2020 Annual Report

FORESIGHT SUBSIDIARIES

FORESIGHT
financial group, inc.

STATE BANK *of* DAVIS

State Bank
Freeport, IL

SBH
STATE BANK OF HERSCHER

German American
State Bank

LENA STATE BANK

northwestbank

www.foresightfg.com

Dear Stockholders,

This past year, 2020, presented many unanticipated challenges locally, nationally and worldwide. These challenges related to the global pandemic required all impacted to quickly address change in how we functioned personally, professionally and in the management of your Company. Specific to the financial industry, the method in which services were delivered, responsiveness to all customer and business needs including those directly impacted by the pandemic and maintaining the safety of our employees was and remains critical. Foresight, through our strong base of relationship oriented community banks and government stimulus programs, was able to be an active supporter and partner to both existing and new customer relationships during this uncertain time.

Despite the challenges of 2020, earnings of the Company remained strong with a reported net income of $10.3 million. Coupled with strong net income, Foresight experienced significant balance sheet and deposit growth of $171 million and $134 million or 14.09% and 13.17% respectively which is partially attributable to the government stimulus infused into the economy. Loan portfolio growth, being less pronounced, of $40 million or 5.10% was reflective of the scarcity of new and expanded borrowing due to the pandemic affected environment. Through involvement in the Paycheck Protection Program (PPP), the Foresight bank group processed over 950 loans totaling in excess of $100 million during the past year and continued active participation in the second round of this program in 2021.

Critical to on-going financial success is the management of the Company's interest rate margin. Strain of this margin was evident in 2020 as we realized a 30 basis point reduction from 3.59% to 3.29%. Positively influencing the margin in 2020 were strong loan fee revenues and reduced funding costs which were offset by a highly liquid, lower yielding asset base with limited investment opportunities. To counter this current and forward margin compression, our team of employees is focused on our mission to enhance shareholder value and are vigorously exploring other revenue generating sources while maintaining active expense control.

During the year our stock price was dramatically affected by the unknowns that occurred nationwide in March 2020. As a result, Foresight stock traded in a range from $20.25 to $36.00 closing the year at a market value of $29.88. In November 2020 the Board adopted a stock buyback program that is currently in place and will be reviewed regularly by the Board to measure its effectiveness in delivering additional value to our shareholders. Our Company's Tier 1 Capital position remains strong at $147 million or 10.74% and is supportive of both the buyback program and the recent shareholder quarterly dividend increase to $0.10/share paid in February 2021.

As we look forward, we are engaged in investing resources directed toward future revenue enhancements and expense reductions. Past traditional activities employed by bankers are now being examined for relevancy as we face a new banking environment embarking on a post-pandemic world. Our team is poised and prepared to make necessary changes while maintaining the Community Banking culture that has and will continue to drive our shareholder value. Strategic planning positioning our Company for positive and profitable growth is now more important than ever as we look ahead.

The continued support of shareholders has always been appreciated by Foresight and Subsidiary bank management. This support in the past year was a major reason the Company was able to navigate the changing banking environment and develop and begin enactment of plans for future enhancement of shareholder value.

Respectfully,

Rex K. Entsminger
President/Chief Executive Officer

we are

a market driven, people oriented
community banking organization dedicated to enhancing
shareholder value by providing our customers with
diversified financial services that help them achieve
economic success and financial security.

we will

pursue these goals while balancing shareholder
and customer interests with the ongoing welfare
of our employees and local communities.

The member banks of our group maintain
a high degree of independence and
sensitivity to the concerns of the local communities
and markets that we choose to serve.

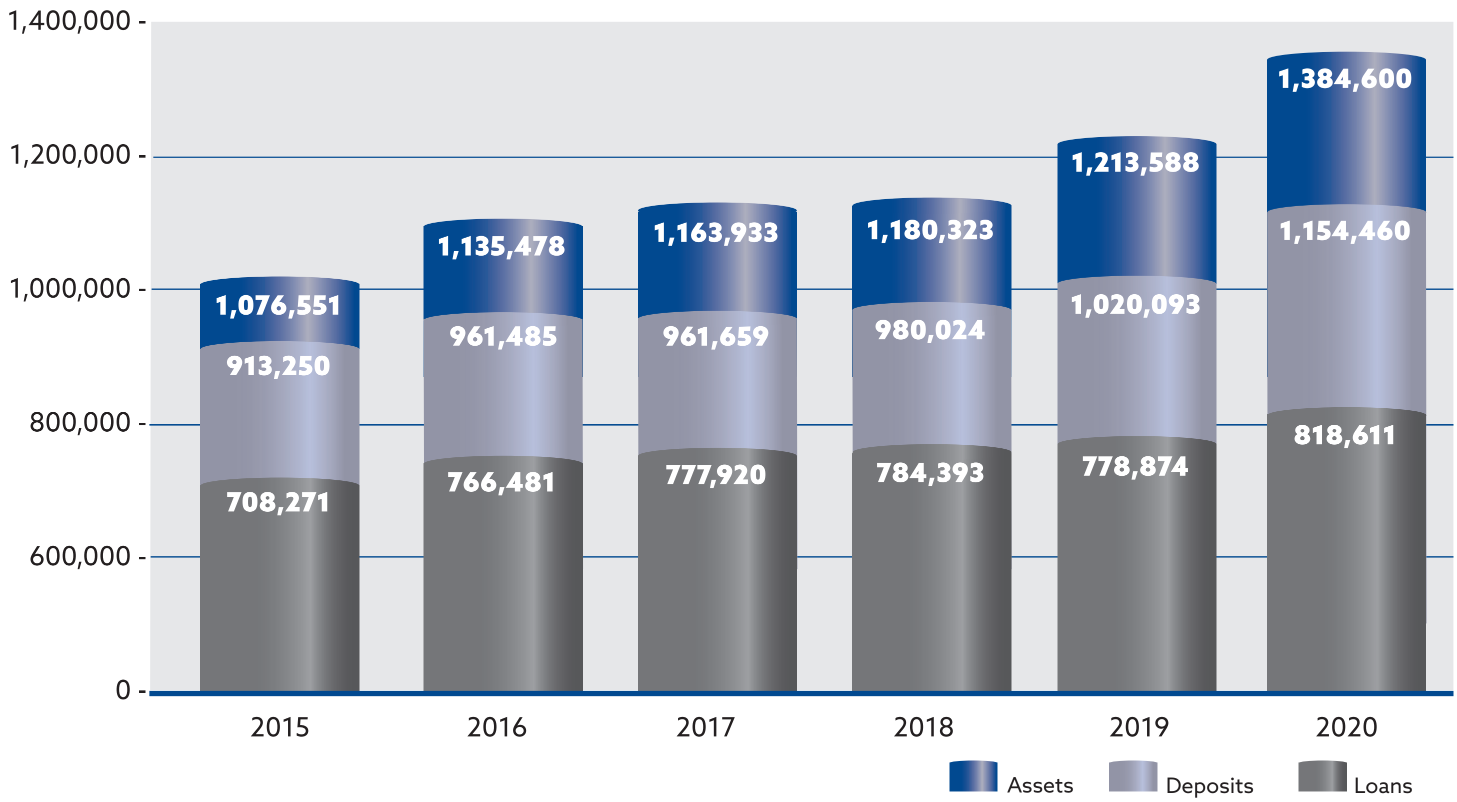
we will

seek to expand sensibly into new markets
when we believe that our business model and
community banking philosophy can be successfully extended.

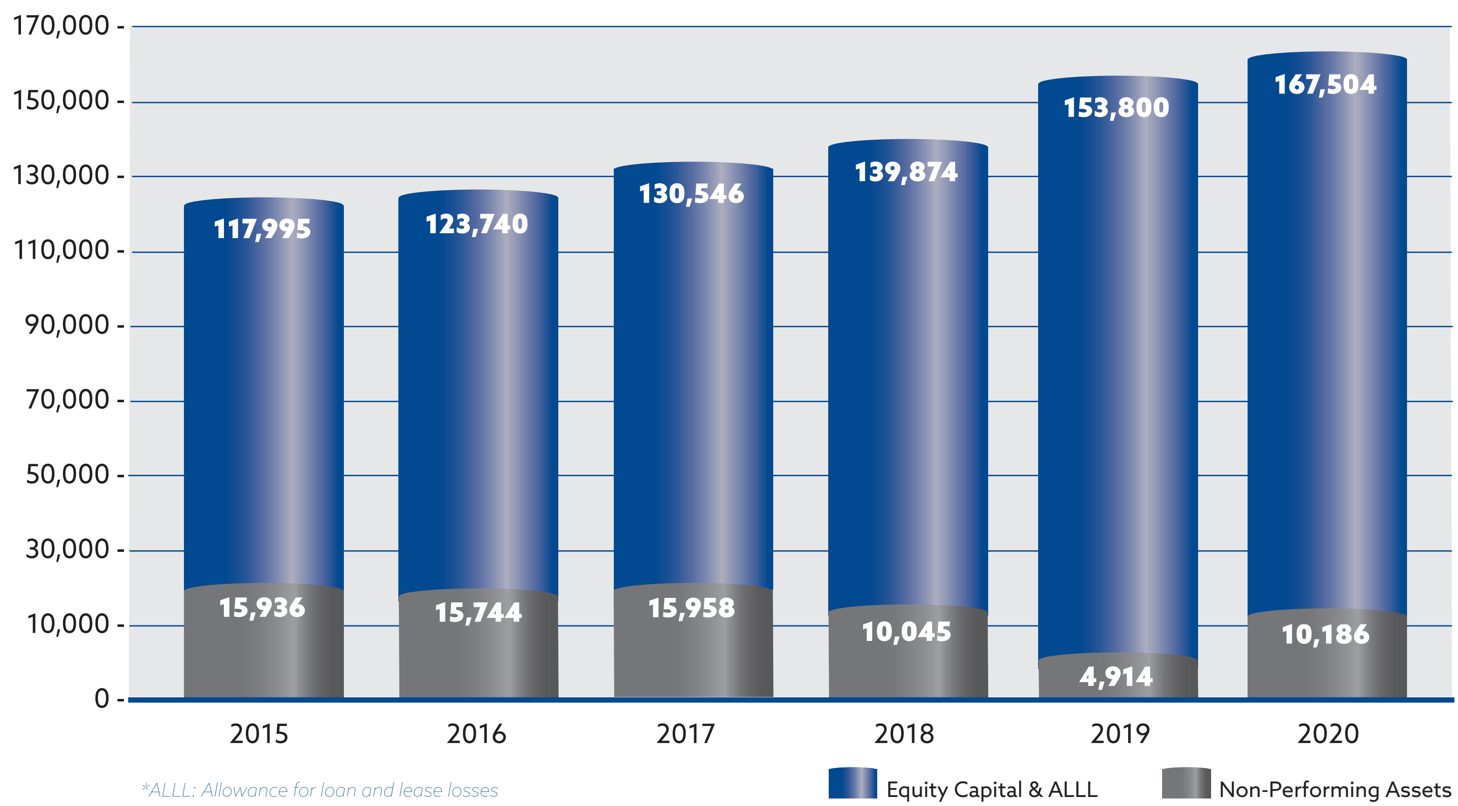
In summary:

"Community Building through Community Banking"

Trends in Assets, Deposits & Loans (000's)

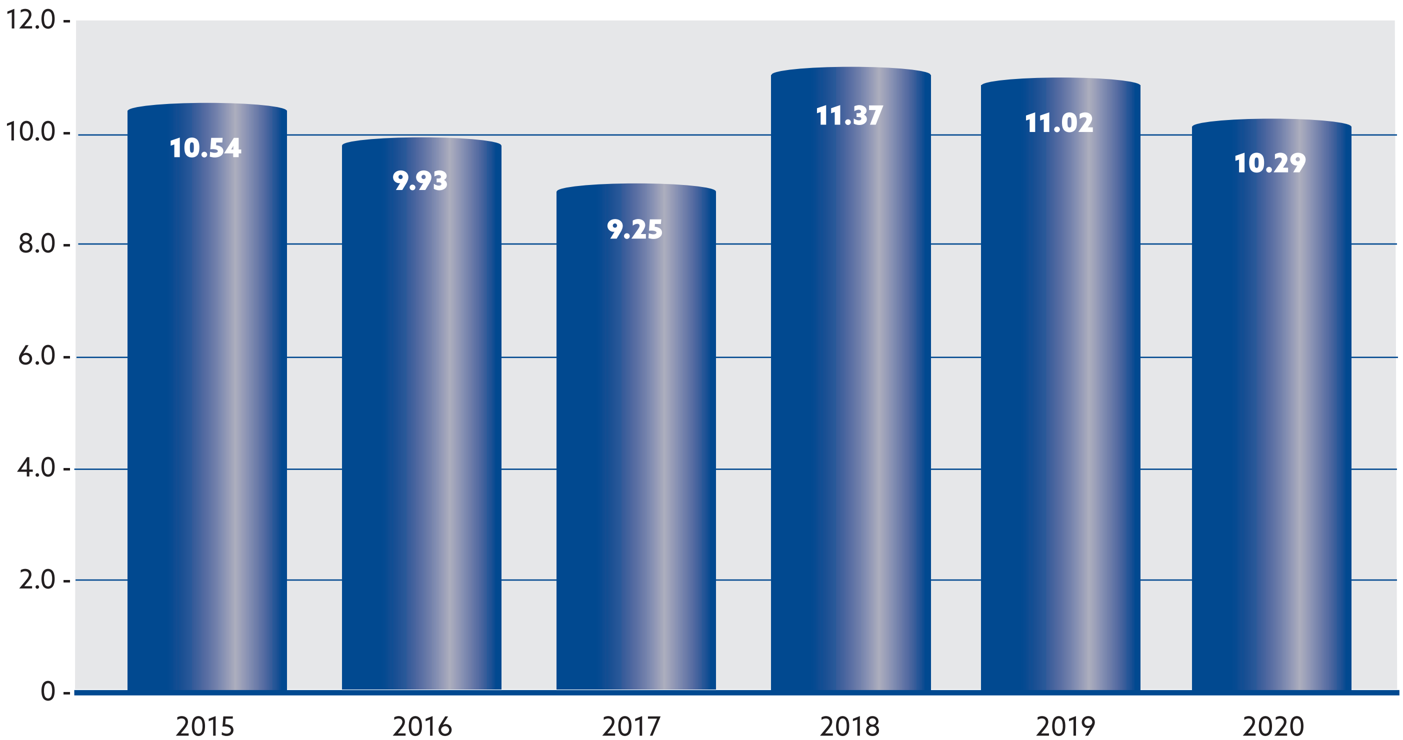


Trends in Combined Equity Capital & ALLL* to Non Performing Assets (000's)

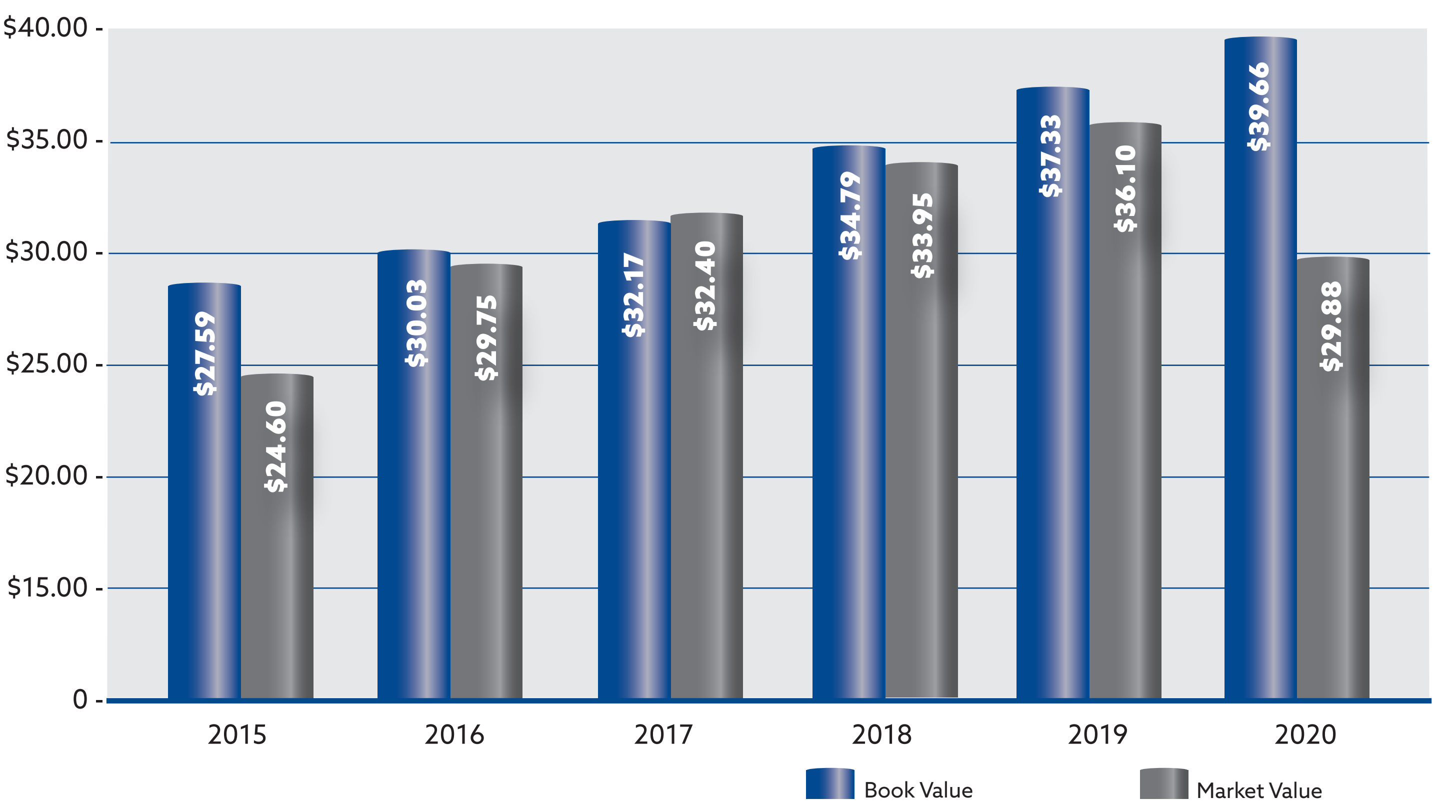


*ALLL: Allowance for loan and lease losses

Net Income (1,000,000,000's)



Common Stock Per Share Book & Market Value - 12/31



Board of Directors

Robert W. Stenstrom
Chairman, Board of Directors
Chairman & CEO,
Stenstrom Companies

Rex K. Entsminger
President/Chief Executive Officer

Judd D. Thruman
Partner, Fishburn,
Whiton, Thruman, LTD.

Carolyn S. Sluiter, D.V.M.
Retired Veterinarian

Douglas A. Wagner
Owner, Floor to Ceiling

Doug Fitzgerald
Retired Partner, Wipfli LLP

Frederick J. Kundert
Retired, Harder Corporation

John J. Morrissey
President, Staff Management &
Market Dimensions
Principal, Morrissey
Family Business

John Collman
Ag Production

Executive Officers

Rex K. Entsminger
President/
Chief Executive Officer

Dean E. Cooke
Chief Financial Officer

K. Denise Osadjan
Chief Risk Officer

Aaron Patterson
Chief Information Officer

John W. Stichnoth
Chief Credit Officer

Lori Morgan
Director of Operations

Nora Koehler
Director of Human Resources

WIPFLi LLP
CPAs and Consultants

Wipfli LLP
2501 W. Beltline Hwy #104
Madison, WI 53713

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www.wipfli.com

INDEPENDENT AUDITOR'S REPORT

Audit Committee
Foresight Financial Group, Inc. and Subsidiaries

We have audited the accompanying consolidated financial statements of Foresight Financial Group, Inc. and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2020, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Foresight Financial Group, Inc. and Subsidiaries as of December 31, 2020 and 2019, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2020, in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information included in Schedules 1 and 2 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 information has been subjected to the auditing procedures applied in the audit 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Wipfli LLP

Sterling, Illinois
March 3, 2021

CONSOLIDATED BALANCE SHEETS
(000s omitted except share data)

	December 31,	
ASSETS	**2020**	2019
Cash and due from banks	**$30,781**	$21,624
Interest-bearing deposits in banks	**89,468**	25,348
Federal funds sold	**4,496**	11,456
Total cash and cash equivalents	**124,745**	58,428
Interest-bearing deposits in banks - term deposits	**15,284**	14,529
Debt securities:		
Debt securities available-for-sale (AFS)	**362,298**	300,824
Debt securities held-to-maturity (HTM)	**4,703**	544
Federal Home Loan Bank stock, at cost	**1,285**	1,212
Loans held for sale	**2,846**	2,007
Loans, net of allowance for loan losses of $13,682 and $13,039, respectively	**818,611**	778,874
Foreclosed assets and other real estate owned, net	**312**	193
Premises and equipment, net	**17,729**	18,501
Bank owned life insurance	**23,594**	22,996
Other assets	**13,193**	15,480
Total assets	**$1,384,600**	$1,213,588
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Noninterest-bearing	**$233,033**	$154,094
Interest-bearing	**921,427**	865,999
Total deposits	**1,154,460**	1,020,093
Federal funds purchased	**2,124**	2,379
Securities sold under agreements to repurchase	**31,149**	26,594
Federal Home Loan Bank (FHLB) and Federal Reserve advances and other borrowings	**34,788**	15,038
Accrued interest payable and other liabilities	**8,257**	8,723
Total liabilities	**1,230,778**	1,072,827
Stockholders' equity:		
Preferred stock (no par value; authorized 500,000 shares)	**0**	0
Common stock ($.25 par value; authorized 10,000,000 shares; 4,052,234 and 4,029,881 shares issued, respectively)	**1,013**	1,007
Additional paid-in capital	**10,513**	10,132
Retained earnings	**142,807**	133,861
Treasury stock, at cost (332,819 and 314,919 shares, respectively)	**(6,830)**	(6,320)
Accumulated other comprehensive income	**6,319**	2,081
Total stockholders' equity	**153,822**	140,761
Total liabilities and stockholders' equity	**$1,384,600**	$1,213,588

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME
(000s omitted except share data)

For the years ended December 31,

	2020	2019	2018
Interest and dividend income:			
Loans, including fees	**$41,545**	$41,654	$38,877
Debt securities:			
Taxable	**4,506**	5,039	4,564
Tax-exempt	**2,437**	2,606	3,140
Interest-bearing deposits in banks and other	**648**	854	669
Federal funds sold	**38**	169	73
Total interest and dividend income	**49,174**	50,322	47,323
Interest expense:			
Deposits	**8,941**	10,226	7,944
Federal funds purchased	**0**	55	54
Securities sold under agreements to repurchase	**155**	563	533
FHLB and other borrowings	**240**	592	580
Subordinated debentures	**0**	0	296
Total interest expense	**9,336**	11,436	9,407
Net interest and dividend income	**39,838**	38,886	37,916
Provision for loan losses	**3,785**	1,125	1,448
Net interest and dividend income, after provision for loan losses	**36,053**	37,761	36,468
Noninterest income:			
Customer service fees	**837**	1,095	1,160
Gain (loss) on sales and calls of AFS securities, net	**382**	260	(14)
Gain on sales of loans, net	**3,386**	1,395	1,297
Loan servicing fees, net	**967**	700	775
Other	**3,615**	3,653	4,378
Total noninterest income	**9,187**	7,103	7,596
Noninterest expenses:			
Salaries and employee benefits	**20,016**	18,664	17,317
Occupancy expense of premises, net	**2,536**	2,754	2,686
Outside services	**953**	833	1,015
Data processing	**2,903**	2,686	2,372
Foreclosed assets and other real estate owned, net	**97**	63	218
Other	**5,679**	5,658	6,482
Total noninterest expenses	**32,184**	30,658	30,090
Income before income taxes	**13,056**	14,206	13,974
Income tax expense	**2,766**	3,184	2,609
Net income	**$10,290**	$11,022	$11,365
Earnings per common share:			
Basic	**$2.76**	$2.98	$3.09
Diluted	**$2.75**	$2.96	$3.06

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(000s omitted except share data)

For the years ended December 31,

	2020	2019	2018
Net income	**$10,290**	$11,022	$11,365
Other comprehensive (loss) income:			
Unrealized holding (gains) losses on securities available for sale, net of tax of $1,798, $2,146 & $1,040, respectively	**4,511**	5,384	(2,613)
Reclassification adjustments for net securities (gains) losses recognized in income, net of tax of $109, $74 & $4, respectively	**(273)**	(186)	10
Total other comprehensive (loss) income	**4,238**	5,198	(2,603)
Total comprehensive income	**$14,528**	$16,220	$8,762

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(000s omitted except share data)

For the years ended December 31,

	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
Balance, January 1, 2018	$995	$9,410	$113,811	($6,320)	($514)	$117,382
Net income			11,365			11,365
Other comprehensive loss					(2,603)	(2,603)
Cash dividends ($.30 per share)			(1,108)			(1,108)
Stock options exercised (25,554 shares)	6	260				266
Stock-based compensation expense		8				8
Restricted stock vested (5,048 shares)	1	132				133
Balance, December 31, 2018	1,002	9,810	124,068	(6,320)	(3,117)	125,443
Net income			11,022			11,022
Other comprehensive income					5,198	5,198
Cash dividends ($.33 per share)			(1,229)			(1,229)
Stock options exercised (15,344 shares)	4	155				159
Stock-based compensation expense		18				18
Restricted stock vested (4,727 shares)	1	149				150
Balance, December 31, 2019	1,007	10,132	133,861	(6,320)	2,081	140,761
Net income			10,290			10,290
Other comprehensive income					4,238	4,238
Cash dividends ($.36 per share)			(1,344)			(1,344)
Purchase of treasury stock (17,900 shares)				(510)		(510)
Stock options exercised (16,844 shares)	5	169				174
Stock-based compensation expense		19				19
Restricted stock vested (5,509 shares)	1	193				194
Balance, December 31, 2020	$1,013	$10,513	$142,807	($6,830)	$6,319	$153,822

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(000s omitted except share data)

	For the years ended December 31, 2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	**$10,290**	$11,022	$11,365
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	**3,785**	1,125	1,448
Foreclosed asset (gains) losses	**(134)**	(533)	(108)
Depreciation	**1,217**	1,463	1,300
Net amortization of securities premiums	**2,936**	1,300	1,566
Income on bank owned life insurance	**(598)**	(600)	(620)
Gain on death benefits	**0**	0	(684)
Deferred income tax (benefit) expense	**(486)**	443	(40)
Stock-based compensation expense	**19**	18	8
Net loss (gain) on the sales and calls of AFS securities	**(382)**	(260)	14
Net loss (gain) on the sales of foreclosed assets	**(91)**	(22)	174
Net change in:			
Loans held for sale	**(839)**	(285)	617
Other assets	**2,773**	2,624	1,608
Accrued interest payable and other liabilities	**(466)**	850	2,117
Net cash provided by operating activities	**18,024**	17,145	18,765
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net change in interest-bearing deposits in banks - term deposits	**(755)**	(4,561)	704
Proceeds from sales of AFS and HTM securities	**1,750**	981	3,119
Proceeds from maturities, calls, and paydowns of AFS securities	**134,445**	75,210	34,780
Purchases of AFS and HTM securities	**(200,144)**	(78,019)	(63,697)
Purchases of bank owned life insurance	**0**	(919)	0
Proceeds from death benefits	**0**	0	1,995
(Purchases) redemption of Federal Home Loan Bank stock, net	**(73)**	(217)	(45)
Loan originations and principal collections, net	**(43,650)**	3,850	(8,891)
Proceeds from sales of foreclosed assets	**234**	1,421	1,481
Purchases of premises and equipment, net	**(445)**	(961)	(3,788)
Net cash used in investing activities	**(108,638)**	(3,215)	**(34,342)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net change in deposits	**134,367**	40,069	18,365
Net change is securities sold under agreements to repurchase	**4,555**	(1,160)	(4,680)
Cash dividends paid	**(1,344)**	(1,229)	(1,108)
Net change in federal funds purchased	**(255)**	(3,634)	(2,381)
Redemption of subordinated debentures	**0**	0	(10,000)
Stock options and restricted stock	**368**	309	399
Purchase of treasury stock	**(510)**	0	0
Proceeds from lines of credit and FHLB advances and other borrowings	**24,576**	71,000	60,500
Payments on lines of credit and FHLB advances and other borrowings	**(4,826)**	(89,178)	(55,592)
Net cash provided by financing activities	**156,931**	16,177	5,503
Net increase (decrease) in cash and cash equivalents	**66,317**	30,107	(10,074)
Cash and cash equivalents at beginning of year	**58,428**	28,321	38,395
Cash and cash equivalents at end of year	**$124,745**	$58,428	$28,321

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
(000s omitted except share data)

For the years ended December 31,

	2020	2019	2018
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid during the year for:			
Interest	**$9,701**	$11,294	$9,039
Income taxes	**$2,325**	$2,400	$895
SUPPLEMENTAL SCHEDULE OF NONCASH FINANCING ACTIVITIES:			
Foreclosed assets acquired in settlement of loans	**$128**	$544	$970

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(000s omitted except share data)

(1) Summary of Significant Accounting Policies

The accounting and reporting policies of Foresight Financial Group, Inc. (Company) and its wholly-owned subsidiaries (Banks) conform to accounting principles generally accepted in the United States of America and to general practices within the banking industry. The following is a description of the more significant accounting policies:

(a) Nature of Operations

The Company provides a variety of banking services to individuals and businesses through its facilities in the Rockford, Freeport, German Valley, Davis, Lena, Winnebago, Pecatonica, Seward, Kankakee, Loves Park, Machesney Park, Belvidere, and Herscher, Illinois areas. Its primary deposit products are demand deposits and certificates of deposit and its primary lending products are agriculture, agribusiness, commercial, real estate, and installment loans.

(b) Basis of Consolidation

The consolidated financial statements include the accounts and results of operations of the Company and its wholly-owned subsidiaries: German-American State Bank (German), State Bank of Davis (Davis), State Bank (Freeport), Northwest Bank of Rockford (Northwest), Lena State Bank (Lena), and State Bank of Herscher (Herscher) (collectively the "Banks"). All significant intercompany accounts and transactions have been eliminated in consolidation.

(c) Subsequent Events

The Company has evaluated subsequent events for recognition and disclosure through March 3, 2021, which is the date the financial statements were available to be issued.

(d) Risks and Uncertainties

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

(e) Use of Estimates

The preparation of 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 revenues and expenses during the reporting period. Actual results could differ from those estimates. The allowance for loan losses, deferred tax assets, fair values of securities, foreclosed assets and financial instruments are particularly susceptible to change in the near-term.

(f) Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, cash and cash equivalents include cash and balances due from banks, interest-bearing deposits in banks, and federal funds sold, all of which generally mature within ninety days.

(1) Summary of Significant Accounting Policies (continued)

(g) Interest-bearing Deposits in Banks

Interest-bearing deposits in banks are comprised of liquid non-maturing deposits but also include some balances in time deposits with the maturity being the determining factor for inclusion in cash and cash equivalents with the non-maturing interest bearing deposits. Interest-bearing deposits in banks are carried at cost.

(h) Debt Securities

Debt securities that management has the positive intent and ability to hold to maturity are classified as held to maturity (HTM) and recorded at amortized cost. Securities not classified as HTM are classified as available for sale (AFS) and recorded at fair value, with unrealized gains or losses excluded from earnings and reported in other comprehensive income or loss. Amortization of premiums and accretion of discounts are recognized in interest income using the interest method. Premiums that exceed the amount repayable by the issuer at the next call date are amortized to the next call date. Other premiums and discounts are amortized (accreted) over the estimated lives of the securities. Gains and losses on the sale of securities are recorded on the trade date and determined using the specific-identification method.

In estimating other-than-temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

(i) Federal Home Loan Bank stock

The Banks, as members of the Federal Home Loan Bank (FHLB) system, are required to maintain a minimum investment in capital stock of the FHLB in an amount equal to the greater of 0.40% of their mortgage-related assets or 4.5% of advances from the FHLB. FHLB stock is reported at cost since no ready market exists and it has no quoted market value. FHLB stock is periodically evaluated for impairment based on the ultimate recovery of par value.

(j) Loans Held for Sale

Loans originated and intended for sale in the secondary market are carried at the lower of cost or market in the aggregate. Net unrealized losses, if any, are recognized through a valuation allowance by charges to income.

Mortgage loans held for sale are generally sold with mortgage servicing rights retained by the Company. The carrying value of mortgage loans sold is reduced by the cost allocated to the associated mortgage servicing rights. Realized gains or losses on sales of mortgage loans are recognized based on the difference between the selling price and the carrying value of the related mortgage loans sold.

(k) Loans and Allowance for Loan Losses

Loans that management has the intent and ability to hold for the foreseeable future, or until maturity or payoff; generally, are reported at their outstanding unpaid principal balances adjusted for purchase premiums or discounts, charge-offs, and an allowance for loan losses. Interest on loans is accrued daily based on the unpaid principal balance.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(000s omitted except share data)

(1) Summary of Significant Accounting Policies (continued)

(k) Loans and Allowance for Loan Losses (continued)

A loan is considered to be delinquent when payments have not been made according to contractual terms, typically evidenced by nonpayment of a monthly installment by the due date. The accrual of interest on a loan is generally discontinued when the loan becomes 90 days delinquent unless the credit is well-secured and in the process of collection. Credit card loans and other personal loans are typically charged off at an earlier date if collection of principal or interest is considered doubtful. Generally, interest accrued but not collected for loans that are placed on nonaccrual status 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. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Loan-origination fees with the exception of the Paycheck Protection Program (PPP) fees received in 2020 and direct origination costs are generally recognized as income or expense when received or incurred since capitalization of these fees and costs would not have a significant impact on the consolidated financial statements. Fees received as part of PPP were capitalized and amortized to income over the contractual life of the PPP loans.

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

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

Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on 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.

All problem loans meeting Company criteria are individually evaluated for impairment. If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected from the collateral.

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

(1) Summary of Significant Accounting Policies (continued)

(k) Loans and Allowance for Loan Losses (continued)

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

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

Management considers the following when assessing the risk in the loan portfolio:

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(000s omitted except share data)

(1) Summary of Significant Accounting Policies (continued)

(l) Loan Commitments

The Company enters into off-balance-sheet financial instruments consisting of commitments to extend credit and letters of credit issued to meet customer-financing needs. Loan commitments are recorded when they are funded. Standby or performance letters of credit are considered financial guarantees in accordance with Generally Accepted Accounting Standards and are recorded at fair value, if material.

(m) Loan Servicing

Mortgage servicing rights are recognized as separate assets when rights are acquired through a sale of loans and are reported in other assets. When the originating mortgage loans are sold into the secondary market, the Company allocates the total cost of the mortgage loans between mortgage servicing rights and the loans, based on their relative fair values. The cost of originated mortgage-servicing rights is amortized in proportion to, and over the period of, estimated net servicing revenues. Impairment of mortgage-servicing rights is assessed based on the fair value of those rights. The amount of impairment is the amount by which the capitalized mortgage servicing rights exceed their fair value. Fair value is determined using prices for similar assets with similar characteristics, when available, or based upon discounted cash flows using market-based assumptions.

Servicing fee income is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal and are recorded as income when earned. The amortization of mortgage servicing rights is offset against loan servicing fee income.

(n) Rate Lock Commitments

Commitments to fund mortgage loans (interest-rate locks) to be sold into the secondary market and mandatory delivery forward commitments for the future delivery of these mortgage loans are to be accounted for as derivatives not qualifying for hedge accounting. The fair values of these mortgage derivatives are to be estimated based on the net future cash flows related to the associated servicing of the loans and on changes in mortgage interest rates from the date of the commitments. Changes in fair values on these derivatives are to be included in net gains on sales of loans. The Company has deemed the effect of these derivatives to be immaterial to the consolidated financial statements and, accordingly, has elected not to record fair values associated with these derivatives.

(o) Foreclosed Assets and Other Real Estate Owned

Assets acquired through or instead of loan foreclosure are initially recorded at fair value less estimated cost of disposal when acquired. Included in this category is Bank owned real estate originally purchased for potential future expansion or no longer in active use in which the Company has elected to sell. Subsequent to foreclosure and transfer to other real estate owned, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenues and expenses from operations and changes in the valuation allowance are included in net expenses from foreclosed assets and other real estate owned.

(p) Premises and Equipment

Premises and equipment are carried at cost less accumulated depreciation, based on the estimated useful lives of the assets. Depreciation is generally computed on the straight-line method over estimated useful lives ranging from 3 to 40 years.

(1) Summary of Significant Accounting Policies (continued)

(q) Bank-Owned Life Insurance

The Company has purchased life insurance policies on certain key employees and directors. Bank-owned life insurance is recorded at its cash surrender value, or the amount that can be realized.

(r) Significant Group Concentrations of Credit Risk

Most of the Company's activities are with customers located in the area and communities noted above. Note 3 details the types of securities in which the Company invests. Note 4 details the types of lending in which the Company engages. The Company does not have any significant concentrations with any one industry or customer.

(s) Revenue from Contracts with Customers

The Company records revenue from contracts with customers in accordance with Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers* (ASC 606). Under ASC 606, the Company must identify the contract with a customer, identify the performance obligation(s) within the contract, determine the transaction price, allocate the transaction price to the performance obligation(s) within the contract, and recognize revenue when (or as) the performance obligation(s) are/is satisfied. The core principle under ASC 606 requires the Company to recognize revenue to depict the transfer of services or products to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those services or products recognized as performance obligations are satisfied. The Company generally fully satisfies its performance obligations on its contracts with customers as services are rendered and the transaction prices are typically fixed; charged either on a periodic basis or based on activity. Since performance obligations are satisfied as services are rendered and the transaction prices are fixed, there is little judgment involved in applying ASC 606 that significantly affects the determination of the amount and timing of revenue from contracts with customers. The majority of the Company's revenue is not subject to ASC 606, including net interest income, loan servicing income, fees related to loans and loan commitments, gain on derivatives, increase in cash surrender value of life insurance and gain on sales of loans and securities. The following significant revenue-generating transactions are within the scope of ASC 606, which are presented in the consolidated statements of income as components of noninterest income:

Customer service fees – The Company earns fees from its deposit customers for transaction-based, account maintenance, and overdraft services. Transaction-based fees, such as 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 service charges and maintenance fees, 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 as this corresponds with the Company's performance obligation.

Interchange fees – Customers use a bank-issued debit card to purchase goods and services, and the Company earns interchange fees on those transactions, typically a percentage of the sale amount of the transaction. The Company is considered an agent with respect to these transactions. Interchange fee payments received included in other noninterest income, net of related expense, are recognized as income daily, concurrently with the transaction processing services provided to the cardholder through the payment networks. There are no contingent debit card interchange fees recorded by the Company that could be subject to a claw-back in future periods.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(000s omitted except share data)

(1) Summary of Significant Accounting Policies (continued)

(s) Revenue from Contracts with Customers (continued)

Trust fees – The Company earns trust fees, included in other noninterest income, from its contracts with trust customers for providing investment management and/or transaction-based services on their accounts. These fees are primarily earned over time as the Company provides the contracted monthly or quarterly services and are assessed based on the total investable assets of the customer's trust account. A signed contract between the Company and the customer is maintained for all customer trust accounts with payment terms identified. There are no contingent incentive fees recorded by the Company that could be subject to a claw-back in future periods.

Insurance commissions – Insurance agency commissions, included in other noninterest income, are received from insurance carriers for the agency's share of commissions from customer premium payments. These commissions are recorded into income when checks are received from the insurance carriers, and there is no contingent portion associated with these commission checks that may be clawed back by the carrier in the future. There may be a short time-lag in recording revenue when cash is received instead of recording the revenue when the policy is signed by the customer, but the time lag is insignificant and does not impact the revenue recognition process. The Company has evaluated the potential amount of premium refunds due to customers when policies are cancelled and has determined such amounts are insignificant.

Wealth management fees – Wealth management income, included in other noninterest income, is primarily comprised of fees from the management and administration of trusts and other customer assets. These fees are primarily earned over time as the Company provides the services and are recognized quarterly, based upon the quarter-end market value of the assets under management and the applicable fee rate. Payment of these fees is generally received in the month following quarter-ends through a direct charge to customers' accounts. Other related services provided include financial planning and the fees the Company earns, which are based on a fixed fee schedule, are recognized when the services are rendered.

Net gain (loss) on sales of foreclosed assets and other real estate owned – The Company records a gain or loss from the sale of foreclosed assets and other real estate owned when control of the property transfers to the buyer, which generally occurs at the time of an executed deed and transfer of control is completed. When the Company finances the sale to the buyer, the Company assesses whether the buyer is committed to perform their obligations under the contract and whether the Company expects to collect substantantially all of the transaction price. Once these criteria are met, the asset is derecognized and the gain or loss on the sale is recognized. In determining the gain or loss on the sale, the Company adjusts the transaction price and related gain (loss) on sale if the financing does not include market terms.

(t) Income Taxes

Deferred income tax assets and liabilities are determined using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is determined based on the tax effects of the temporary differences between the book and tax bases of the various balance sheet assets and liabilities and gives current recognition to changes in tax rates and laws. The Company files consolidated Federal and State income tax returns.

The Company may also recognize a liability for unrecognized tax benefits from uncertain tax positions. Unrecognized tax benefits represent the differences between a tax position taken or expected to be taken in a tax return and the benefit recognized and measured in the financial statements. Interest and penalties related to unrecognized tax benefits are classified as income taxes, if applicable. No liabilities for unrecognized tax benefits from uncertain tax positions have been recorded.

(1) Summary of Significant Accounting Policies (continued)

(u) Comprehensive Income

Accounting principles generally require the Company to include in net income recognized revenue, expenses, gains and losses. Certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the equity section of the consolidated balance sheet, net of taxes. Such items, along with net income, are components of comprehensive income.

(v) Earnings Per Share

Basic earnings per share (EPS) represent income available to common stockholders divided by the weighted-average number of common shares outstanding during the period. Diluted EPS reflects additional common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance. Potential common shares that may be issued by the Company relate solely to outstanding stock options and are determined using the treasury stock method.

(w) Loss Contingencies

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

(x) Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company, (2) the transferee obtains the right to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

(y) Trust Assets

Assets of the trust departments of State Bank and State Bank of Herscher, other than trust cash on deposit at the Banks, are not included in these consolidated financial statements because they are not assets of the Company.

(z) Goodwill and Intangible Assets

Intangible assets attributable to the value of core deposits are stated at cost less accumulated amortization. Intangible assets are amortized on a straight-line basis over the estimated lives of the assets. The excess of purchase price over fair value of net assets acquired (goodwill) is not amortized.

The Company evaluates whether goodwill and other intangible assets may be impaired at least annually; and whenever events or changes in circumstances indicate it is more likely than not the fair value of the reporting unit or asset is less than its carrying amount.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(000s omitted except share data)

(1) Summary of Significant Accounting Policies (continued)

(aa) Securities Sold Under Agreements to Repurchase

Securities sold under agreements to repurchase liabilities represent amounts advanced by various customers. Securities are pledged to cover these liabilities, which are not covered by federal deposit insurance.

(bb) Stock Compensation Plans

The Company records the cost of stock-based employee compensation using the fair-value method. Compensation expense for share-based awards is recorded over the vesting period at the fair value of the award at the time of grant. The Company has historically assumed no projected forfeitures on its stock based compensation, since forfeitures have not been significant.

(cc) Advertising

Advertising costs are expensed as incurred.

(dd) Reclassifications

Certain amounts in the 2018 and 2019 consolidated financial statements have been reclassified to conform to the 2020 presentation.

(ee) New Accounting Standards

The Company recently adopted the following Accounting Standards Update (ASU) issued by the Financial Accounting Standards Board (FASB).

ASU No. 2018-13, *Changes to the Disclosure Requirements for Fair Value Measurement,* is effective in years beginning after December 15, 2019. This standard modifies the disclosure requirements on fair value measurements, which includes removing the following disclosures: 1) amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy; 2) the policy for timing of transfers between levels; and 3) the valuation processes for Level 3 fair value measurements. The standard also modifies the following disclosure requirements: 1) requires for investments in certain entities that calculate net asset value to disclose the timing of liquidation of an investee's assets and the date when restrictions from redemption might lapse only if publicly communicated by the investee; and 2) clarifies the details of information necessary in the disclosure of uncertainties in the measurement of fair value as of the reporting date. Lastly, this standard adds the following disclosure requirements: 1) the changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the reporting period; and 2) the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. The Company adopted this new standard for the year ended December 31, 2020, and has retrospectively applied the amendments to the fair value disclosures in Note 19, except for changes in unrealized gains and losses for recurring Level 3 fair value measurements, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty, which were applied prospectively.

(1) Summary of Significant Accounting Policies (continued)

Newly Issued Not Yet Effective Accounting Standards

The following ASUs have been issued by FASB and may impact the Company's consolidated financial statements in future reporting periods.

In June 2016, the FASB issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments*. This standard will significantly change how financial assets measured at amortized cost are presented. Such assets, which include most loans and securities held to maturity, will be presented at the net amount expected to be collected over their remaining contractual lives. Estimated credit losses will be based on relevant information about historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amounts. The standard will also change the accounting for credit losses related to securities available-for-sale and purchased financial assets with a more-than-insignificant amount of credit deterioration since origination. This new accounting standard is effective for consolidated financial statements issued for annual periods beginning after December 15, 2022. The Company is evaluating what impact this new standard will have on its consolidated financial statements.

In December 2019, the FASB issued ASU No. 2019-12, *Simplifying the Accounting for Income Taxes*. This standard is intended to simplify the accounting for income taxes and improve the consistent application of accounting guidance through the following changes: 1) removes certain exceptions for recognizing deferred tax liabilities, tax allocations, and the calculation methodology for an interim year-to-date loss that exceeds the anticipated loss for the year; 2) requires a franchise tax or similar tax based partially on income be recognized as an income-based tax and account for any incremental amount incurred as a non-income based tax; 3) requires an entity evaluate when a step up in the tax basis of goodwill should be considered part of a business combination in which goodwill was originally recognized and when it should be considered a separate transaction; 4) does not require the allocation of consolidated current and deferred tax expense to a member entity that is not subject to tax in separate financial statements, but may elect to do so for certain legal entities that are disregarded by the taxing authority; and 5) amends guidance on the handling of an enacted change in tax law or rates within interim tax periods. This new standard is effective for financial statements issued for interim and annual periods beginning after December 15, 2020. The Company is evaluating what impact this new standard will have on its consolidated financial statements.

(2) Cash Equivalents and Interest-Bearing Deposits

The Banks are required to maintain reserve balances, in cash or on deposit with the Federal Reserve Bank of Chicago, based upon a percentage of deposits. The total required reserve balances as of December 31, 2020 and 2019 was approximately $0 and $880, respectively. Effective March 26, 2020, the Federal Reserve's board of directors approved reducing the required reserve requirement ratios to zero percent, effectively eliminating the requirement to maintain reserve balances in cash or on deposit with the Federal Reserve Bank. This reduction in the required reserves does not have a defined timeframe and may be revised by the Federal Reserve's board in the future.

In the normal course of business, the Company maintains cash and due from bank balances in accounts with correspondent banks. Balances in these accounts may exceed the Federal Deposit Insurance Corporation's (FDIC) insured limit of $250. Management believes these financial institutions have strong credit ratings and that credit risk related to these deposits is not material.

Interest-bearing deposits consist of certificates of deposit at other financial institutions. Certificates of deposit are in denominations of $250 or less and are fully insured by the FDIC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(000s omitted except share data)

(2) Cash Equivalents and Interest-Bearing Deposits (continued)

Maturities of certificates of deposits at other financial institutions as of December 31, 2020 are as follows:

2021	$3,578
2022	4,402
2023	3,246
2024	2,974
2025 and thereafter	1,084
	$15,284

(3) Debt Securities

The following tables reflect the amortized costs and approximate fair values of securities at December 31:

Held-to-Maturity 2020	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
State and municipal	**$4,703**	**$322**	**($0)**	**$5,025**

Held-to-Maturity 2019	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
State and municipal	**$544**	**$26**	**($0)**	**$570**

Available-for-Sale 2020	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government sponsored entities and U.S. agencies	**$36,797**	**$354**	**($30)**	**$37,121**
State and municipal	**124,392**	**4,963**	**(97)**	**129,258**
Agency mortgage-backed	**192,271**	**4,029**	**(381)**	**195,919**
	$353,460	**$9,346**	**($508)**	**$362,298**

Available-for-Sale 2019	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government sponsored entities and U.S. agencies	**$67,879**	**$382**	**($218)**	**$68,043**
State and municipal	**89,913**	**2,298**	**(42)**	**92,169**
Agency mortgage-backed	**140,121**	**961**	**(470)**	**140,612**
	$297,913	**$3,641**	**($730)**	**$300,824**

(000s omitted except share data)

(3) Debt Securities (continued)

For the years ended December 31, 2020, 2019 and 2018, proceeds from sales of available-for-sale securities amounted to $1,750, $981 and $3,119, respectively. Gross realized gains and losses from the sales and calls of available-for-sale securities for the years ended December 31 are as follows:

	2020	2019	2018
Realized gains	**$386**	**$260**	**$43**
Realized losses	**($4)**	**($0)**	**($57)**

Securities with carrying amounts of approximately $169,022 and $173,673 at December 31, 2020 and 2019, respectively, were pledged to secure public deposits and for other purposes as required or permitted by law.

The amortized costs and fair values of securities at December 31, 2020 are shown below by contractual maturities, except for U.S. agencies which are shown by contractual maturities or their expected call dates if the call dates are considered likely to occur based on present market conditions. Expected maturities may differ from contractual maturities on mortgage-backed securities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

Held-to-Maturity	**Amortized Cost**	**Fair Value**
Due in one year or less	**$340**	**$344**
Due after one year through five years	**1,985**	**2,054**
Due after five years through ten years	**1,951**	**2,140**
Due after ten years	**427**	**487**
	$4,703	**$5,025**

Available-for-Sale	**Amortized Cost**	**Fair Value**
Due in one year or less	**$22,565**	**$22,747**
Due after one year through five years	**34,461**	**35,724**
Due after five years through ten years	**47,328**	**49,039**
Due after ten years	**56,835**	**58,869**
	161,189	**166,379**
Agency mortgage-backed	**192,271**	**195,919**
	$353,460	**$362,298**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(000s omitted except share data)

(3) Debt Securities (continued)

The following tables show the fair values and unrealized losses aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2020 and 2019:

	2020 Available-for-Sale					
	Less than 12 Months			12 Months or More		
	Fair Value	Gross Unrealized Loss	No. of Securities	Fair Value	Gross Unrealized Loss	No. of Securities
U.S. Government sponsored entities and U.S. agencies	**$11,049**	**$30**	**16**	**$0**	**$0**	**0**
State and municipal	**10,971**	**95**	**28**	**632**	**2**	**2**
Agency mortgage-backed	**42,459**	**374**	**65**	**168**	**7**	**2**
Total	**$64,479**	**$499**	**109**	**$800**	**$9**	**4**

	2019 Available-for-Sale					
	Less than 12 Months			12 Months or More		
	Fair Value	Gross Unrealized Loss	No. of Securities	Fair Value	Gross Unrealized Loss	No. of Securities
U.S. Government sponsored entities and U.S. agencies	**$32,612**	**$214**	**57**	**$10,435**	**$101**	**30**
State and municipal	**9,111**	**60**	**19**	**4,366**	**63**	**12**
Agency mortgage-backed	**20,941**	**96**	**31**	**24,086**	**196**	**61**
Total	**$62,664**	**$370**	**107**	**$38,887**	**$360**	**103**

There were no held-to-maturity securities in an unrealized loss position as of December 31, 2020 and 2019.

Unrealized losses on securities have not been recognized into income because the bonds are of high credit quality, management has the intent and ability to hold for the foreseeable future and the decline in fair value is largely due to market interest rate fluctuations and current bond markets. The fair value is expected to recover as the bonds approach their maturity dates and/or market rates.

(000s omitted except share data)

(4) Loans

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

	2020	2019
Real estate:		
Commercial real estate	**$272,111**	$270,849
Residential real estate	**86,566**	98,762
Agricultural real estate	**133,015**	119,840
Commercial:		
Commercial and industrial	**225,023**	195,835
Agricultural production	**71,991**	70,130
Consumer and other	**43,587**	36,497
	832,293	791,913
Allowance for loan losses	**(13,682)**	(13,039)
Totals	**$818,611**	$778,874

The Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act, is an economic stimulus bill signed into law on March 27, 2020, in response to the economic fallout of the CV-19 pandemic in the United States. The creation of the Paycheck Protection Program (PPP) enacted under the CARES Act provides forgivable loans to small businesses for payroll obligations, emergency grants to cover immediate operating costs, and a mechanism for loan forgiveness by the Small Business Administration should all criteria be met. Included in commercial loans are approximately $57,211 of loans granted under the Paycheck Protection Program. These loans are fully guaranteed by the Small Business Administration.

Detailed analysis of the allowance for loan losses by portfolio segments at December 31 are as follows:

		2020		
	Real Estate	**Commercial**	**Consumer**	**Total**
Balance at beginning of year	$8,313	$4,521	$205	$13,039
Provision charged to operations	956	2,684	145	3,785
Recoveries on loans previously charged-off	136	73	14	223
	9,405	7,278	364	17,047
Less loans charged-off	(1,123)	(2,176)	(66)	(3,365)
Balance at end of year	$8,282	$5,102	$298	$13,682
Allowance for loan losses:				
Individually evaluated for impairment	$946	$869	$25	$1,840
Collectively evaluated for impairment	7,336	4,233	273	11,842
Totals	$8,282	$5,102	$298	$13,682

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(000s omitted except share data)

(4) Loans (continued)

2019	Real Estate	Commercial	Consumer	Total
Balance at beginning of year	$8,614	$5,714	$103	$14,431
Provision charged to operations, net	(84)	1,076	133	1,125
Recoveries on loans previously charged-off	148	13	19	180
	8,678	6,803	255	15,736
Less loans charged-off	(365)	(2,282)	(50)	(2,697)
Balance at end of year	$8,313	$4,521	$205	$13,039
Allowance for loan losses:				
Individually evaluated for impairment	$307	$459	$0	$766
Collectively evaluated for impairment	8,006	4,062	205	12,273
Totals	$8,313	$4,521	$205	$13,039

2018	Real Estate	Commercial	Consumer	Total
Balance at beginning of year	$7,672	$5,342	$150	$13,164
Provision charged to operations, net	1,114	336	(32)	1,448
Recoveries on loans previously charged-off	296	137	18	451
	9,082	5,845	136	15,063
Less loans charged-off	(468)	(131)	(33)	(632)
Balance at end of year	$8,614	$5,714	$103	$14,431
Allowance for loan losses:				
Individually evaluated for impairment	$668	$2,320	$0	$2,988
Collectively evaluated for impairment	7,946	3,394	103	11,443
Totals	$8,614	$5,714	$103	$14,431

(000s omitted except share data)

(4) Loans (continued)

Detailed analysis of loans evaluated for impairment by portfolio segment for the year ended December 31 follows:

2020	Real Estate	Commercial	Consumer	Total
Loans:				
Individually evaluated for impairment	$24,046	$4,286	$48	$28,380
Collectively evaluated for impairment	467,646	292,728	43,539	803,913
Totals	$491,692	$297,014	$43,587	$832,293

2019	Real Estate	Commercial	Consumer	Total
Loans:				
Individually evaluated for impairment	$21,975	$8,816	$42	$30,833
Collectively evaluated for impairment	467,476	257,149	36,455	761,080
Totals	$489,451	$265,965	$36,497	$791,913

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(000s omitted except share data)

(4) Loans (continued)

Detailed information regarding impaired loans by class of loan as of December 31 follows:

	2020				
	Recorded Investment	Principal Balance	Related Allowance	Average Investment	Interest Recognized
Loans with no related allowance for loan losses:					
Real estate:					
Commercial real estate	$9,941	$10,656	N/A	$10,158	$108
Residential real estate	2,410	3,369	N/A	2,761	52
Agricultural real estate	4,811	5,034	N/A	4,710	52
Commercial					
Commercial & industrial	1,530	1,629	N/A	1,462	18
Agricultural production	1,814	1,814	N/A	2,698	0
Consumer and other	23	46	N/A	26	0
Totals	20,529	22,548		21,815	230
Loans with an allowance for loan losses:					
Real estate:					
Commercial real estate	5,585	5,585	637	5,650	67
Residential real estate	1,299	1,374	309	1,327	16
Agricultural real estate	0	0	0	0	0
Commercial					
Commercial & industrial	649	678	576	726	0
Agricultural production	293	300	293	348	0
Consumer and other	25	25	25	25	0
Totals	7,851	7,962	1,840	8,076	83
Grand Totals	$28,380	$30,510	$1,840	$29,891	$313

(000s omitted except share data)

(4) Loans (continued)

	2019				
	Recorded Investment	Principal Balance	Related Allowance	Average Investment	Interest Recognized
Loans with no related allowance for loan losses:					
Real estate:					
Commercial real estate	$7,976	$8,825	N/A	$8,149	$528
Residential real estate	3,469	4,476	N/A	3,882	159
Agricultural real estate	5,167	5,246	N/A	6,541	396
Commercial					
Commercial & industrial	4,939	5,767	N/A	5,162	307
Agricultural production	2,858	2,858	N/A	2,059	92
Consumer and other	42	43	N/A	55	2
Totals	24,451	27,215		25,848	1,484
Loans with an allowance for loan losses:					
Real estate:					
Commercial real estate	4,059	4,059	66	4,403	157
Residential real estate	1,304	1,412	241	1,382	46
Agricultural real estate	0	0	0	0	0
Commercial					
Commercial & industrial	942	956	382	985	39
Agricultural production	77	78	77	80	5
Consumer and other	0	0	0	0	0
Totals	6,382	6,505	766	6,850	247
Grand Totals	$30,833	$33,720	$766	$32,698	$1,731

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(000s omitted except share data)

(4) Loans (continued)

	2018				
	Recorded Investment	Principal Balance	Related Allowance	Average Investment	Interest Recognized
Loans with no related allowance for loan losses:					
Real estate:					
Commercial real estate	$7,829	$8,667	N/A	$7,758	$399
Residential real estate	2,453	3,452	N/A	2,686	150
Agricultural real estate	8,084	8,161	N/A	6,571	256
Commercial					
Commercial & industrial	5,664	6,003	N/A	5,829	300
Agricultural production	1,523	1,543	N/A	1,783	131
Consumer and other	25	32	N/A	33	2
Total	25,578	27,858		24,660	1,238
Loans with an allowance for loan losses:					
Real estate:					
Commercial real estate	5,821	5,050	456	5,108	213
Residential real estate	546	556	212	839	26
Agricultural real estate	0	0	0	0	0
Commercial					
Commercial & industrial	5,392	5,418	2,320	5,474	72
Agricultural production	0	0	0	0	0
Consumer and other	0	0	0	0	0
Total	11,759	11,024	2,988	11,421	311
Grand Total	$37,337	$38,882	$2,988	$36,081	$1,549

The Company regularly evaluates various attributes of loans to determine the appropriateness of the allowance for loan losses. The Company generally monitors credit quality indicators for all loans using the following internally prepared ratings:

'Pass' ratings are assigned to loans with adequate collateral and debt service ability; such that collectability of the contractual loan payments is highly probable.

'Special Mention' ratings are assigned to loans where management has some concern that the collateral or debt service ability may not be adequate, though the collectability of the contractual loan payments is still probable.

'Substandard' ratings are assigned to loans that do not have adequate collateral and/or debt service ability; such that collectability of the contractual loan payments is no longer probable.

'Doubtful' ratings are assigned to loans that do not have adequate collateral and/or debt service ability, and collectability of the contractual loan payments is unlikely.

(000s omitted except share data)

(4) Loans (continued)

Information regarding the credit quality indicators most closely monitored by class of loan at December 31 follows:

	2020				
	Pass	Special Mention	Substandard	Doubtful	Totals
Real estate:					
Commercial real estate	$233,507	$25,089	$13,515	$0	$272,111
Residential real estate	81,799	2,061	2,706	0	86,566
Agricultural real estate	118,001	11,292	3,722	0	133,015
Commercial:					
Commercial & industrial	213,511	9,665	1,847	0	225,023
Agricultural production	58,272	11,612	2,107	0	71,991
Consumer and other	43,491	48	48	0	43,587
Total	$748,581	$59,767	$23,945	$0	$832,293

	2019				
	Pass	Special Mention	Substandard	Doubtful	Totals
Real estate:					
Commercial real estate	$252,559	$8,386	$9,904	$0	$270,849
Residential real estate	93,871	1,544	3,347	0	98,762
Agricultural real estate	100,541	15,513	3,786	0	119,840
Commercial:					
Commercial & industrial	179,209	10,950	5,676	0	195,835
Agricultural production	56,808	10,387	2,935	0	70,130
Consumer and other	36,448	7	42	0	36,497
Total	$719,346	$46,787	$25,690	$0	$791,913

Loan aging information by class of loan at December 31 follows:

As of December 31, 2020	Loans Past Due 30-89 Days	Loans Past Due 90+ Days	Total Past Due
Real estate:			
Commercial real estate	$1,922	$4,109	$6,031
Residential real estate	1,242	665	1,907
Agricultural real estate	338	1,092	1,430
Commercial			
Commercial & industrial	259	799	1,058
Agricultural production	54	239	293
Consumer and other	53	33	86
Total	$3,868	$6,937	$10,805

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(000s omitted except share data)

(4) Loans (continued)

As of December 31, 2020	Total Past Due	Total Current	Total Loans	90+ Days Due and Accruing Interest	Total Non-accrual Loans
Real Estate:					
Commercial real estate	$6,031	$266,080	$272,111	$170	$5,798
Residential real estate	1,907	84,659	86,566	68	1,394
Agricultural real estate	1,430	131,585	133,015	105	1,124
Commercial:					
Commercial & industrial	1,058	223,965	225,023	0	848
Agricultural production	293	71,698	71,991	0	293
Consumer and other	86	43,855	43,587	27	47
Total	$10,805	$821,842	$832,293	$370	$9,504

As of December 31, 2019	Loans Past Due 30-89 Days	Loans Past Due 90+ Days	Total Past Due
Real estate:			
Commercial real estate	$6,524	$238	$6,762
Residential real estate	1,399	1,241	2,640
Agricultural real estate	0	864	864
Commercial			
Commercial & industrial	494	735	1,229
Agricultural production	0	0	0
Consumer and other	102	67	169
Total	$8,519	$3,145	$11,664

As of December 31, 2019	Total Past Due	Total Current	Total Loans	90+ Days Due and Accruing Interest	Total Non-accrual Loans
Real Estate:					
Commercial real estate	$6,762	$264,087	$270,849	$109	$128
Residential real estate	2,640	96,122	98,762	120	2,157
Agricultural real estate	864	118,976	119,840	0	864
Commercial:					
Commercial & industrial	1,229	194,606	195,835	0	1,191
Agricultural production	0	70,130	70,130	0	77
Consumer and other	169	36,328	36,497	31	44
Total	$11,664	$780,249	$791,913	$260	$4,461

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

(000s omitted except share data)

(4) Loans (continued)

The following table presents information regarding modifications of loans that are classified as troubled debt restructurings by class of loan that occurred during the years ended December 31:

	2020		
	Number of Loans	Pre-Modification Investment	Post-Modification Investment
Real Estate:			
Commercial real estate	1	$3,828	$3,828
Residential real estate	1	191	191
Commercial:			
Commercial & industrial	1	23	23
Total	3	$4,042	$4,042

	2019		
	Number of Loans	Pre-Modification Investment	Post-Modification Investment
Real Estate:			
Residential real estate	2	$404	$404
Commercial:			
Commercial & industrial	2	108	108
Agricultural production	1	59	59
Total	5	$571	$571

The following table summarizes troubled debt restructurings that defaulted within 12 months of their modification date during the year ending December 31, 2020:

	Number of Loans	Recorded Investment
Real Estate:		
Commercial real estate	1	$3,841
Total	1	$3,841

There were no troubled debt restructurings that defaulted during the year, within 12 months of their modification as of December 31, 2019.

The CARES Act provides temporary relief from accounting for certain pandemic-related loan modifications as troubled debt restructuring (TDR). As of December 31, 2020, the Company had approximately $15,585 of outstanding modifications that were excluded from the TDR classification based on this act.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(000s omitted except share data)

(4) Loans (continued)

The Company has acquired purchased credit impaired (PCl) loans, which are loans that, at acquisition, evidenced deterioration of credit quality since origination, and the Company determined it was probable, at the acquisition date, all contractually required payments would not be collected. These loans are included in the carrying amount of loans in the Company's consolidated balance sheet.

The outstanding balance and carrying amount of PCI loans for the year ended December 31 follows:

	2020	2019
Outstanding balance:		
Commercial	$0	$1,370
Total outstanding balance	$0	$1,370

The carrying value of the PCI loans was $0 and $540 at December 31, 2020 and 2019, respectively.

No increases to the allowance for loan losses were done for PCI loans during 2020 and 2019. No allowances for loan losses were reversed during 2020 and 2019.

There was no change in the accretable yield related to PCI loans during the years ended December 31, 2020 and 2019.

(5) Loan Servicing

Loans serviced for others are not included in the accompanying consolidated balance sheets. Mortgage loans serviced for others as of December 31, 2020 and 2019, were approximately $311,909 and $316,329, respectively. Custodial escrow balances maintained in conjunction with serviced loans were approximately $3,799 and $3,743 at December 31, 2020 and 2019, respectively.

The following summarizes the activity pertaining to mortgage servicing rights, included in other assets, for the years ended December 31:

	2020	2019	2018
Balance at beginning of year	**$993**	$1,167	$1,290
Mortgage servicing rights capitalized	**813**	342	337
Mortgage servicing rights amortized	**(656)**	(516)	(500)
Balance at end of year	**$1,150**	$993	$1,167

The fair value of the mortgage servicing rights was determined using discount rates ranging from 9.00% to 11.00% and prepayment speeds ranging from 6.591% to 34.367% and a weighted average default rate of 9.006%, as of December 31, 2020. The fair value of the mortgage servicing rights was determined using discount rates ranging from 9.50% - 11.50% and prepayment speeds ranging from 6.978% to 27.896% and a weighted average default rate of 9.507%, as of December 31, 2019.

No impairment of mortgage servicing rights existed and no valuation allowance was recognized for 2020, 2019 and 2018.

(000s omitted except share data)

(6) Mortgage Banking Loan Commitments

The Company enters into commitments to fund residential mortgage loans (interest rate locks) at specified times in the future, with the intention that these loans will be subsequently sold to third-party investors. A mortgage loan commitment binds the Company to lend funds to a potential borrower at a specified interest rate and within a specified period of time, generally up to 60 days after inception of the rate lock. It is the Company's practice to enter into mandatory delivery forward commitments for the future delivery of residential mortgage loans to third-party investors when an interest rate lock commitment is granted. These mandatory delivery forward commitments bind the Company to deliver a residential mortgage loan to a third-party investor even if the underlying loan never funds. As of December 31, 2020 and 2019, the Company had approximately $9,830 and $1,571 in interest rate lock commitments outstanding. As of December 31, 2020 and 2019, the Company had approximately $19,660 and $3,243 in mandatory delivery forward commitments outstanding. These outstanding mortgage loan commitments are considered to be derivatives. The approximate fair values associated with these derivatives were considered to be immaterial as of December 31, 2020 and 2019.

(7) Foreclosed Assets and Other Real Estate Owned

Foreclosed assets and other real estate owned net of valuation allowance consist of the following at December 31:

	2020	2019
Residential real estate	**$0**	$183
Commercial real estate	**107**	0
Non-farm non-residential properties	**0**	0
Construction, land development and other land	**205**	10
Balance at end of year	**$312**	$193

Residential real estate loans that are in process of foreclosure totaled $482 at December 31, 2020 and $174 at December 31, 2019.

(8) Premises and Equipment

The components of premises and equipment at December 31 are as follows:

	2020	2019
Land	**$2,644**	$2,744
Buildings and leasehold improvements	**21,467**	22,116
Furniture, fixtures, and equipment	**13,262**	13,140
	37,373	38,000
Less accumulated depreciation	**19,644**	19,499
	$17,729	$18,501

Depreciation expense for the years ended December 31, 2020, 2019 and 2018 amounted to $1,217, $1,463 and $1,300, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(000s omitted except share data)

(9) Intangible Assets

The core deposit premium intangible asset in other assets had a gross carrying amount of $1,952 and accumulated amortization of $1,666 and $1,354 at December 31, 2020 and 2019, respectively.

Amortization expense for the years ended December 31, 2020, 2019 and 2018 was approximately $312. The remaining amount of $286 of amortization expense will be recognized in 2021.

(10) Other Assets

The components of other assets at December 31 are as follows:

	2020	2019
Accrued interest receivable	**$6,107**	$6,025
Mortgage servicing rights, net of accumulated amortization	**1,150**	993
Net deferred tax assets	**990**	2,193
Qualified affordable housing project investments	**794**	1,148
Other	**4,152**	5,121
	$13,193	$15,480

(11) Time Deposits

The aggregate amount of time deposits with a minimum denomination of $250 was approximately $69,067 and $86,188 at December 31, 2020 and 2019, respectively. Time deposits are included in the interest-bearing deposits on the consolidated balance sheet.

At December 31, 2020, the scheduled maturities of time deposits are as follows:

2021	$184,956
2022	103,069
2023	59,179
2024	30,992
2025 and thereafter	12,492
	$390,688

(000s omitted except share data)

(12) Employee and Director Benefit Plans

The Company and the Banks maintain a 401(k) plan with profit sharing features covering substantially all employees under which the Company has historically provided a discretionary match of eligible employee contributions. Total 401(k) expense was approximately $549, $457, and $341, for 2020, 2019, and 2018, respectively. Each plan participant elects how the employer contributions are invested; whereby the participants choose between purchasing the Company's common stock or investing in the plan's investment funds.

In addition, the Company and the Banks maintain non-qualified deferred compensation plans whereby certain directors and officers are provided with guaranteed annual payments for periods ranging after reaching a variation of retirement ages pending participant plan. The compensation plans are funded by bank-owned life insurance policies which had an aggregate death benefit of approximately $53,983 and $54,164 as of December 31, 2020 and 2019, respectively. The Banks accrue amounts to be paid over the participant's active service life. The accrued benefits were $2,547, $2,143, and $2,019 at December 31, 2020, 2019 and 2018, respectively. Non-qualified deferred compensation expenses were $476, $190, and $476 in 2020, 2019 and 2018, respectively.

(13) Income Taxes

The components of income tax expense for the years ended December 31 are as follows:

	2020	2019	2018
Current – federal	**$2,074**	$1,757	$1,669
Current – state	**1,178**	984	980
	3,252	2,741	2,649
Deferred – federal	**(330)**	357	(57)
Deferred – state	**(156)**	86	17
	(486)	443	(40)
Total income tax expense	**$2,766**	$3,184	$2,609

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(000s omitted except share data)

(13) Income Taxes (continued)

A reconciliation of the differences between the statutory federal income tax rate and the effective federal income tax rate with the resulting dollar amounts is shown in the following table:

	2020		2019		2018	
	Amount	**% of Pretax Earnings**	Amount	% of Pretax Earnings	Amount	% of Pretax Earnings
Statutory federal tax	**$2,741**	**21.0%**	$2,986	21.0%	$2,934	21.0%
Increase (decrease) in taxes resulting from:						
Tax-exempt interest	**(593)**	**(4.5%)**	(632)	(4.4%)	(750)	(5.4%)
Bank-owned life insurance	**(124)**	**(1.0%)**	(103)	(0.7%)	(274)	(2.0%)
State taxes, net of federal benefit	**807**	**6.2%**	846	6.0%	788	5.6%
Other	**(65)**	**0.5%**	87	0.6%	(89)	(0.6%)
Effective tax rates	**$2,766**	**21.2%**	$3,184	22.4%	$2,609	18.7%

The tax effects of existing temporary differences that give rise to significant portions of the deferred tax liabilities and deferred tax assets at December 31, 2020 and 2019 are summarized as follows:

	2020	2019
Deferred tax assets:		
Allowance for loan losses	**$3,900**	$3,717
Allowance for losses on foreclosed assets and other real estate owned	**191**	94
Deferred compensation and other	**1,907**	1,302
Purchase accounting adjustments	**0**	88
Total deferred tax assets	**5,998**	5,201
Deferred tax liabilities:		
FHLB stock dividend	**55**	55
Depreciation	**1,776**	1,790
Mortgage servicing rights and other	**453**	333
Available-for-sale securities	**2,519**	830
Purchase accounting adjustments	**205**	0
Total deferred tax liabilities	**5,008**	3,008
Net deferred tax assets	**$990**	$2,193

No valuation allowance has been recorded since deferred tax assets are expected to be realized.

With few exceptions, the Company is no longer subject to federal or state examinations by tax authorities for years before 2016.

(000s omitted except share data)

(14) Transactions with Related Parties

The Company had, and may be expected to have in the future, loans or other banking transactions in the ordinary course of business with directors, significant stockholders, principal officers, their immediate families, and affiliated companies in which they are principal stockholders (commonly referred to as related parties). In management's opinion, these loans and transactions were on the same terms as those for comparable loans and transactions with non-related parties.

Activity for related party loans for the years ending December 31, is as follows:

	2020	2019
Balance at beginning of year	$14,319	$15,520
New credits	4,711	5,125
No longer related party loans	(1,631)	0
Repayments	(8,728)	(6,326)
Balance at end of year	$8,671	$14,319

Deposit accounts from related parties totaled approximately $15,717 and $18,230 at December 31, 2020 and 2019, respectively.

(15) Financial Instruments with Off-Balance-Sheet Risk and Concentrations

Financial instruments with off-balance-sheet risk:

The Company is party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of their customers. These financial instruments include commitments to extend credit, credit lines, letters of credit, and overdraft protection. They involve, to varying degrees, elements of credit risk in excess of amounts recognized on the consolidated balance sheets.

The Company's exposure to credit losses in the event of nonperformance by the other parties to the financial instruments, for commitments to extend credit, and letters of credit are represented by the contractual amounts of those instruments. The Banks use the same credit policies in making commitments and issuing letters of credit as they do for on-balance-sheet instruments.

A summary of the contractual amounts of the Banks' exposures to off-balance-sheet risk as of December 31 is approximately as follows:

	2020	2019
Unused lines of credit and other loan commitments	**$220,332**	$157,341
Commercial letters of credits	**1,017**	1,083
Performance and standby letters of credit	**102**	159

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(000s omitted except share data)

(15) Financial Instruments with Off-Balance-Sheet Risk and Concentrations (continued)

Commitments to extend credit are agreements to lend to customers as long as there are no violations of any conditions established in the contracts. Commitments generally have fixed expiration dates or other termination clauses and may require the 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 credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Banks evaluate each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Banks upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral held varies; but may include accounts receivable, inventory, crops, livestock, property and equipment, residential real estate, and income-producing commercial properties.

Standby, performance and commercial letters of credit are conditional commitments issued by the Banks to guarantee the performance of a customer to a third party. They are considered financial guarantees under FASB guidance. The fair value of these financial guarantees is considered immaterial.

The Company participates in the FHLB Mortgage Partnership Finance Program (the "Program"). In addition to entering into forward commitments to sell mortgage loans to a secondary market agency, the Company enters into firm commitments to deliver loans to the FHLB through the Program. Under the Program, loans are funded by the FHLB, and the Company receives an agency fee reported as a component of gain on sale of loans. The Company had no firm commitments outstanding to deliver loans through the Program at December 31, 2020. Once delivered to the Program, the Company provides a contractually agreed-upon credit enhancement and performs servicing of the loans. Under the credit enhancement, the Company is liable for losses on loans delivered to the Program after application of any mortgage insurance and a contractually agreed-upon credit enhancement provided by the Program subject to an agreed-upon maximum. The agreed-upon accumulated credit enhancement provided by the Program totaled $2,547, subject to an agreed-upon maximum. The fee the Company received for this credit enhancement was not material in each of the years ended December 31, 2020, 2019 and 2018.

Concentration of credit risk:

The Company provides several types of loans to customers including real estate, agricultural, commercial, and installment loans. The largest component of loans is secured by residential real estate, commercial real estate, or other interest in real property. Lending activities are conducted with customers in a wide variety of industries as well as with individuals with a wide variety of credit requirements. The Company does not have a concentration of loans in any specific industry. Credit risk, as it relates to the Company's business activities, tends to be geographically concentrated in that the majority of the customer base lies within the surrounding communities served by its subsidiary banks.

(16) Securities Sold Under Agreements to Repurchase

Securities sold under agreements to repurchase amounted to $31,148 and $26,594 at December 31, 2020 and 2019, respectively, and are collateralized by U.S. agencies, state and municipal and mortgage-backed investment securities with fair values of approximately $43,047 and $46,535. The weighted-average interest rates on these agreements were 0.12% and 1.35% at December 31, 2020 and 2019, respectively. Securities sold under agreements to repurchase mature on a daily basis.

(000s omitted except share data)

(17) Federal Home Loan Bank (FHLB) and Federal Reserve Advances and Other Borrowings

FHLB Advances at December 31:	**2020**	2019
Fixed-rate advances with rates ranging from 0% to 3.03% and 1.42% to 3.03% and weighted average rates of 0.62% and 1.59% as of December 31, 2020 and 2019, respectively. Interest is payable monthly with principal due at maturity.	**$32,750**	$13,500

Advances are collateralized by 1-4 family mortgage loans, other qualifying loans and securities. The total amounts of collateral securing FHLB advances were approximately $85,350 and $86,803 as of December 31, 2020 and 2019, respectively. FHLB advances are subject to a prepayment penalty if they are repaid prior to maturity. FHLB advances are also secured by $1,285 and $1,212 of FHLB stock owned by the Company at December 31, 2020 and 2019, respectively.

The Company participates in the Federal Reserve Bank of Chicago's Discount Window Lending Program. Primary advances generally mature daily and bear interest at a generally approved rate in relation to the federal funds rate. The primary advance interest rate at December 31, 2020 was 25-basis points. Outstanding advances were $0 at December 31, 2020 and 2019. Advances are collateralized by investment securities pledged totaling approximately $9,253 and $7,972 at December 31, 2020 and 2019, respectively, to the Federal Reserve Bank.

On July 2, 2015, the Company entered into a $7,000 note with Bankers' Bank for the purchase of the State Bank of Herscher. The noted was a fixed rate at 4% due July 2, 2020 and was secured by common stock of Company's subsidiaries. The note was paid in full in 2019. The balance was $0 at December 31, 2020 and 2019.

On June 27, 2018, the Company entered into a $5,500 note with Bankers' Bank for the redemption of subordinated debentures. The noted was a stepped fixed rate of 4.75% until June 27, 2023, then would have adjusted to the current Wall Street Journal prime rate until maturity with a minimum rate of 4.75% due June 27, 2025 and was secured by common stock of Company subsidiaries. The note was paid in full in 2019. The balance was $0 at December 31, 2020 and 2019.

Additional other borrowings totaled $2,038 and $1,538 at December 31, 2020 and 2019, respectively, and mature from 2022 to 2024, at interest rates ranging from 1.60% to 2.38%.

At December 31, the scheduled maturities of FHLB advances and other borrowings are as follows:

	2020	2019
2020	**$0**	$750
2021	**20,250**	250
2022	**210**	0
2023	**2,373**	2,444
2024	**6,335**	6,594
2025 and thereafter	**5,620**	5,000
	$34,788	$15,038

The Company had federal funds purchased with its main correspondent institutions totaling $2,124 and $2,379 as of December 31, 2020 and 2019, respectively. Federal funds purchased generally mature within one day from transaction date. The weighted average interest rate was 0.10% and 1.58% as of December 31, 2020 and 2019, respectively.

(18) Subordinated Debentures

The Company issued $10,000 of Subordinated Debentures in the fiscal year ended 2012 that qualify as Tier 2 regulatory capital (with certain limitations applicable) for the Company. The Company issued the Subordinated Debentures for capital raising purposes primarily for the redemption of preferred stock as part of the Troubled Asset Relief Program. During 2018, the Company elected to redeem all the Subordinated Debentures in accordance with the contract price limitations. The redemption was subject to approval by the Federal Reserve.

(19) Fair Value Measurements

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

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

Level 2: Significant other observable inputs other than Level 1 prices; such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect the Company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The following is a description of valuation methodologies used for assets recorded at fair value:

Securities available-for-sale: The fair values of the Company's securities available-for-sale are primarily determined by matrix pricing, which is a mathematical technique used widely in the industry to value debt securities without relying exclusively on quoted prices for specific securities, but rather by relying on the securities' relationship to other benchmark quoted securities. The values determined by matrix pricing are considered Level 2 fair value measurements.

Collateral-dependent impaired loans: The Company does not record loans at fair value on a recurring basis. However, from time to time, fair value adjustments are recorded on these loans to reflect (1) partial write-downs, through charge-offs or specific reserve allowances, that are based on the current appraised or market-quoted value of the underlying collateral or (2) the full charge-off of the loan carrying value. The fair value of collateral dependent impaired loans is generally based on recent real estate appraisals. Adjustments are routinely made in the appraisal process by independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification. Non-real estate collateral may be valued using an appraisal, net book value of the borrower's financial statements or aging reports, adjusted or discounted based on management's expertise and knowledge of the borrower and borrower's business. Fair value measurements prepared internally are based on management's comparisons to sales of comparable assets, but include significant unobservable data and are therefore considered Level 3 measurements.

(000s omitted except share data)

(19) Fair Value Measurements (continued)

Foreclosed assets and Other Real Estate Owned: Real estate acquired through or in lieu of loan foreclosure are not measured at fair value on a recurring basis. However, other real estate is initially measured at fair value (less estimated costs to sell) when it is acquired and may also be measured at fair value (less estimated costs to sell) if it becomes subsequently impaired. The fair value measurement for each property may be obtained from an independent appraiser or prepared internally. Fair value measurements obtained from independent appraisers generally utilize a market approach based on sales of comparable assets and/or an income approach. Such measurements are usually considered Level 2 measurements. However, management routinely evaluates fair value measurements of independent appraisers by comparing actual selling prices to the most recent appraisals. If management determines significant adjustments should be made to the independent appraisals based on these evaluations, these measurements are considered Level 3 measurements. Fair value measurements prepared internally are based on management's comparisons to sales of comparable assets, but include significant unobservable data and are therefore considered Level 3 measurements.

The following table presents the Company's approximate fair-value hierarchy for the assets measured at fair value as of December 31:

As of December 31, 2020		**Fair Value Measurements at Reporting Date Using**		
	Total	**(Level 1)**	**(Level 2)**	**(Level 3)**
Assets measured at fair value on a recurring basis:				
Assets:				
Securities available-for-sale	**$362,298**		**$362,298**	
Assets measured at fair value on a non-recurring basis:				
Assets:				
Collateral-dependent impaired loans	**$6,011**			**$6,011**
Foreclosed assets and other real estate owned	**$312**			**$312**

Collateral-dependent impaired loans, which are measured for impairment using the fair value of collateral, had a carrying value of $7,851 with specific reserves of $1,840 as of December 31, 2020.

Foreclosed assets and other real estate owned, which are measured at the lower of carrying or fair value less costs to sell, were carried at their fair value of $312, which is comprised of the outstanding balance of $776, net of an allowance for losses of $464 as of December 31, 2020.

As of December 31, 2019		**Fair Value Measurements at Reporting Date Using**		
	Total	**(Level 1)**	**(Level 2)**	**(Level 3)**
Assets measured at fair value on a recurring basis:				
Assets:				
Securities available-for-sale	$300,824		$300,824	
Assets measured at fair value on a non-recurring basis:				
Assets:				
Collateral-dependent impaired loans	$5,616			$5,616
Foreclosed assets and other real estate owned	$193			$193

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(000s omitted except share data)

(19) Fair Value Measurements (continued)

Collateral-dependent impaired loans, which are measured for impairment using the fair value of collateral, had a carrying value of $6,382 with specific reserves of $766 as of December 31, 2019.

Foreclosed assets and other real estate owned, which are measured at the lower of carrying or fair value less costs to sell, were carried at their fair value of $193, which is comprised of the outstanding balance of $259, net of an allowance for losses of $66 as of December 31, 2019.

The following table presents quantitative information about level 3 fair value measurements for financial instruments measured at fair value on a non-recurring basis at December 31, 2020 and 2019:

	Valuation Technique	Unobservable Input	Range
Collateral-dependent impaired loans, net of specific reserves	Sales comparison approach	Appraised values	10% - 20%
Foreclosed assets and other real estate owned	Sales comparison approach	Appraised values	10% - 20%

FASB guidance requires disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate that value. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates may not be realized in immediate settlement of the instrument. Accounting guidance excludes certain financial instruments and certain nonfinancial instruments from its disclosure requirements. These fair value disclosures may not represent the fair value of the Company.

The estimated fair values of the Company's financial instruments as of December 31, 2020 are as follows:

	2020				
	Carrying	Fair	Fair Value Hierarchy		
	Amount	Value	Level 1	Level 2	Level 3
Financial assets:					
Cash and cash equivalents	$124,745	$124,745	$124,745		
Interest-bearing deposits in other banks-term deposits	15,284	15,284	15,284		
Securities	367,001	367,323		$367,323	
Federal Home Loan Bank stock	1,285	1,285			$1,285
Loans held for sale	2,846	2,846	2,846		
Loans, net of allowance	818,611	827,267			827,267
Accrued interest receivable	6,107	6,107	6,107		
Cash surrender value of bank-owned life insurance	23,594	23,594			23,594
Financial liabilities:					
Demand and saving deposits	$763,772	$763,772	$763,772		
Time deposits	390,688	397,320			$397,320
Federal funds purchased	2,124	2,124	2,124		
Securities sold under agreements to repurchase	31,149	31,147	31,147		
FHLB advances and other borrowings	34,788	35,054			35,054
Accrued interest payable	985	985	985		

(000s omitted except share data)

(19) Fair Value Measurements (continued)

The estimated fair values of the Company's financial instruments as of December 31, 2019 are as follows:

	2019				
	Carrying	Fair	Fair Value Hierarchy		
	Amount	Value	Level 1	Level 2	Level 3
Financial assets:					
Cash and cash equivalents	$58,428	$58,428	$58,428		
Interest-bearing deposits in other banks-term deposits	14,529	14,529	14,529		
Securities	301,368	301,394		$301,394	
Federal Home Loan Bank stock	1,212	1,212			$1,212
Loans held for sale	2,007	2,007	2,007		
Loans, net of allowance	778,874	791,412			791,412
Accrued interest receivable	6,025	6,025	6,025		
Cash surrender value of bank-owned life insurance	22,996	22,996			22,996
Financial liabilities:					
Demand and saving deposits	$583,832	$583,832	$583,832		
Time deposits	436,261	437,178			$437,178
Federal funds purchased	2,379	2,379	2,379		
Securities sold under agreements to repurchase	26,594	26,563	26,563		
FHLB advances and other borrowings	15,038	15,016			15,016
Accrued interest payable	1,351	1,351	1,351		

(20) Stock-Compensation Plans

During 2012, the Company approved an equity incentive plan to promote the long-term financial success of the Company through stock-based awards to employees, directors or service providers who contribute to that success. This equity incentive plan permits Company management to approve and grant a maximum of 150,000 shares of common stock-based awards in the form of any combination of stock options, stock appreciation rights, stock awards or cash incentive awards.

Stock Options

The fair value of each option award is estimated on the date of grant using a closed form option valuation model (Black-Scholes) based on the assumptions noted in the table below. Expected volatilities are based on historical volatilities of the Company's common stock. The Company uses historical data to estimate option exercise and post-vesting termination behavior. The expected term of options granted is based on historical data and represents the period of time that options granted are expected to be outstanding, which takes into account that the options are not transferable. The risk-free interest rate for the expected term of the option is based on the U.S. Treasury yield in effect at the time of the grant. The Company's accounting policy is to recognize forfeitures as they occur.

No options were granted for the year ended December 31, 2020. For the year ended December 31, 2019 and 2018, 5,000 and 25,000 shares of non-qualified stock options were granted, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(000s omitted except share data)

(20) Stock-Compensation Plans

Stock Options (continued)

The following assumptions were used in estimating the fair value of options granted during the years ended December 31, 2019 and 2018:

	2019	2018
Expected volatility	0.0163	0.0084
Expected dividend yield	0.88%	0.79%
Expected term (in years)	5.00	5.75
Risk free rate	2.39%	2.83%

Based on these assumptions the estimated weighted average grant date fair value of options granted was $2.42 during 2019 and $3.70 during 2018.

For the years ended December 31, 2020, 2019 and 2018, the Company recognized $19, $18 and $8 in compensation expense for stock options, respectively. No tax benefits were recognized for the three-year period ended December 31, 2020. The intrinsic value of options exercised during the years ended December 31, 2020, 2019 and 2018 was $276, $393 and $617, respectively.

The following table summarizes the activity of options for the year ended:

	December 31, 2020		December 31, 2019	
	Options	**Weighted Average Exercise Price**	Options	Weighted Average Exercise Price
Shares under option, beginning of year	**46,844**	**$26.44**	72,188	$20.85
Granted during the year	**0**	**0.00**	5,000	35.27
Forfeited and expired during the year	**(5,000)**	**35.27**	(15,000)	19.00
Exercised during the year	**(16,844)**	**10.30**	(15,344)	10.30
Shares under option, end of year	**25,000**	**$35.55**	46,844	$26.44
Options exercisable, end of year	**8,333**	**$35.55**	21,012	$15.31

The following table summarizes information about stock options outstanding at December 31, 2020:

Exercise Price	**Number Outstanding**	**Remaining Contractual Life (Years)**	**Number Exercisable**
$35.55	25,000	7.5	8,333

(000s omitted except share data)

(20) Stock-Compensation Plans

Stock Awards

Stock awards are granted in the form of restricted stock awards (RSA's) and restricted stock units (RSU's) which typically vest equally over a two-year period. RSA's share in dividends and have voting rights throughout the vesting period. RSU's are paid a dividend equivalent during the vesting period but have no voting rights.

The following table summarizes information regarding unvested restricted stock and shares outstanding during the year ended:

	December 31, 2020		December 31, 2019	
	Unvested Shares	**Weighted Average Grant Value**	Unvested Shares	Weighted Average Grant Value
Restricted stock, beginning of year	**9,901**	**$34.50**	8,809	$32.66
Granted during the year	**10,434**	**27.50**	6,998	35.07
Forfeited during the year	**(372)**	**28.88**	(201)	34.44
Restricted shares (net for taxes)	**(1,153)**	**34.02**	(978)	32.36
Vested during the year	**(5,509)**	**34.02**	(4,727)	32.36
Restricted stock, end of year	**13,301**	**$29.41**	9,901	$34.50

During 2020, 2019 and 2018, total compensation expense of $246, $212 and $178 (before tax benefits of $70, $61 and $51) was recorded from amortization of restricted shares expected to vest, respectively. Future projected compensation expense (before tax benefits); assuming all restricted shares eventually vest to employees; would be $166 and $34 for years 2021 and 2022, respectively.

Total shares available for grant under this plan were 78,727, 82,636 and 78,455 at December 31, 2020, 2019 and 2018, respectively.

(21) Stock Repurchase Program

In October 2016, the Company's Board of Directors authorized a stock repurchase program authorizing an aggregate repurchase of up to 100,000 shares of common stock at market price, each year. In October 2017, the Company's Board of Directors authorized a stock repurchase program authorizing an aggregate repurchase of up to 100,000 of common stock at up to 110% of book value, which expired in October 2018. In July 2019, the Company's Board of Directors approved reinstatement of the Company's stock repurchase program. This program authorized the repurchase of blocks of common stock with a purchase price within a range of 90-100% of book value.

In November 2020, the Company's Board of Directors adopted a stock repurchase plan. The plan expires on November 30, 2021 and provides a maximum dollar threshold of the aggregate cost of repurchases under the plan, sets a limit on the daily number of shares that can be repurchased and provides a maximum per share price. For the year ended December 31, 2020, the Company repurchased 17,900 shares under this program. There were no shares repurchased in 2018 and 2019.

The purchase price for the shares of the Company's stock repurchased is reflected as a reduction to shareholders' equity as treasury stock.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(000s omitted except share data)

(22) Earnings Per Common Share

For the years ended December 31, earnings per common share have been computed based on the following:

	2020	2019	2018
Net income	**$10,290**	$11,022	$11,365
Net income available to common stockholders	**$10,290**	$11,022	$11,365
Average number of common shares outstanding	**3,726,475**	3,701,671	3,680,578
Effect of dilutive options	**10,799**	22,444	29,997
Average number of common shares outstanding used to calculate diluted earnings per common share	**3,737,274**	3,724,093	3,710,575

(23) Equity and Regulatory Matters

The Company and Banks are subject to various regulatory capital requirements administered by the 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 material effect on the Company's financial statements.

In September 2019, the FDIC finalized a rule that introduced an optional simplified measure of capital adequacy known as the community bank leverage ratio (CBLR) framework. In order to qualify for the CBLR framework, the Company and Banks must have a Tier 1 leverage ratio of greater than 9%, less than $10 billion in total consolidated assets, and limited amounts of off-balance-sheet exposures and trading assets and liabilities. The Coronavirus Aid, Relief, and Economic Security Act lowered the CBLR to 8% through December 31, 2020. Beginning in 2021, the CBLR will increase to 8.5% for the calendar year, before increasing back to 9% beginning January 1, 2022. As of December 31, 2020, the Company and Banks qualified for and elected to use the CBLR framework. An institution opting into the CBLR framework and meeting all requirements under the framework will be considered to have met the well-capitalized ratio requirements under the Prompt Corrective Action regulations and will not be required to report or calculate risk-based capital. As of December 31, 2019, the Company and Banks reported capital ratios under the Basel III capital requirements which required the Banks to maintain minimum amounts and ratios of Common Equity Tier 1, Tier 1, and Total capital to risk-weighted assets and of Tier 1 capital to average assets to ensure capital adequacy.

As of December 31, 2020, the most recent notification from the regulatory agencies categorized all six Banks as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Banks must maintain minimum regulatory capital ratios as set forth in the table. There are no conditions or events since December 31, 2020, which management believes have changed the capital categories of the Banks.

(23) Equity and Regulatory Matters (continued)

The Company and the Banks actual capital amounts and ratios as of December 31, 2020 and 2019 are presented in the following tables:

	Actual		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount In $000s	Ratio	Amount In $000s	Ratio
As of December 31, 2020:				
Community Bank Leverage Ratio:				
Company	$147,077	10.74%	$109,576	8.00%
Northwest	29,455	8.53%	27,615	8.00%
German	26,201	9.41%	22,275	8.00%
Davis	18,632	11.00%	13,547	8.00%
Freeport	30,662	9.86%	24,882	8.00%
Lena	10,962	11.50%	7,627	8.00%
Herscher	19,200	11.67%	13,165	8.00%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(000s omitted except share data)

(23) Equity and Regulatory Matters (continued)

	Actual		For Capital Adequcy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount In $000s	Ratio	Amount In $000s	Ratio	Amount In $000s	Ratio
As of December 31, 2019:						
Total Capital to Risk Weighted Assets:						
Company	149,536	16.16%	$74,019	8.00%	$92,524	10.00%
Northwest	29,787	12.56%	18,967	8.00%	23,708	10.00%
German	27,113	13.39%	16,195	8.00%	20,244	10.00%
Davis	18,740	18.14%	8,266	8.00%	10,333	10.00%
Freeport	31,249	14.81%	16,875	8.00%	21,094	10.00%
Lena	11,301	17.11%	5,284	8.00%	6,606	10.00%
Herscher	19,795	20.62%	7,681	8.00%	9,602	10.00%
Tier 1 Capital to Risk Weighted Assets:						
Company	$137,944	14.91%	$55,514	6.00%	$74,019	8.00%
Northwest	27,313	11.52%	14,225	6.00%	18,967	8.00%
German	25,045	12.37%	12,146	6.00%	16,195	8.00%
Davis	17,441	16.88%	6,200	6.00%	8,266	8.00%
Freeport	28,602	13.56%	12,656	6.00%	16,875	8.00%
Lena	10,469	15.85%	3,963	6.00%	5,284	8.00%
Herscher	18,588	19.36%	5,761	6.00%	7,681	8.00%
Common Equity Tier 1 Capital to Risk Weighted Assets:						
Company	$137,944	14.91%	$41,636	4.50%	$60,141	6.50%
Northwest	27,313	11.52%	10,669	4.50%	15,410	6.50%
German	25,045	12.37%	9,110	4.50%	13,158	6.50%
Davis	17,441	16.88%	4,650	4.50%	6,716	6.50%
Freeport	28,602	13.56%	9,492	4.50%	13,711	6.50%
Lena	10,469	15.85%	2,973	4.50%	4,294	6.50%
Herscher	18,588	19.36%	4,321	4.50%	6,241	6.50%
Tier 1 Capital to Average Assets:						
Company	$137,944	11.32%	$48,739	4.00%	$60,924	5.00%
Northwest	27,313	9.28%	11,775	4.00%	14,719	5.00%
German	25,045	10.08%	9,938	4.00%	12,422	5.00%
Davis	17,441	10.89%	6,407	4.00%	8,008	5.00%
Freeport	28,602	10.68%	10,714	4.00%	13,393	5.00%
Lena	10,469	11.66%	3,590	4.00%	4,488	5.00%
Herscher	18,588	12.48%	5,956	4.00%	7,445	5.00%

(24) Dividends

State banking regulations restrict the amount of dividends that a bank may pay to its stockholders. The regulations provide that dividends are limited to the balance of undivided profits, subject to capital-adequacy requirements, plus an additional amount equal to the Bank's current-year earnings through the date of any declaration of dividends. The payment of dividends would also be restricted if a Bank does not meet the minimum capital conservation buffer as defined by Basel III regulatory capital guidelines.

CONSOLIDATING SCHEDULE 1 - BALANCE SHEET
(000s omitted except share data)

December 31, 2020

ASSETS	German-American State Bank	State Bank of Davis
Cash and due from banks	$5,226	$1,704
Interest-bearing deposits in banks	49	9,431
Federal funds sold	0	253
Interest-bearing deposits in banks - term deposits	2,496	3,253
Debt securities:		
Debt securities available-for-sale	72,419	67,311
Debt securities held-to-maturity	0	571
Federal Home Loan Bank stock, at cost	176	115
Loans held for sale	0	0
Loans, net	194,184	82,327
Foreclosed assets and other real estate owned, net	195	0
Premises and equipment, net	1,189	786
Bank owned life insurance	3,432	1,965
Other assets	2,749	2,064
Investment in subsidiary banks	0	0
Total assets	$282,115	$169,780
LIABILITIES AND STOCKHOLDLERS' EQUITY		
Liabilities:		
Deposits:		
Noninterest bearing	$44,049	$21,794
Interest-bearing	202,736	122,441
Total deposits	246,785	144,235
Federal funds purchased	1,637	0
Securities sold under agreements to repurchase		960
Federal Home Loan Bank (FHLB) and Federal Reserve advances and other borrowings	5,000	4,000
Accrued interest payable and other liabilities	1,409	426
Total liabilities	254,831	149,621
Stockholders' equity:		
Preferred stock	0	0
Common stock	400	100
Additional paid-in capital	2,981	1,648
Retained earnings	22,819	16,884
Treasury stock	0	0
Accumulated other comprehensive income	1,084	1,527
Total stockholders' equity	27,284	20,159
Total liabilities and stockholders' equity	$282,115	$169,780

Northwest Bank	State Bank	Lena State Bank	State Bank of Herscher	Foresight Financial Group, Inc.	Eliminations	Consolidated Total
$11,013	$7,407	$903	$4,528	$134	($134)	$30,781
42,478	28,128	1,207	8,175	4,943	(4,943)	$89,468
2,516	1,661	66	0	0		4,496
1,495	3,222	2,333	2,485	0	0	15,284
49,044	77,191	36,144	60,189	0		362,298
0	4,132	0	0	0		4,703
600	167	80	147	0		1,285
2,846	0	0	0	0		2,846
226,454	186,082	50,501	79,063	0		818,611
0	0	0	10	107		312
7,288	1,559	321	1,884	4,702		17,729
6,026	1,525	2,012	4,699	3,935		23,594
2,920	2,648	835	1,569	408		13,193
0	0	0	0	141,717	(141,717)	
$352,680	$313,722	$94,402	$162,749	$155,946	($146,794)	$1,384,600
$77,773	$56,505	$5,199	$27,847	$0	($134)	$233,033
225,205	193,575	73,165	109,248	0	(4,943)	921,427
302,978	250,080	78,364	137,095	$0	(5,077)	1,154,460
0	0	0	487	0		2,124
2,892	27,297	0	0	0		31,149
14,830	2,958	4,000	4,000	0		34,788
1,525	1,285	523	965	2,124		8,257
322,225	281,620	82,887	142,547	2,124	(5,077)	1,230,778
0	0	0	0	0		0
1,450	1,000	500	400	1,013	(3,850)	1,013
7,838	4,751	3,753	17,927	10,510	(38,895)	10,513
20,168	24,911	6,709	1,159	142,810	(92,653)	142,807
0	0	0	0	(6,830)		(6,830)
999	1,440	553	716	6,319	(6,319)	6,319
30,455	32,102	11,515	20,202	153,822	(141,717)	153,822
$352,680	$313,722	$94,402	$162,749	$155,946	($146,794)	$1,384,600

For the year ended December 31, 2020

	German-American State Bank	State Bank of Davis
Interest and dividend income:		
Loans, including fees	$8,932	$3,993
Debt securities:		
Taxable	752	945
Tax-exempt	499	518
Interest-bearing deposits in banks and other	125	134
Federal funds sold	9	8
Total interest and dividend income	10,317	5,598
Interest expense:		
Deposits	2,026	1,255
Federal funds purchased	0	0
Securities sold under agreements to repurchase	0	58
FHLB and other borrowings	31	0
Subordinated debentures	0	0
Total interest expense	2,057	1,313
Net interest and dividend income	8,260	4,285
Provision for loan losses	320	(450)
Net interest and dividend income, after provision for loan losses	7,940	4,735
Noninterest income:		
Customer service fees	182	69
Equity in earnings of subsidiaries		
Gain on sales and calls of AFS securuties, net	21	56
Gain on sales of loans, net	0	0
Loan-servicing fees, net	0	0
Other	981	326
Total noninterest income	1,184	451
Noninterest expenses:		
Salaries and employee benefits	3,413	1,283
Occupancy expense of premises, net	395	149
Outside services	469	274
Data processing	713	382
Foreclosed assets and other real estate owned, net	68	25
Other	1,156	460
Total noninterest expenses	6,214	2,573
Income before income taxes	2,910	2,613
Income tax expense (benefit)	654	512
Net income	$2,256	$2,101

CONSOLIDATING SCHEDULE 2 - STATEMENT OF INCOME
(000s omitted except share data)

Northwest Bank	State Bank	Lena State Bank	State Bank of Herscher	Foresight Financial Group, Inc.	Eliminations	Consolidated Total
$12,171	$9,113	$2,638	$4,698	0		$41,545
668	1,054	363	724	0		4,506
387	502	272	259	0		2,437
99	120	71	101	9	($11)	648
12	5	2	2	0		38
13,337	10,794	3,346	5,784	9	(11)	49,174
2,396	1,983	817	475	0	($11)	8,941
0	0	0	0	0		0
13	84	0	0	0		155
170	35	0	4	0		240
0	0	0	0	0		0
2,579	2,102	817	479	0	(11)	9,336
10,758	8,692	2,529	5,305	9	0	39,838
2,810	580	0	525	0		3,785
7,948	8,112	2,529	4,780	9	0	36,053
350	90	79	67			837
				$12,183	($12,183)	0
2	203	57	43			382
3,386	0	0	0			3,386
933	0	0	34			967
889	1,010	149	472	2,679	(2,891)	3,615
5,560	1,303	285	616	14,862	(15,074)	9,187
6,249	2,766	672	1,947	3,686		20,016
992	241	103	301	412	(57)	2,536
712	323	220	305	290	(1,640)	953
1,178	665	274	491	394	(1,194)	2,903
4	0	0	0	0		97
1,889	630	249	702	593		5,679
11,024	4,625	1,518	3,746	5,375	(2,891)	32,184
2,484	4,790	1,296	1,650	9,496	(12,183)	13,056
529	1,201	295	369	(794)		2,766
$1,955	$3,589	$1,001	$1,281	$10,290	($12,183)	$10,290

General Information

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Market: OTC Pink Marketplace
Trading symbol: **FGFH**

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