 126,340,769 | $ 4,410,611 | $ 13,065 | $ 130,738,315 |

The amortized cost and approximate fair value of securities at December 31, 2021, by contractual maturity, are as follows:

| | *Amortized Cost* | *Fair Value* |
|---|---|---|
| Available-for-sale: | | |
| One year or less | $ 1,503,131 | $ 1,517,400 |
| Due after one year through five years | 11,599,776 | 11,793,823 |
| Due after five years through ten years | 14,988,834 | 15,312,979 |
| Due in more than ten years | 92,552,662 | 94,177,853 |
| | 120,644,403 | 122,802,055 |
| Mortgage-backed securities | 57,897,942 | 58,280,310 |
| Corporate | 250,305 | 250,305 |
| | $ 178,792,650 | $ 181,332,670 |

Mortgage-backed securities are disclosed as a separate line item because borrowers may have the right to call or prepay obligations without penalties.

At December 31, 2021 and 2020, debt securities with a carrying value of approximately $15,734,000 and $15,944,000, respectively, were pledged to secure public deposits and for other purposes required or permitted by law. At December 31, 2021 and 2020, the carrying amount of debt securities pledged to secure repurchase agreements was approximately $15,002,000 and $10,037,000, respectively.

Information pertaining to securities with gross unrealized losses, aggregated by investment category and length of time that individual securities have been in a continuous loss position, is as follows:

| | *Less Than Twelve Months* | | *Over Twelve Months* | | |
|---|---|---|---|---|---|
| | *Gross Unrealized Losses* | *Fair Value* | *Gross Unrealized Losses* | *Fair Value* | *Total Unrealized Losses* |
| As of December 31, 2021: | | | | | |
| Mortgage-backed securities | $ 429,257 | $ 21,244,396 | $ 204,471 | $ 9,532,598 | $ 633,728 |
| Collateralized mortgage obligations and real estate mortgage investment conduits | 15,572 | 2,738,551 | - | - | 15,572 |
| State and municipal securities | 156,587 | 18,093,005 | 39,458 | 1,179,440 | 196,045 |
| | $ 601,416 | $ 42,075,952 | $ 243,929 | $ 10,712,038 | $ 845,345 |
| As of December 31, 2020: | | | | | |
| Mortgage-backed securities | $ 12,626 | $ 7,180,525 | $ - | $ - | $ 12,626 |
| State and municipal securities | 439 | 471,096 | - | - | 439 |
| | $ 13,065 | $ 7,651,621 | $ - | $ - | $ 13,065 |

None of the unrealized losses, as of December 31, 2021 and 2020, were determined to be other-than-temporary by management of the Bank. The Bank had no realized losses for the years ended December 31, 2021 and 2020.

NOTE C--LOANS AND ESTIMATED ALLOWANCE FOR LOAN LOSSES

A summary of loans and estimated allowances for loan losses as of December 31, follows:

| | *2021* | *2020* |
|---|---|---|
| Loans | | |
| Real estate: | | |
| Commercial and construction (non-hotel/motel) | $ 110,359,900 | $ 104,826,782 |
| Hotel/motel | 61,167,100 | 82,515,230 |
| Residential | 23,459,061 | 26,309,001 |
| Total real estate | 194,986,061 | 213,651,013 |

**TWIN CITIES FINANCIAL SERVICES, INC., AND CBBC BANK**

*Years Ended December 31, 2021 and 2020*

| | 2021 | 2020 |
|---|---|---|
| Commercial and agriculture | 14,420,965 | 20,248,394 |
| Consumer | 1,992,210 | 1,825,155 |
| Total loans | 211,399,236 | 235,724,562 |
| Less: estimated allowance for loan losses | 4,408,760 | 4,412,756 |
| Loans, net | $ 206,990,476 | $ 231,311,806 |

Unamortized deferred loan fees as of December 31, 2021 and 2020 were $280,194 and $547,665, respectively.

The following is a summary of the activity in the estimated allowance for loan losses for the years ended December 31, 2021 and 2020 and a summary of loans individually and collectively evaluated for impairment and their respective estimated allowance for loan losses as of December 31, 2021 and 2020.

| | Real Estate | | | | | | |
|---|---|---|---|---|---|---|---|
| | *Commercial and Construction (Non-Hotel/Motel)* | *Hotel/ Motel* | *Residential* | *Commercial and Agriculture* | *Consumer* | *Additional Qualitative Reserve* | *Total* |
| **Allowance for Credit Losses (2021):** | | | | | | | |
| Balance at December 31, 2020 | $ 727,383 | $ 324,793 | $ 113,510 | $ 109,590 | $ 7,301 | $ 3,130,179 | $ 4,412,756 |
| Loans charged off | - | - | - | (97,596) | - | - | (97,596) |
| Recoveries on loans | - | - | - | 500 | - | - | 500 |
| Estimated provision for loan losses | (79,310) | 482,736 | 14,678 | 59,611 | 2,660 | (387,275) | 93,100 |
| Balance at December 31, 2021 | $ 648,073 | $ 807,529 | $ 128,188 | $ 72,105 | $ 9,961 | $ 2,742,904 | $ 4,408,760 |
| Ending balance, individually evaluated for impairment | $ 99,723 | $ 518,994 | $ 11,274 | $ - | $ - | $ - | $ 629,991 |
| Ending balance, collectively evaluated for impairment | $ 548,350 | $ 288,535 | $ 116,914 | $ 72,105 | $ 9,961 | $ 2,742,904 | $ 3,778,769 |
| **Loans (2021):** | | | | | | | |
| Balance at December 31, 2021 | $ 110,359,900 | $ 61,167,100 | $ 23,459,061 | $ 14,420,965 | $ 1,992,210 | $ - | $ 211,399,236 |
| Ending balance, individually evaluated for impairment | $ 667,374 | $ 3,459,957 | $ 98,870 | $ - | $ - | $ - | $ 4,226,201 |
| Ending balance, collectively evaluated for impairment | $ 109,692,526 | $ 57,707,143 | $ 23,360,191 | $ 14,420,965 | $ 1,992,210 | $ - | $ 207,173,035 |
| **Allowance for Credit Losses (2020):** | | | | | | | |
| Balance at January 1, 2020 | $ 976,032 | $ 326,375 | $ 176,183 | $ 71,012 | $ 10,743 | $ 1,792,578 | $ 3,352,923 |
| Loans charged off | - | - | (274,785) | - | - | - | (274,785) |
| Recoveries on loans | - | - | 275,418 | - | - | - | 275,418 |
| Estimated provision for loan losses | (248,649) | (1,582) | (63,306) | 38,578 | (3,442) | 1,337,601 | 1,059,200 |
| Balance at December 31, 2020 | $ 727,383 | $ 324,793 | $ 113,510 | $ 109,590 | $ 7,301 | $ 3,130,179 | $ 4,412,756 |
| Ending balance, individually evaluated for impairment | $ 308,284 | $ - | $ 9,952 | $ - | $ - | $ - | $ 318,236 |
| Ending balance, collectively evaluated for impairment | $ 419,099 | $ 324,793 | $ 103,558 | $ 109,590 | $ 7,301 | $ 3,130,179 | $ 4,094,520 |
| **Loans (2020):** | | | | | | | |
| Balance at December 31, 2020 | $ 104,826,782 | $ 82,515,230 | $ 26,309,001 | $ 20,248,394 | $ 1,825,155 | $ - | $ 235,724,562 |
| Ending balance, individually evaluated for impairment | $ 2,055,224 | $ - | $ 76,993 | $ - | $ - | $ - | $ 2,132,217 |
| Ending balance, collectively evaluated for impairment | $ 102,771,558 | $ 82,515,230 | $ 26,232,008 | $ 20,248,394 | $ 1,825,155 | $ - | $ 233,592,345 |

In its estimation of specific reserves for individually impaired loans, the Bank has obtained appraisals from third-party certified, and independent, appraisers to estimate the fair value of underlying real estate collateral. In addition to underlying real estate collateral, certain loans may be dependent upon the performance of guarantors and/or the future cash flows of income producing properties securing certain loans to mitigate the risk of loss. The inability of guarantors to perform, or the change in projections of future cash flows, could impact the Bank's estimate of the allowance for loan losses significantly in the near term.

As of December 31, 2021 and 2020, the Bank had $124,902 and $302,568 in non-accrual loans, respectively. There were no past-due loans 90 days or more still accruing interest as of December 31, 2021 and 2020.

Interest income that would have accrued on non-accrual loans if they were on a current basis was $360 and $3,021 for the years ended December 31, 2021 and 2020, respectively.

The following is an aging analysis of the loan portfolio as of December 31:

| Loan Type | 30-59 Days Past Due | 60-89 Days Past Due | Greater than 89 Days Past Due | Total Past Due | Total Current | Total Loans Outstanding |
|---|---|---|---|---|---|---|
| ***As of December 31, 2021:*** | | | | | | |
| Commercial real estate and construction (non-hotel/motel) | $ - | $ - | $ - | $ - | $ 110,359,900 | $ 110,359,900 |
| Hotel/motel | - | - | - | - | 61,167,100 | 61,167,100 |
| Residential real estate | - | 16,604 | - | 16,604 | 23,442,457 | 23,459,061 |
| Commercial and agriculture | - | - | - | - | 14,420,965 | 14,420,965 |
| Consumer | - | - | - | - | 1,992,210 | 1,992,210 |
| Total | $ - | $ 16,604 | $ - | $ 16,604 | $ 211,382,632 | $ 211,399,236 |
| ***As of December 31, 2020:*** | | | | | | |
| Commercial real estate and construction (non-hotel/motel) | $ - | $ - | $ - | $ - | $ 104,826,782 | $ 104,826,782 |
| Hotel/motel | - | - | - | - | 82,515,230 | 82,515,230 |
| Residential real estate | 2,448 | - | - | 2,448 | 26,306,553 | 26,309,001 |
| Commercial and agriculture | - | - | - | - | 20,248,394 | 20,248,394 |
| Consumer | 14,273 | - | - | 14,273 | 1,810,882 | 1,825,155 |
| Total | $ 16,721 | $ - | $ - | $ 16,721 | $ 235,707,841 | $ 235,724,562 |

The following is a summary of the recorded investment, unpaid principal balance and related allowance of impaired loans and the average recorded investment and the amount of interest income recognized for the year then ended, by category:

| Loan Type | Recorded Investment | Unpaid Principal Balance | Related Allowance | Average Recorded Investment | Interest Income Recognized |
|---|---|---|---|---|---|
| ***As of December 31, 2021:*** | | | | | |
| **With an allowance recorded:** | | | | | |
| Commercial real estate and construction (non-hotel/motel) | $ 667,374 | $ 667,374 | $ 99,723 | $ 702,810 | $ 56,568 |
| Hotel/motel | 3,459,957 | 3,459,957 | 518,994 | 3,610,364 | 260,016 |
| Residential real estate | 98,870 | 98,870 | 11,274 | 107,072 | 11,372 |
| Total | $ 4,226,201 | $ 4,226,201 | $ 629,991 | $ 4,420,246 | $ 327,956 |

TWIN CITIES FINANCIAL SERVICES, INC., AND CBBC BANK

*Years Ended December 31, 2021 and 2020*

| *Loan Type* | *Recorded Investment* | *Unpaid Principal Balance* | *Related Allowance* | *Average Recorded Investment* | *Interest Income Recognized* |
|---|---|---|---|---|---|
| ***As of December 31, 2020:*** | | | | | |
| **With an allowance recorded:** | | | | | |
| Commercial real estate and construction (non-hotel/motel) | $ 2,055,224 | $ 2,055,224 | $ 308,284 | $ 2,075,999 | $ 169,258 |
| Residential real estate | 76,993 | 76,993 | 9,952 | 77,405 | - |
| Commercial and agriculture | - | - | - | 30,017 | 9,451 |
| Total | $ 2,132,217 | $ 2,132,217 | $ 318,236 | $ 2,183,421 | $ 178,709 |

The Bank classifies problem loans into risk categories based on their assessed level of collectability. There are three classifications for problem loans: loss, doubtful, and substandard. Loans classified as "loss" are considered uncollectible, and generally will be charged off within 30 days after being recognized as uncollectible. Loans classified as "doubtful" have characteristics that make collection or liquidation in full on the basis of current existing facts, conditions and values questionable, and there is a high possibility of loss. Loans classified as "substandard" have one or more defined weaknesses and are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.

The following is a summary of the credit risk profile, by category, of loans with internally assigned grades, as of December 31:

| | *Real Estate* | | | | | |
|---|---|---|---|---|---|---|
| | *Commercial and Construction (Non-Hotel/ Motel)* | *Hotel/Motel* | *Residential* | *Commercial and Agriculture* | *Consumer* | *Total* |
| ***As of December 31, 2021:*** | | | | | | |
| **Grade:** | | | | | | |
| Loss | $ - | $ - | $ - | $ - | $ - | $ - |
| Doubtful | - | - | - | - | - | - |
| Substandard | 667,374 | 3,459,957 | 98,870 | - | - | 4,226,201 |
| Non-classified | 109,692,526 | 57,707,143 | 23,360,191 | 14,420,965 | 1,992,210 | 207,173,035 |
| Total | $ 110,359,900 | $ 61,167,100 | $ 23,459,061 | $ 14,420,965 | $ 1,992,210 | $ 211,399,236 |
| ***As of December 31, 2020:*** | | | | | | |
| **Grade:** | | | | | | |
| Loss | $ - | $ - | $ - | $ - | $ - | $ - |
| Doubtful | - | - | - | - | - | - |
| Substandard | 738,247 | 1,316,977 | 434,444 | - | - | 2,489,668 |
| Non-classified | 104,088,535 | 81,198,253 | 25,874,557 | 20,248,394 | 1,825,155 | 233,234,894 |
| Total | $ 104,826,782 | $ 82,515,230 | $ 26,309,001 | $ 20,248,394 | $ 1,825,155 | $ 235,724,562 |

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law. It contains substantial tax and spending provisions intended to address the impact of the coronavirus disease 2019 (COVID)-19 pandemic. The CARES Act includes the Paycheck Protection Program (PPP), a program designed to aid small and medium-sized businesses, sole proprietors and other self-employed persons through federally guaranteed loans distributed through banks. These loans are intended to guarantee eight to 24 weeks of payroll and other costs to provide support to participating businesses and increase the ability of these businesses to retain workers. As of December 31, 2021, the Bank had obtained approvals for approximately 380 clients totaling approximately $18,000,000 in approved loans.

These loans are fully guaranteed by the U.S. Small Business Administration (SBA), carry a term of two or five years, dependent on the date originated, and a 1.0% annualized interest rate. Forgiveness of these loans by the SBA began in the 3rd quarter of 2020. As of December 31, 2021, approximately 375 applications from Bank borrowers had been submitted to the SBA for forgiveness and 370 of those applications had been approved for forgiveness with the remainder pending a response from the SBA.

The following table outlines the number and recorded investment in troubled debt restructurings categorized by loan classification occurring during the years ended December 31:

| | *Number of Contracts* | *Pre-Modification Outstanding Recorded Investment* | *Post-Modification Outstanding Recorded Investment* |
|---|---|---|---|
| ***Year Ended December 31, 2021:*** | | | |
| **Troubled debt restructurings:** | | | |
| Commercial real estate and construction | 1 | $ 1,323,549 | $ 1,323,549 |
| ***Year Ended December 31, 2020:*** | | | |
| **Troubled debt restructurings:** | | | |
| Commercial real estate and construction | 1 | $ 56,235 | $ 56,235 |

As of December 31, 2021 and 2020, the Bank identified approximately $2,361,000 and $1,139,000 in troubled debt restructurings, respectively, where the terms of the loan agreements were modified to provide more favorable terms to allow the borrower to continue to service the loans. The modified terms of the new loan agreements included adjustments to loan maturities, principal balances, payment terms and interest rates. In accordance with the Bank's policy, each troubled debt restructuring that is determined by the Bank to be impaired, is specifically evaluated as part of the estimated allowance for loan losses along with other impaired loans.

In response to the COVID-19 pandemic and its economic impact to its customers, the Bank implemented a short-term loan modification program to provide temporary payment relief to certain of its borrowers. This program allowed for a deferral of principal and/or interest payments for 90 days, which the Bank may extend for an additional 90 days, for a maximum of 180 days on a cumulative and successive basis. During the year ended December 31, 2020, the Bank granted

TWIN CITIES FINANCIAL SERVICES, INC., AND CBBC BANK

*Years Ended December 31, 2021 and 2020*

deferrals on approximately $88,000,000 in aggregate principal amount of loans. As of December 31, 2021, there were no loans that remained on deferral. Pursuant to interagency regulatory guidance, such short-term deferrals that were granted under the Bank's program are not deemed to meet the criteria for reporting as troubled debt restructurings.

There were no loans pledged as collateral to secure FHLB advances at December 31, 2021 and 2020 due to there being no FHLB advances outstanding as of these dates.

The Bank has entered into transactions with certain directors, executive officers, significant stockholders and their affiliates. In management's opinion, such transactions were made in the ordinary course of business on substantially the same terms and conditions, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other customers, and did not involve more than normal credit risk or present other unfavorable features. As of December 31, 2021 and 2020, the Bank had $96,159 and $154,029 in loans, respectively, outstanding to such related parties.

NOTE D--PREMISES AND EQUIPMENT

A summary of premises and equipment as of December 31, is as follows:

| | *2021* | *2020* |
|---|---|---|
| Land | $ 2,066,308 | $ 2,066,308 |
| Buildings | 9,195,060 | 9,789,333 |
| Furniture and equipment | 2,639,626 | 2,628,693 |
| | 13,900,994 | 14,484,334 |
| Accumulated depreciation | (6,359,857) | (6,343,512) |
| | $ 7,541,137 | $ 8,140,822 |

Depreciation is based on estimated useful lives as presented below:

| | |
|---|---|
| Buildings and improvements | 5-40 years |
| Furniture and equipment | 3-20 years |

NOTE E--OPERATING LEASES

The Bank leases facilities and certain equipment under operating leases. The remaining lease terms range from 1 to 2 years.

Future minimum lease payments related to non-cancelable operating leases at December 31, 2021 are as follows:

**TWIN CITIES FINANCIAL SERVICES, INC., AND CBBC BANK**

***Years Ended December 31, 2021 and 2020***

| *Year Ending December 31,* | | |
|---|---|---|
| 2022 | $ | 30,678 |
| 2023 | | 30,678 |
| 2024 | | 30,678 |
| 2025 | | 28,688 |
| 2026 | | 28,025 |
| Thereafter | | 21,019 |
| Total minimum lease payments | $ | 169,766 |

NOTE F--DEPOSITS

Deposits as of December 31, are summarized as follows:

| | | *2021* | | *2020* |
|---|---|---|---|---|
| Non-interest bearing demand | $ | 128,012,883 | $ | 99,161,600 |
| Interest-bearing demand deposits | | 119,937,957 | | 101,116,591 |
| Savings | | 101,224,575 | | 86,069,729 |
| Time deposits under $250,000 | | 49,790,557 | | 49,889,553 |
| Time deposits $250,000 and over | | 15,478,370 | | 11,501,957 |
| | $ | 414,444,342 | $ | 347,739,430 |

At December 31, the scheduled maturities of time deposits are as follows:

| *Year Ending December 31,* | | |
|---|---|---|
| 2022 | $ | 53,544,545 |
| 2023 | | 8,402,544 |
| 2024 | | 1,799,036 |
| 2025 | | 1,213,656 |
| 2026 | | 309,146 |
| | $ | 65,268,927 |

The directors, executive officers and principal stockholders maintain certain deposits with the Bank. In management's opinion, the terms of these related party deposit contracts are comparable to those available to other depositors.

**TWIN CITIES FINANCIAL SERVICES, INC., AND CBBC BANK**

*Years Ended December 31, 2021 and 2020*

NOTE G--FEDERAL RESERVE BANK AND FHLB BORROWINGS

The Bank has approval to borrow funds through the Federal Reserve Discount Window. The funds are available through the Federal Reserve Bank's primary credit arrangement, which allows loans for terms of up to 90 days. As of December 31, 2021 and 2020, the Bank could apply to borrow, with a maximum of approximately $36,842,000 and $45,257,000, respectively, based on existing collateral value. Each borrowing requires a subsequent review of the Bank's credit worthiness, and the Bank is not guaranteed of qualifying to borrow the maximum amount. As of December 31, 2021 and 2020, the Bank had no funds drawn under this credit arrangement.

Additionally, as of December 31, 2021 and 2020, the Bank had borrowing capacity with the FHLB of approximately $36,754,000 and $30,000,000, respectively. As of December 31, 2021 and 2020, the Bank had no funds drawn under this credit arrangement.

NOTE H--EMPLOYEE BENEFIT PLANS

The Company sponsors a qualified employee stock purchase plan for all eligible employees. Common shares of the Company may be offered to employees at a discretionary discount (not to exceed 15% of fair value). The Company has accrued approximately $15,000 and $18,000 as compensation expense related to this plan as of December 31, 2021 and 2020, respectively. These amounts are included in accounts payable and accrued liabilities in the consolidated balance sheets as of December 31, 2021 and 2020.

In addition, the Company sponsors a nonqualified employee stock purchase plan for Company directors and other non-eligible employees. Common shares of the Company may be offered to participants at a discretionary discount from fair value. The Company has accrued approximately $21,000 and $64,000 as compensation expense related to this plan as of December 31, 2021 and 2020, respectively.

The Company also has a defined contribution profit sharing plan covering all eligible employees. Profit sharing expense for both 2021 and 2020 was $150,000.

NOTE I--SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

The Bank has entered into agreements with certain depositors whereby the depositor's daily available balances are utilized to purchase certain securities from the Bank under repurchase agreements which mature daily and are automatically renewed daily. The Bank may be required to provide additional collateral based on the fair value of the underlying securities.

At December 31, 2021 and 2020, securities sold under repurchase agreements amounted to $5,324,167 and $6,213,309, respectively, and securities with a fair value of $15,160,264 and $10,449,598 at December 31, 2021 and 2020, respectively, are held as collateral for the agreements. The securities underlying the agreements are maintained under the Bank's control.

**TWIN CITIES FINANCIAL SERVICES, INC., AND CBBC BANK**

***Years Ended December 31, 2021 and 2020***

NOTE J--INCOME TAXES

The provision for income taxes consists of the following for the years ended December 31:

| | | *2021* | | *2020* |
|---|---|---|---|---|
| Current income tax expense | $ | 1,611,456 | $ | 1,996,230 |
| Deferred income tax benefit | | (169,622) | | (341,712) |
| Total income tax expense | $ | 1,441,834 | $ | 1,654,518 |
| Income tax expense computed at statutory rates (26.1%) | $ | 1,743,670 | $ | 1,224,286 |
| Increase (decrease) in income taxes from: | | | | |
| Tax exempt interest income | | (101,605) | | (65,906) |
| Other | | (200,231) | | 496,138 |
| | $ | 1,441,834 | $ | 1,654,518 |

Deferred tax assets and liabilities arise from temporary differences between the financial and tax bases of certain assets and liabilities. Significant components of deferred tax assets and liabilities are as follows as of December 31:

| | | *2021* | | *2020* |
|---|---|---|---|---|
| Deferred tax assets: | | | | |
| Non-accrual loan interest | $ | - | $ | 229 |
| Other | | 57,051 | | 103,169 |
| Total deferred tax assets | $ | 57,051 | $ | 103,398 |
| Deferred tax liabilities: | | | | |
| Unrealized gain/loss on securities available-for-sale | $ | 533,404 | $ | 923,485 |
| Allowance for loan losses | | 423,612 | | 324,683 |
| Premises and equipment depreciation | | 106,419 | | 121,331 |
| FHLB stock dividends | | 53,645 | | 70,503 |
| Accrued expenses | | 17,377 | | - |
| Gain or loss on sale of assets | | 63,999 | | - |
| Non accrual loan interest | | 1,286 | | - |
| Deferred state taxes | | - | | 26,546 |
| Total deferred tax liabilities | | 1,199,742 | | 1,466,548 |
| Net deferred tax liabilities | $ | (1,142,691) | $ | (1,363,150) |

The Bank has no federal and state net operating loss carryforwards at December 31, 2021.

NOTE K--OFF-BALANCE SHEET ACTIVITIES

In the normal course of business, the Bank has outstanding commitments and contingent liabilities, such as commitments to extend credit and standby letters of credit, which are not included in the accompanying consolidated financial statements. The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit and standby letters of credit is represented by the contractual or notional amount of those instruments. The Bank uses the same credit policies in making such commitments as it does for instruments that are included in the consolidated balance sheets.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation. Collateral held varies but may include real estate, accounts receivable, inventory, property and equipment, and income-producing commercial properties.

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Standby letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Bank's policy for obtaining collateral, and the nature of such collateral, is essentially the same as that involved in making commitments to extend credit.

Financial instruments whose contract amount represents unfunded commitments, consisting of letters of credit and unfunded lines of credit, were approximately $3,558,000 and $37,208,000 at December 31, 2021 and 2020, respectively.

The Bank has available lines of credit with certain correspondent financial institutions totaling approximately $43,900,000 and $70,323,000 at December 31, 2021 and 2020, respectively. No amounts were drawn on these lines of credit as of December 31, 2021 and 2020.

NOTE L--COMMITMENTS AND CONTINGENT LIABILITIES

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.

The Bank maintains its cash and cash equivalents with what it believes to be high-quality financial institutions and thus limits its credit risk exposure. At times, the cash maintained in these institutions exceeds federally insured limits.

NOTE M--FAIR VALUE OF FINANCIAL INSTRUMENTS

The FASB Accounting Standards Codification (ASC) establishes a framework for measuring fair value in GAAP and expands disclosures about fair value measurements. The definition of fair value focuses on the exit price (i.e. 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), not the entry price (i.e. the price that would be paid to acquire the asset, or received to assume the liability, at the measurement date). The ASC emphasizes that fair value is a market-based measurement; not an entity-specific measurement. Therefore, the fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability.

*Valuation Hierarchy:* The ASC establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- *Level 1:* Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

- *Level 2:* Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

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

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy.

- Assets

  - *Securities:* Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include highly liquid government securities and certain other products. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows and are classified within Level 2 of the valuation hierarchy. In certain cases where there may be limited activity or less transparency around inputs to the valuation, securities may be classified within Level 3 of the valuation hierarchy.

- *Impaired Loans (included within Loans, net of estimated allowance for loan losses):* A loan is considered to be impaired when it is probable the Bank will be unable to collect all principal and interest payments due in accordance with the contractual terms of the loan agreement. Individually identified impaired loans are measured based on the present value of expected payments using the loan's original effective rate as the discount rate, the loan's observable market price, or the fair value of the collateral if the loan is collateral dependent. If the recorded investment in the impaired loan exceeds the measure of fair value, a valuation allowance may be established as a component of the allowance for loan losses. Impaired loans are classified within Level 3 of the valuation hierarchy.

• Liabilities

- At December 31, 2021 and 2020, the Bank has no liabilities meeting the criteria for disclosure.

The following tables present the financial instruments carried at fair value as of December 31, by caption in the consolidated balance sheets:

***Assets Measured at Fair Value on a Recurring Basis as of December 31, 2021***

| | *Total* | *Quoted Prices in Active Markets for Identical Assets (Level 1)* | *Significant Observable Inputs (Level 2)* | *Significant Unobservable Inputs (Level 3)* |
|---|---|---|---|---|
| Securities available-for-sale | $ 181,332,670 | $ - | $ 181,332,670 | $ - |

***Assets Measured at Fair Value on a Nonrecurring Basis as of December 31, 2021***

| | *Total* | *Quoted Prices in Active Markets for Identical Assets (Level 1)* | *Significant Observable Inputs (Level 2)* | *Significant Unobservable Inputs (Level 3)* |
|---|---|---|---|---|
| Impaired loans | $ 3,596,210 | $ - | $ - | $ 3,596,210 |

TWIN CITIES FINANCIAL SERVICES, INC., AND CBBC BANK

*Years Ended December 31, 2021 and 2020*

*Assets Measured at Fair Value on a Recurring Basis as of December 31, 2020*

| | Total | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| Securities available-for-sale | $ 130,738,315 | $ - | $ 130,738,315 | $ - |

*Assets Measured at Fair Value on a Nonrecurring Basis as of December 31, 2020*

| | Total | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| Impaired loans | $ 1,813,981 | $ - | $ - | $ 1,813,981 |

NOTE N--REGULATORY CAPITAL

The Bank is subject to various regulatory capital requirements administered by federal and state banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct and material effect on the Bank, and on the consolidated financial statements of the Company.

Under the regulatory capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank 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 capital amounts and classifications are also subject to qualitative judgments by regulatory authorities concerning capital components, risk weightings, and other factors.

The capital level requirements also establish a "capital conservation buffer" of 2.5% above the regulatory minimum risk-based capital ratios, and result in the following minimum risk-based capital ratios when factoring in the conservation buffer: a common equity tier 1 risk-based capital ratio of 7%, a tier 1 risk-based capital ratio of 8.5% and a total risk-based capital ratio of 10.5%. An institution will be subject to limitations on paying dividends, engaging in share repurchases and paying discretionary bonuses if capital levels fall below minimum levels plus the buffer amounts.

Quantitative measures established by regulation to ensure capital adequacy requires the Bank to maintain minimum amounts and ratios (set forth in the following table) of: total risk-based capital, tier 1 capital and common equity tier 1 capital (as defined in the regulations) to risk-weighted

TWIN CITIES FINANCIAL SERVICES, INC., AND CBBC BANK

*Years Ended December 31, 2021 and 2020*

assets (as defined), and tier 1 capital (as defined) to average total assets (as defined) as of December 31, 2021 and 2020. Management believes that the Bank meets all capital adequacy requirements to which it is subject as of December 31, 2021 and 2020.

As of December 31, 2021 and 2020, the most recent notification from the Federal Reserve Bank categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum capital levels set forth in the table below. The capital conservation buffer is not included in the required ratios of the table. There are no conditions or events since that notification that management believes has changed the Bank's category.

The Bank's actual and required capital amounts and ratios are as follows:

| | *Actual* | | *For Capital Adequacy Purposes* | | *To be Well Capitalized Under the Prompt Corrective Action Provisions* | |
|---|---|---|---|---|---|---|
| | *Amount* | *Ratio* | *Amount* | *Ratio* | *Amount* | *Ratio* |
| **As of December 31, 2021:** | | | | | | |
| Total risk-based capital (to risk-weighted assets) | $ 66,587,660 | 22.6% | $ 23,579,520 | 8.0% | $ 29,474,400 | 10.0% |
| Tier 1 capital (to risk-weighted assets) | $ 62,894,660 | 21.3% | $ 17,684,640 | 6.0% | $ 23,579,520 | 8.0% |
| Common equity tier 1 capital (to risk-weighted assets) | $ 62,894,660 | 21.3% | $ 13,263,480 | 4.5% | $ 19,158,360 | 6.5% |
| Tier 1 capital (to average total assets) | $ 62,894,660 | 12.9% | $ 19,488,080 | 4.0% | $ 24,360,100 | 5.0% |
| **As of December 31, 2020:** | | | | | | |
| Total risk-based capital (to risk-weighted assets) | $ 62,837,809 | 20.5% | $ 24,495,440 | 8.0% | $ 30,619,300 | 10.0% |
| Tier 1 capital (to risk-weighted assets) | $ 59,003,809 | 19.3% | $ 18,371,580 | 6.0% | $ 24,495,440 | 8.0% |
| Common equity tier 1 capital (to risk-weighted assets) | $ 59,003,809 | 19.3% | $ 13,778,685 | 4.5% | $ 19,902,545 | 6.5% |
| Tier 1 capital (to average total assets) | $ 59,003,809 | 14.2% | $ 16,615,320 | 4.0% | $ 20,769,150 | 5.0% |

## NOTE O--COVID-19 IMPACT

In March 2020, the World Health Organization recognized the novel strain of COVID-19 as a pandemic. The COVID-19 outbreak has severely restricted the level of economic activity around the world and caused significant volatility in financial markets. In response to the COVID-19 outbreak, the governments of many countries, states, cities, and other geographic regions have taken preventative actions, such as imposing restrictions on travel and business operations and advising or requiring individuals to limit or forgo their time outside of their homes.

Many of the Bank's borrowers, particularly those that operate in the restaurant, entertainment, hospitality and retail sectors, but also other businesses as well, including owners of commercial real estate properties and hotels, are experiencing varying degrees of financial distress. As a result, these borrowers may have difficulty paying, on a timely basis, interest and principal payments on their loans and the value of collateral securing these obligations may be adversely impacted as well.

The Bank's ability and the ability of its customers to continue to recover from the pandemic is subject to uncertainty and will depend on continued decline in the severity of COVID-19 and emergence of other variants of the virus in the Bank's markets and government response thereto, as well as continued improvement in economic conditions in those markets. As a result, the COVID-19 outbreak may have a material adverse impact on the Bank's financial position, operations, and cash flows. Given the uncertainly regarding the spread of COVID-19, the related financial statements impact cannot be reasonably predicted or estimated at this time.

NOTE P--SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued. During this period, management did not note any material recognizable subsequent events that required recognition or disclosure in the December 31, 2021 financial statements.

PYA, P.C.
One Cherokee Mills, 2220 Sutherland Avenue
Knoxville, TN 37919
p: (865) 673-0844 | f: (865) 673-0173
pyapc.com

PYA
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders of
Twin Cities Financial Services, Inc.:

### *Opinion*

We have audited the consolidated financial statements of Twin Cities Financial Services, Inc. (the Holding Company) and CBBC Bank (the Bank) (collectively, the Company), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Twin Cities Financial Services, Inc. and CBBC Bank 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 Audit 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 for one year after the date that the consolidated financial statements are issued.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

PYA, P.C.

Knoxville, Tennessee
February 17, 2022

PYA, P.C.
One Cherokee Mills, 2220 Sutherland Avenue
Knoxville, TN 37919
p: (865) 673-0844 | f: (865) 673-0173
pyapc.com

PYA
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT
ON THE SUPPLEMENTARY INFORMATION

To the Board of Directors and Stockholders of
Twin Cities Financial Services, Inc.:

We have audited the consolidated financial statements of Twin Cities Financial Services, Inc. and CBBC Bank as of and for the years ended December 31, 2021 and 2020, and have issued our report thereon dated February 17, 2022, which contained an unmodified opinion on these consolidated financial statements. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental information (Financial Highlights) included in this annual report is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The supplementary information for the years ended December 31, 2021 and 2020 has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

PYA, P.C.

Knoxville, Tennessee
February 17, 2022


CBBCBank
FDIC
(865) 977-5900
cbbcbank.com
Mobile
CBBCBank