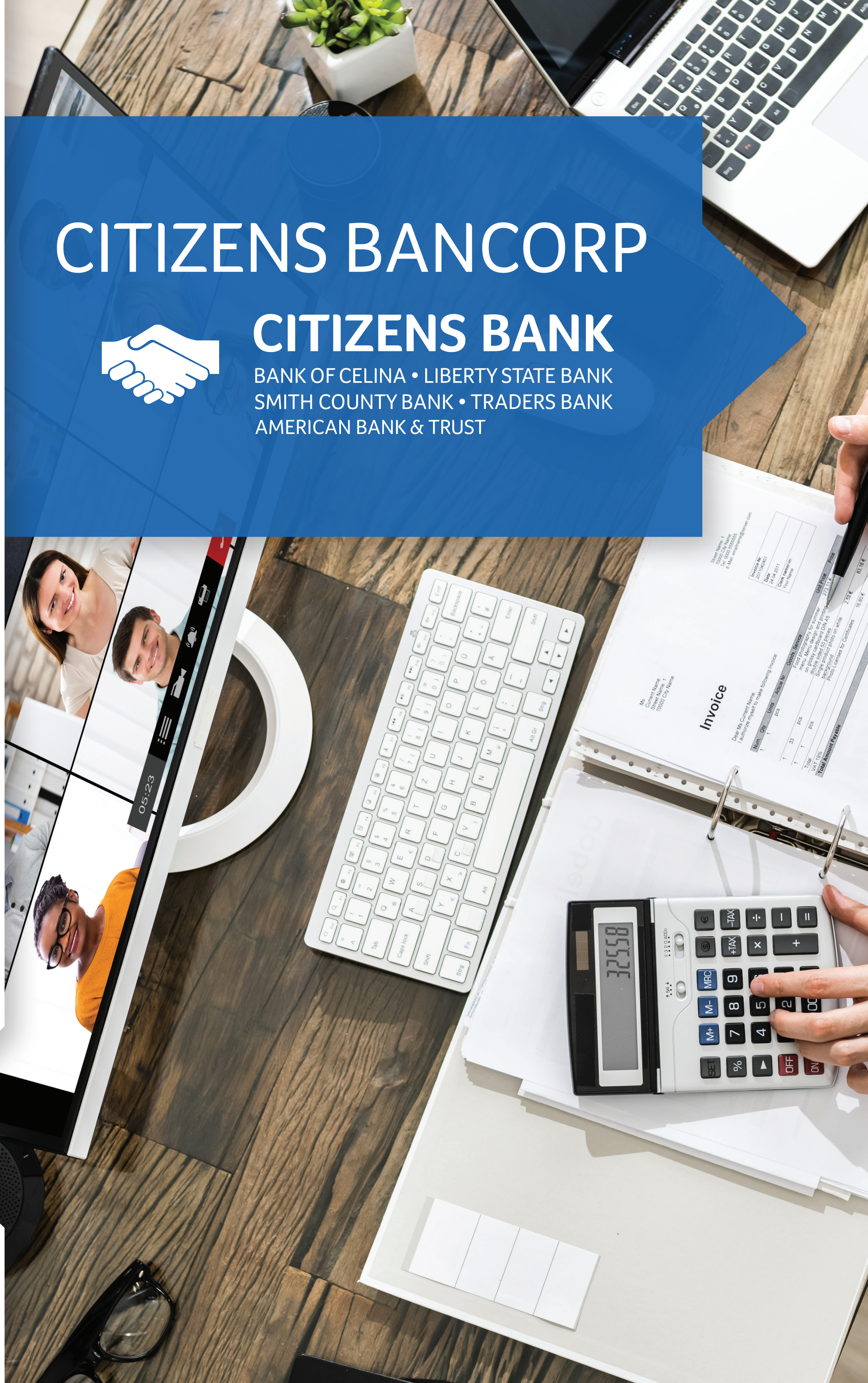
2020 ANNUAL REPORT

CITIZENS BANCORP

CITIZENS BANK

BANK OF CELINA • LIBERTY STATE BANK
SMITH COUNTY BANK • TRADERS BANK
AMERICAN BANK & TRUST



www.citizens-bank.org

CONTENTS

CITIZENS BANK
BANK OF CELINA • LIBERTY STATE BANK
SMITH COUNTY BANK • TRADERS BANK
AMERICAN BANK & TRUST

To Our Shareholders, April 2021

For most of 2020, we dealt with the challenges of protecting the bank and our employees, and of taking care of our customers, under the threat of the COVID-19 pandemic. Thankfully, the pandemic caused minimal economic impact to your Company. While we lost friends, customers, and one employee, the virus has not had the economic impact we feared. Most businesses suffered moderate economic decline, the credit quality of our loan portfolio deteriorated only modestly, and slower economic activity allowed for only minimal organic growth in our loan portfolio. Our approach of ensuring the health and safety of our customers and our employees, and of assisting those customers for whom COVID-19 had a negative financial impact, proved to be the proper response. We are thankful the impact of COVID-19 on your company wasn't worse.

For 2020, Citizens Bancorp Investment, Inc. recorded net income of $10.8 million, a decrease of 3.5% from 2019. Earnings declined in 2020 due primarily to higher expenses associated with the acquisition of American Bancshares Corporation on December 1, 2020. Lower net interest income at Citizens Bank due to the significant decline in interest rates in March 2020 was offset by the addition of American Bank's net interest income in December 2020. Net interest income before loan loss provision remained flat at $33.4 million, non-interest income remained flat at $7.4 million, non-interest expense increased 3.1% to $26.2 million, and provision for loan losses increased 4.8% to $1.36 million. Net loan charge-offs in 2020 were 0.07% of average loans outstanding, or relatively flat compared to 2019. Our return on average equity was 8.96% for 2020 and our return on average assets was 0.95%. We ended the year 2020 with $126.8 million in capital, or 9.48% of total assets. We also had a strong allowance for loan losses at 1.22% of loans.

On December 1, 2020, the Company completed the previously announced acquisition of American Bancshares Corporation and its subsidiary, American Bank & Trust (AB&T). AB&T operates three offices in Cookeville and Livingston, Tennessee, and had assets of $285 million, gross loans of $200 million, and deposits of $259 million at November 30, 2020. Subsequent to the acquisition, Citizens Bancorp had assets of $1.34 billion at December 31, 2020, an increase of 41.8% from 2019. Loans increased 32.5% to $812 million, and deposits increased 51.1% to $1.1 billion. In addition to the acquisition, a flight to safety by our customers during 2020 increased deposits by almost $108 million at Citizens Bank.

The Paycheck Protection Program (PPP) afforded the opportunity for loan growth as Citizens Bank originated almost $31 million in PPP loans in 2020, yielding over $1.3 million in future fee income (much of the fee income has been deferred until the loans are forgiven by the Small Business Administration). Under the latest round of PPP loans in 2021, the Bank has originated almost $19 million in loans, yielding $2.1 million in fee income as of mid-March 2021.

Your board and management have continued to move forward with our plan to help the market price of our stock reflect a realistic market value. After a pause in our plan during 2020 due to the COVID-19 pandemic and depressed prices for bank stocks, **we have recently obtained approval for the "ticker" symbol CBTN for our stock, and we expect to start listing the stock with the OTCQX stock listing service soon after our shareholders meeting on May 13, 2021.** This will allow holding of the stock in a brokerage account and make our stock easier to buy and sell. We will contact you as we complete these actions to help you take full advantage of these services.

Finally, we are sad to announce the passing of our good friend, director and former leader, Charlie Darnell, on March 1, 2021. Charlie retired as CEO of Citizens Bank and of the holding company in 2005; however, he remained actively involved on our board and loan committees. A former Chairman of the Tennessee Bankers Association, Charlie was well known in Tennessee banking circles, the American Bankers Association, and as a youth league baseball coach for 45 years. He was a legend in Tennessee banking, and we will miss him.

At our shareholders meeting on May 13, 2021, Mrs. Gail Srygley and Mr. Ransom Jones will retire from our board of directors after seventeen years each of exemplary service to the company. Longtime shareholders and supporters of the bank, Srygley and Jones provided sage advice and undying support to our company. We will be forever grateful for their service.

As the coronavirus vaccine is rolled out to the citizens of our country, management and your board are optimistic and confident your bank will continue to prosper. With our new, larger size and greater resolve, we are committed to moving this company forward to higher levels of growth and prosperity. We are excited you are on this journey with us!

We appreciate your investment in and support for our company. Please refer your family and friends to us for their banking needs.

Peter G. Williston
Chairman and Chief Executive Officer
Citizens Bancorp Investment, Inc.

ABOUT US

Citizens Bank of Lafayette, Tennessee, opened for business in 1909 with $12,000 in capital provided by local investors. The bank survived the Great Depression in the 1930s and was strong enough to acquire the Farmers and Merchants Bank in Lafayette in 1931.

Citizens Bank operated from a single location until 1974 when it opened its first branch. The bank opened additional branches in 1977, 1987, and 2016. We acquired the Bank of Celina, Tennessee, in 1987, two branches in Carthage, Tennessee, in 1993, and purchased a majority interest in Liberty State Bank in 1999. In 2009, Citizens Bank acquired another branch in Gainesboro, Tennessee, and in 2013, Citizens Bancorp merged Liberty into Citizens Bank. Finally, we acquired Traders Bank, in Tullahoma, Tennessee, in 2015, and American Bank & Trust of the Cumberlands, in Livingston, Tennessee, in 2020.

Charles Darnell was named President and CEO in 1973, at which time the bank had assets of $14 million. In 2005, Citizens Bancorp had assets of $380 million when Charlie Darnell retired as CEO, Joe Carter was named President, and Peter Williston became CEO. Carter retired in 2019, and Tommy Anderton became President.

Recent efforts to transform our culture to create a great working environment for our employees, instill an attitude of service for our customers, and establish a community first culture have proven very successful in creating an even greater bank with over $1.3 billion in assets!

INTEGRITY
We always do the right thing

LEADERSHIP
We have a “how can we” attitude

COMMUNITY
We are the leaders in making our community a better place

COMMUNICATION
We make timely, well-informed decisions

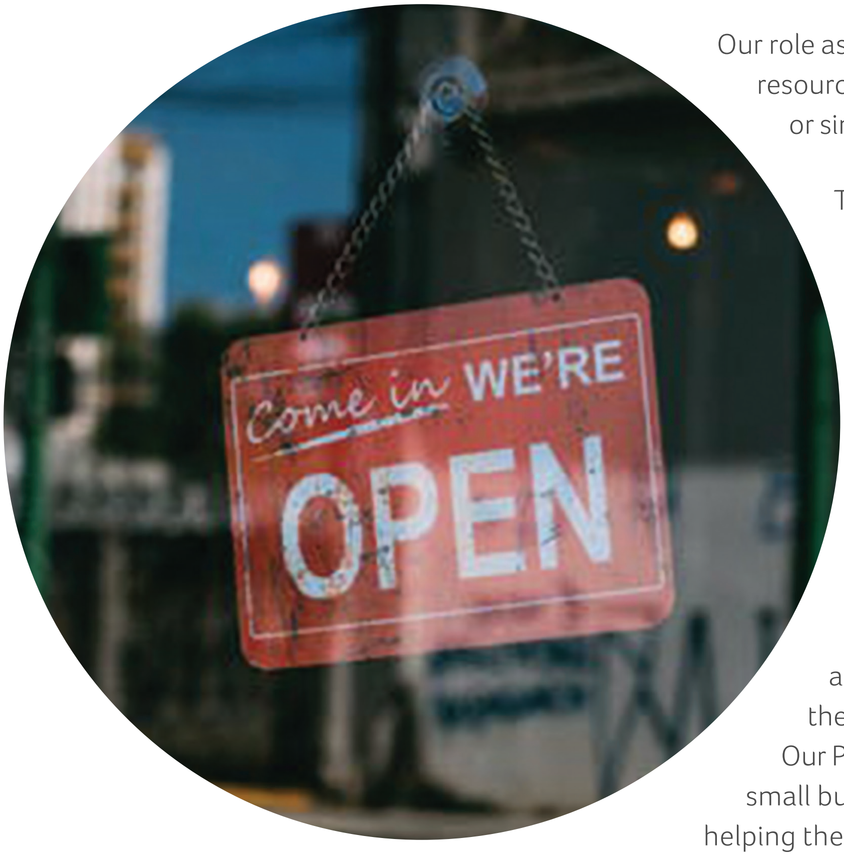
RESPECT
We contribute to a fun, safe and respectful work environment

SERVICE
We own our results and our customers’ experience

TEAMWORK
We create significant value for shareholders

GROWTH
We find great joy in helping our customers succeed

MEETING THE NEEDS OF OUR COMMUNITY



Our role as bankers is to empower our community with resources, whether that's capital, education, advice, or simply safeguarding and managing one's finances.

This past year our local communities were dealt a blunt reality of closed businesses, restricted guidelines, and even missed paychecks. The COVID-19 virus dominated the headlines along with skyrocketing unemployment numbers and uncertainty for many small business owners.

Citizens Bank stepped up to the challenge and served our loyal customers by giving them the security and confidence they desperately needed. Our bank provided Payroll Protection Program (PPP) loans to local businesses both large and small. These PPP loans helped businesses keep their workforce employed during the COVID-19 crisis. Our PPP is designed to provide a direct incentive for small businesses to keep their workers on the payroll, thus helping the employees, their families, and our local economy.

As of March 2021, Citizens Bank has loaned almost **$52 million**, with **1,681 Payroll Protection Program Loans** made to businesses across our footprint.

Not only were businesses affected by the recent pandemic, but a large portion of our customers found themselves out of work or without a regular source of income for a period of time. Citizens Bank once again stepped up in the community and offered COVID extensions on loans. This supported the immediate and ongoing needs of our customers during a time of uncertainty. Our loan extension program has helped **810 families** over the last year.

The heart of all our communities is the local school system and its students. Schools across our nation were facing the reality of virtual learning and uncertain schedules. Citizens Bank's award-winning LiFE Program (Literacy in Financial Education) offered a web-based learning platform that brought critical financial concepts to life wherever the student received their education. This financial literacy program fit nicely as a go-to tool for teachers whose students were learning virtually or by an adaptive, on-campus classroom. In 2020, **1,186 students** have completed **2,079 hours** in our LiFE Program and showed a **30% knowledge gain** on financial topics. Our LiFE Program is setting up our future citizens with the tools they need to thrive and succeed!

BOARD OF DIRECTORS

Thomas E. Anderton
President, Citizens Bancorp Investment Inc, and Citizens Bank, Shelbyville, TN

Joe M. Carter
Banker (retired), Lafayette, TN

W. Ransom Jones
Larco Medical Equipment, Lascassas, TN

Eugene R. London, Jr.
Systems Integration/Modeling & Simulation, Inc. Tullahoma, TN

Jon Alan Long
Dentist, Carthage, TN

F. Tom McCall
D.T. McCall & Sons, Lafayette, TN

Cynthia A. McClard
Pharmacy Consultant/Store Owner, Brentwood, TN

Tony H. Polston
BD Polston Building Supply, Lafayette, TN

Michael W. Reese
Reese's Piggly Wiggly, Castalian Springs, TN

Gail L. Srygley
Educator (retired), Nashville, TN

Peter G. Williston
Chairman and CEO, Citizens Bancorp Investment Inc, and Citizens Bank, Lafayette, TN

EXECUTIVE MANAGEMENT

Thomas E. Anderton
President/Chief Lending Officer

A. Joseph Butaud, Jr.
SVP/Chief Credit Officer

Douglas L. Haehl
VP/Marketing

Kevin L. Miller
EVP/Chief Information Officer

K. Michael Robbins
EVP/Chief Retail Officer

Susan F. Rogers
SVP/Human Resources

Arthur O. Taylor, Jr.
EVP/Chief Financial Officer

Peter G. Williston
Chief Executive Officer

ADVISORY BOARD MEMBERS

CLAY COUNTY
Michael K. Bailey
Jay R. Cassetty
Richard N. Denton
Mary Ann Hamilton
Linda S. Key
K. Michael Robbins
Allen W. West
Peter G. Williston

JACKSON COUNTY
Jay R. Cassetty
Wesley M. Cassetty
Richard Z. Chaffin
Jerry R. Driver
Donnie G. Elkins
Joe V. Halfacre
James R. Montgomery
K. Michael Robbins
Peter G. Williston

SMITH COUNTY
Jay R. Cassetty
Kenneth R. Frye
John E. McCall
Patrick L. Nixon
K. Michael Robbins
Thomas A. White
Peter G. Williston
Kevin S. Young

TRADERS BANK
Thomas E. Anderton
Russell K. Barrett
Mary W. Beard
Jeremy B. Bell
William A. Bobo
Robert M. Brainard
Max J. Christopher
Thomas H. Copeland
Tommy Hodges
David E. Johnson
John D. McCord
William J. Orr
Stephen L. Philpot
Benjamin J. Smith
Donna M. Stone
Peter G. Williston

CITIZENS BANK

LAFAYETTE MAIN OFFICE
400 Highway 52 West
Lafayette, TN 37083
(615) 666-2195

LAFAYETTE PUBLIC SQUARE BRANCH
201 West Locust Street
Lafayette, TN 37083
(615) 666-2196

LAFAYETTE SCOTTSVILLE RD BRANCH
1108 Scottsville Road
Lafayette, TN 37083
(615) 666-4677

RED BOILING SPRINGS BRANCH
32 Carthage Road
Red Boiling Springs, TN 37150
(615) 699-2205

WESTMORELAND BRANCH
990 New Highway 52
Westmoreland, TN 37186
(615) 644-2119

GAINESBORO BRANCH
116 S Grundy Quarles Highway
Gainesboro, TN 38562
(931) 268-2141

BANK OF CELINA

CELINA BRANCH
101 East Lake Avenue
Celina, TN 38551
(931) 243-3161

SMITH COUNTY BANK

CARTHAGE BRANCH
50 North Main Street
Carthage, TN 37030
(615) 735-2800

GORDONSVILLE BRANCH
411 Gordonsville Highway
Gordonsville, TN 38563
(615) 683-1919

LIBERTY STATE BANK

LIBERTY BRANCH
311 East Main Street
Liberty, TN 37095
(615) 536-5101

ALEXANDRIA BRANCH
100 North Public Square
Alexandria, TN 37012
(615) 529-2375

SMITHVILLE BRANCH
735 South Congress Boulevard
Smithville, TN 37166
(615) 597-2265

LEBANON N. CUMBERLAND BRANCH
214 North Cumberland Street
Lebanon, TN 37087
(615) 449-4441

LEBANON W. MAIN BRANCH
1035 West Main Street
Lebanon, TN 37087
(615) 444-4166

TRADERS BANK

TULLAHOMA MAIN OFFICE
120 North Jackson Street
Tullahoma, TN 37388
(931) 455-3426

TULLAHOMA BRANCH
412 West Lincoln Street
Tullahoma, TN 37388
(931) 455-2391

MANCHESTER BRANCH
1207 Hillsboro Boulevard
Manchester, TN 37355
(931) 728-1474

SHELBYVILLE BRANCH
1602 North Main Street
Shelbyville, TN 37160
(931) 680-3500

WINCHESTER BRANCH
2695 Decherd Boulevard
Winchester, TN 37398
(931) 967-3755

BOARD OF DIRECTORS

Thomas E. Anderton
President, Citizens Bancorp Investment Inc, Shelbyville, TN

John Kelly Coleman
Construction Company Owner, Livingston, TN

Kenneth Copeland
Retired County Mayor/Farmer, Livingston, TN

J. Steve Daniels
Attorney, Livingston, TN

Marty L. Maynord
Director and CEO, Livingston, TN

Buckie D. Parsons
Dentist, Livingston, TN

Ryan T. Smith
Director and President, Cookeville, TN

Peter G. Williston
Chairman and CEO, Citizens Bancorp Investment Inc, Lafayette, TN

LIVINGSTON MAIN OFFICE

808 West Main Street
Livingston, TN 38570
(931) 823-2265

COOKEVILLE NEAL STREET BRANCH

1450 Neal Street
Cookeville, TN 38501
(931) 526-48009

COOKEVILLE WILLOW AVENUE BRANCH

123 North Willow Avenue
Cookeville, TN 38501
(931) 526-4800

Citizens Bancorp Investment, Inc. completed the acquisition of American Bancshares Corp., the parent company of American Bank & Trust of the Cumberlands (AB&T) on December 1, 2020. As of November 30, 2020, AB&T had $285 million in assets, $200 million in gross loans and $259 million in deposits.

In addition to its headquarters in Livingston, Tennessee, AB&T operates two branches in Cookeville, Tennessee, the commercial hub of the Upper Cumberland Region of Tennessee. From its three locations, AB&T operates a robust mortgage lending operation, thereby enhancing Citizens Bancorp's product offerings and earnings. Further, the combination of the banks has expanded the bank's lending capacity, which will help growing and thriving businesses that want to remain with a community bank for a higher level of service. Once the merger of the banks occurs, the combination will create the largest bank headquartered in the Upper Cumberland Region of Tennessee and the 15th largest bank in the state of Tennessee.

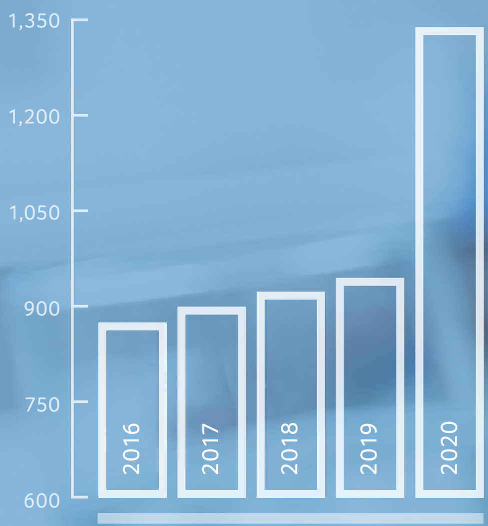
Management expects AB&T will merge with Citizens Bank in the third quarter of 2021. AB&T's offices in Livingston and Cookeville will continue to operate under their current name for a period of time.

Marty Maynord, AB&T CEO, and Ryan Smith, AB&T President, will continue to serve in their current roles until the merger into Citizens Bank in late 2021. Following the merger of the banks, Maynord and Smith will each serve as Executive Vice Presidents of Citizens Bank.

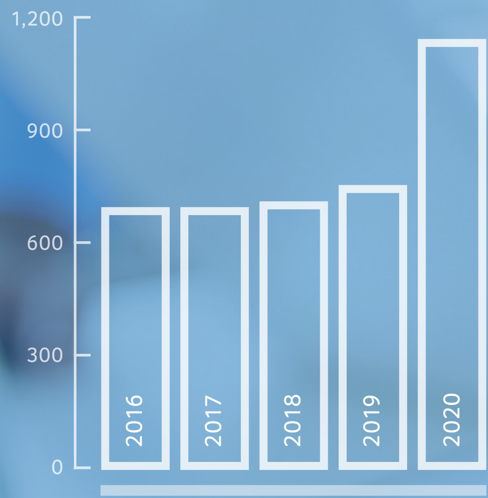
SUMMARY FINANCIAL RESULTS

HISTORICAL PERFORMANCE

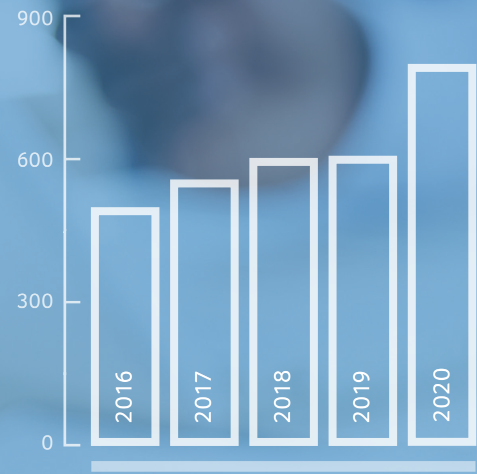
2020 TOTAL ASSETS
(MILLIONS) **$1,337.4**



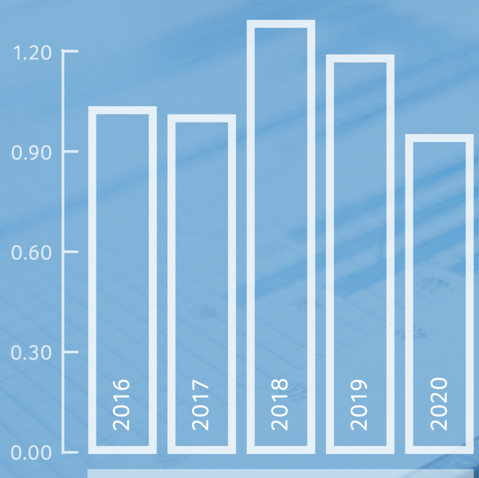
2020 TOTAL DEPOSITS
(MILLIONS) **$1,148.0**



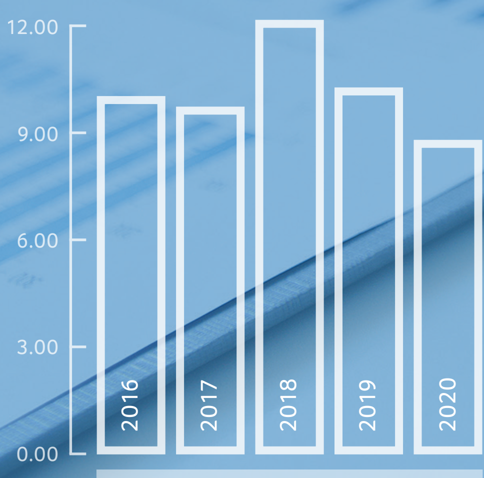
2020 NET LOANS
(MILLIONS) **$802.1**



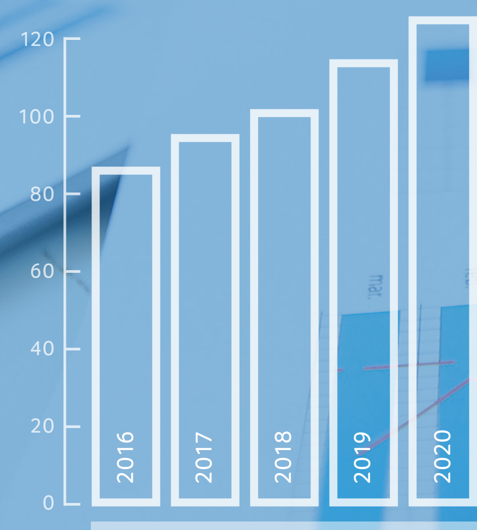
2020 RETURN ON AVERAGE ASSETS
(PERCENTAGE) **.95%**



2020 RETURN ON AVERAGE EQUITY
(PERCENTAGE) **8.96%**



2020 STOCKHOLDERS' EQUITY
(MILLIONS) **$126.8**



FINANCIALS

CITIZENS BANCORP INVESTMENT, INC.
Lafayette, Tennessee

Consolidated Financial Statements

December 31, 2020 and 2019

(With Independent Auditor's Report Thereon)

THIS PAGE LEFT INTENTIONALLY BLANK

MAGGART
& ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Stephen M. Maggart, CPA, ABV, CFF
J. Mark Allen, CPA
Joshua K. Cundiff, CPA
Michael T. Holland, CPA, ABV, CFF
M. Todd Maggart, CPA, ABV, CFF
Michael F. Murphy, CPA
P. Jason Ricciardi, CPA, CGMA
David B. von Dohlen, CPA
T. Keith Wilson, CPA, CITP

Independent Auditor's Report

The Board of Directors
Citizens Bancorp Investment, Inc.:

We have audited the accompanying consolidated financial statements of Citizens Bancorp Investment, Inc. and its Subsidiaries ("the Company"), which comprise the consolidated balance sheets, as of December 31, 2020 and 2019, and the related consolidated statements of earnings, comprehensive earnings, changes in stockholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the 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 from material misstatement.

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

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

1201 DEMONBREUN STREET ▪ SUITE 1220 ▪ NASHVILLE, TENNESSEE 37203-3140 ▪ (615) 252-6100 ▪ Fax ▪ (615) 252-6105
www.maggartpc.com

The Board of Directors
Citizens Bancorp Investment, Inc.
Page Two

Opinion

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

Report on Consolidating Information

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

Maggart & Associates, P.C.

April 13, 2021

Consolidated Balance Sheets
December 31, 2020 and 2019

(In Thousands, except share data)	2020	2019
ASSETS		
Loans, net of allowance for loan losses of $9,852 and $8,964, respectively	**$ 799,314**	$ 603,707
Loans held for sale	**2,786**	-
Debt securities, available-for-sale, at market (amortized cost $254,554 and $239,636, respectively)	**262,363**	242,041
Marketable equity securities, at market (cost $39)	**103**	107
Restricted equity securities	**4,124**	3,717
Federal funds sold	**1,000**	1,000
Interest-bearing deposits in financial institutions	**170,785**	24,900
Total earning assets	**1,240,475**	875,472
Cash and due from banks	**22,079**	18,037
Premises and equipment, net	**21,228**	13,755
Accrued interest receivable	**5,915**	4,989
Cash surrender value of life insurance	**20,344**	16,216
Annuity investment	**3,596**	3,644
Refundable income taxes	**451**	139
Mortgage servicing rights	**1,134**	-
Other real estate	**40**	40
Repossessed assets	**-**	8
Deferred income tax asset, net	**-**	1,249
Other assets	**2,368**	1,728
Goodwill and intangible assets	**19,795**	8,366
Total assets	**$ 1,337,425**	$ 943,643
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Non-interest-bearing demand deposits	**$ 209,011**	$ 134,577
Interest-bearing demand deposits	**288,368**	169,222
Money market accounts	**58,630**	28,685
Savings accounts	**145,628**	97,993
Certificates of deposit	**367,213**	273,297
Individual retirement accounts	**79,186**	56,007
Total deposits	**1,148,036**	759,781
Notes payable	**16,106**	3,840
Advances from the Federal Home Loan Bank	**39,114**	59,974
Accrued interest payable	**1,740**	1,074
Deferred income tax liability, net	**125**	-
Other liabilities	**5,538**	3,813
Total liabilities	**1,210,659**	828,482
Stockholders' equity:		
Common stock, Class A, par value $0.05 per share, authorized 12,000,000 shares, 5,872,200 issued and outstanding	**294**	294
Common stock, Class B, no par value, authorized 1,000 shares, no shares issued	**-**	-
Additional paid-in capital	**7,722**	7,658
Retained earnings	**112,982**	105,432
Accumulated other comprehensive earnings, net of taxes of $2,041 and $628, respectively	**5,768**	1,777
Total stockholders' equity	**126,766**	115,161
COMMITMENTS AND CONTINGENCIES		
Total liabilities and stockholders' equity	**$ 1,337,425**	$ 943,643

See accompanying notes to consolidated financial statements.

Consolidated Statements of Earnings
Years Ended December 31, 2020 and 2019

(In Thousands)	**2020**	2019
Interest income:		
Interest and fees on loans	**$ 35,512**	$ 35,731
Interest and dividends on debt securities:		
Taxable debt securities	**2,627**	2,977
Exempt from Federal income taxes	**2,781**	2,830
Interest and dividends on marketable equity securities	**4**	4
Interest and dividends on restricted equity securities	**78**	174
Interest on federal funds sold	**3**	18
Interest on interest-bearing deposits in financial institutions	**129**	366
Total interest income	**41,134**	42,100
Interest expense:		
Interest on interest bearing demand deposit accounts	**554**	501
Interest on money market accounts and savings accounts	**329**	480
Interest on certificates of deposit	**4,542**	4,972
Interest on individual retirement accounts	**1,044**	1,003
Interest on federal funds purchased	**-**	3
Interest on Federal Home Loan Bank borrowings	**1,064**	1,563
Interest on notes payable	**228**	196
Total interest expense	**7,761**	8,718
Net interest income before provision for loan losses	**33,373**	33,382
Provision for loan losses	**1,358**	1,296
Net interest income after provision for loan losses	**32,015**	32,086
Non-interest income	**7,383**	7,374
Net gain on sale of available-for-sale debt securities	**28**	94
Non-interest expense	**(26,226)**	(25,446)
Earnings before income taxes and unrealized holding gain (loss) on marketable equity securities	**13,200**	14,108
Unrealized holding gain (loss) on marketable equity securities	**(4)**	13
Income taxes	**2,358**	2,891
Net earnings	**$ 10,838**	$ 11,230

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Earnings

Years Ended December 31, 2020 and 2019

(In Thousands)	**2020**	2019
Net earnings	**$ 10,838**	$ 11,230
Other comprehensive earnings, net of tax:		
Unrealized gains on available-for-sale debt securities net of taxes of $1,420 and $1,570, respectively	**4,012**	4,438
Reclassification adjustment for gains included in net earnings net of taxes of $7 and $25, respectively	**(21)**	(69)
Reclassification of unrealized holdings gain on marketable equity securities due to change in accounting principle, net of taxes $14	**-**	41
Other comprehensive earnings	**3,991**	4,410
Total comprehensive earnings, net of tax	**$ 14,829**	$ 15,640

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Stockholders' Equity

Years Ended December 31, 2020 and 2019

(In Thousands, Except Per Share Amounts)	Class A Common Stock	Class B Common Stock	Additional Paid-In Capital	Retained Earnings	Net Unrealized Gain (Loss) on Available-For-Sale-Debt Securities	Stockholders' Equity
Balance, January 1, 2019	$ 294	$ -	$ 7,479	$ 97,215	$ (2,592)	$ 102,396
Reclassification of accumulated other comprehensive income due to change in accounting principle	-	-	-	41	(41)	-
Net earnings for year	-	-	-	11,230	-	11,230
Stock option compensation	-	-	179	-	-	179
Net change in fair value of available-for-sale debt securities during the year, net of taxes of $1,545	-	-	-	-	4,410	4,410
Cash dividends declared on 29,361 shares at $52 and 5,872,200 shares at $0.26 per share	-	-	-	(3,054)	-	(3,054)
Balance, December 31, 2019	294	-	7,658	105,432	1,777	115,161
Net earnings for year	-	-	-	10,838	-	10,838
Stock option compensation	-	-	64	-	-	64
Net change in fair value of available-for-sale debt securities during the year, net of taxes of $1,413	-	-	-	-	3,991	3,991
Cash dividends declared on 5,872,200 shares at $0.56	-	-	-	(3,288)	-	(3,288)
Balance, December 31, 2020	**$ 294**	**$ -**	**$ 7,722**	**$ 112,982**	**$ 5,768**	**$ 126,766**

Consolidated Statements of Cash Flows

Years Ended December 31, 2020 and 2019
Increase (Decrease) in Cash and Cash Equivalents

(In Thousands)	2020	2019
Cash flows from operating activities:		
Interest received	**$ 42,674**	$ 43,776
Proceeds from sale of loans held for sale	**14,261**	-
Origination of loans held for sale	**(9,934)**	-
Fees and other income	**6,553**	6,893
Interest paid	**(8,500)**	(8,443)
Cash paid to suppliers and employees	**(24,364)**	(23,895)
Income taxes paid	**(2,884)**	(3,382)
Net cash provided by operating activities	**17,806**	14,949
Cash flows from investing activities:		
Loans made to customer, net of repayments	**(5,009)**	1,405
Proceeds from sale of available-for-sale debt securities	**7,229**	9,763
Proceeds from calls/maturities of available-for-sale debt securities	**25,277**	24,135
Proceeds from paydowns of available-for-sale debt securities	**44,787**	22,659
Purchase of available-for-sale debt securities	**(90,819)**	(58,028)
Purchase of restricted equity securities	**-**	(385)
Cash received from acquisition, net of consideration	**36,786**	-
Proceeds from sale of premises and equipment and software	**6**	1
Purchase of premises and equipment and software	**(1,249)**	(3,530)
Proceeds from life insurance	**-**	238
Proceeds from annuity investment	**42**	68
Proceeds from sale of other real estate	**89**	322
Proceeds from sale of repossessed assets	**9**	6
Net cash provided by (used in) investing activities	**17,148**	(3,346)
Cash flows from financing activities:		
Net increase in interest-bearing and non-interest-bearing demand, money market and savings deposit accounts	**144,424**	7,056
Net increase (decrease) in time deposits	**(17,569)**	31,724
Proceeds from advance of notes payable	**13,000**	-
Principal payments on notes payable	**(734)**	(1,068)
Repayment of advances from Federal Home Loan Bank	**(20,860)**	(29,718)
Dividends paid	**(3,288)**	(3,054)
Net cash provided by financing activities	**114,973**	4,940
Net increase in cash and cash equivalents	**149,927**	16,543
Cash and cash equivalents at beginning of year	**43,937**	27,394
Cash and cash equivalents at end of year	**$ 193,864**	$ 43,937

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows, Continued

Years Ended December 31, 2020 and 2019
Increase (Decrease) in Cash and Cash Equivalents

(In Thousands)	**2020**	2019
Reconciliation of net earnings to net cash provided by operating activities:		
Net earnings	**$ 10,838**	$ 11,230
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation of premises and equipment and amortization of software	**1,080**	882
Provision for loan losses	**1,358**	1,296
Amortization and accretion of available-for-sale debt securities, net	**1,867**	1,238
Purchase accounting accretion and amortization, net	**(16)**	239
Stock option compensation expense	**64**	179
Net gain on sale of available-for-sale debt securities	**(28)**	(94)
Net loss on disposal of premises and equipment	**17**	5
Net loss (gain) on sale of other real estate owned	**29**	(39)
Net loss on sale of repossessed assets	**1**	-
Provision for deferred income taxes	**(54)**	(263)
Unrealized holding loss (gain) on marketable equity securities	**4**	(13)
Decrease in loans held for sales, net	**3,964**	-
Decrease (increase) in accrued interest receivable	**(236)**	438
Increase in cash surrender value of life insurance, net	**(336)**	(452)
Decrease in annuity investment, net	**2**	10
Increase in refundable income taxes	**(472)**	(228)
Increase in mortgage servicing asset, net	**(79)**	-
Decrease (increase) in other assets	**(499)**	299
Increase (decrease) in accrued interest payable	**(571)**	275
Increase (decrease) in accrued expenses and other liabilities	**873**	(53)
Total adjustments	**6,968**	3,719
Net cash provided by operating activities	**$ 17,806**	$ 14,949
Supplemental Schedule of Non-Cash Activities:		
Change in unrealized gain on available-for-sale debt securities, net of taxes of $1,413 and $1,545, respectively	**$ 3,991**	$ 4,410
Reclassification of unrealized holding gain on marketable equity securities due to change in accounting principle, net of taxes of $14	**$ -**	$ 41
Loans transferred to other real estate	**$ 164**	$ 214
Loans transferred to repossessed assets	**$ 2**	$ 14
Other real estate transferred to loans	**$ 28**	$ 306

See accompanying notes to consolidated financial statements.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Citizens Bancorp Investment, Inc. and Subsidiaries (“the Company”) are in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and conform to general practices within the banking industry. The following is a brief summary of the more significant policies.

(a) *Principles of Consolidation*

The consolidated financial statements include the accounts of the Company and its 100% owned subsidiaries, Citizens Bank, American Bank & Trust of the Cumberlands and Town & Country Finance Company, Inc. The consolidated financial statements also include the accounts of Citizens Bank’s 100% owned subsidiary, Citizens Insurance Services, Inc. All significant intercompany accounts and transactions have been eliminated in consolidation.

On December 1, 2020, the Company acquired all assets of American Bancshares Corp. and its 100% subsidiary, American Bank & Trust of the Cumberlands (see Note 20 to the consolidated financial statements for a description of the transaction). The Company merged with American Bancshares Corp. on the acquisition date and intends to merge American Bank & Trust of the Cumberlands into Citizens Bank during 2021.

(b) *Nature of Operations*

The Company's subsidiary banks operates under state bank charters and provide full banking services. As state banks, the subsidiary banks are subject to regulation of the Tennessee Department of Financial Institutions and the Federal Deposit Insurance Corporation. The areas served by the subsidiary bank include Bedford, Clay, Coffee, DeKalb, Franklin, Jackson, Macon, Overton, Putnam, Smith, Sumner, Wilson and surrounding counties in Middle Tennessee. Services are provided at twenty-two banking offices.

(c) *Estimates*

In preparing consolidated financial statements in conformity with U.S. GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to determination of the allowance for loan losses, the valuation of deferred tax assets and liabilities, other-than-temporary impairment of securities and the fair value of financial instruments.

(d) Significant Group Concentrations of Credit Risk

Most of the Company's activities are with customers located within Middle Tennessee. The types of securities in which the Company invests are included in Note 3. The types of lending in which the Company engages are included in Note 2. The Company does not have any significant concentrations to any one industry or customer other than as disclosed in Note 2.

(e) Loans

Loans are stated at the principal amount outstanding. Unearned discounts and the allowance for loan losses are shown as reductions of loans. Unearned discount represents the unamortized amount of finance charges, principally related to certain installment loans. Interest income on most loans is accrued based on the principal amount outstanding.

The Company follows the provisions of FASB ASC 310, *Receivables* in relation to impaired loans. These provisions apply to impaired loans except for large groups of smaller-balance homogeneous loans that are collectively evaluated for impairment including residential mortgage and consumer loans.

A loan is impaired when it is probable that the Company will be unable to collect the scheduled payments of principal and interest due under the contractual terms of the loan agreement. Impaired loans are measured at the present value of expected future cash flows discounted at the loan's effective interest rate, at the loan's observable market price, or the fair value of the collateral if the loan is collateral dependent. If the measure of the impaired loan is less than the recorded investment in the loan, the Company recognizes an impairment by creating a valuation allowance with a corresponding charge to the provision for loan losses or by adjusting an existing valuation allowance for the impaired loan with a corresponding charge or credit to the provision for loan losses.

The Company's residential real estate mortgage loans and consumer loans are divided into various groups of smaller-balance homogeneous loans that are collectively evaluated for impairment and, thus, are not subject to the provisions of FASB ASC 310. Substantially all other loans of the Company are evaluated for impairment under the provisions of FASB ASC 310.

The Company considers all loans subject to the provisions of FASB ASC 310 that are on nonaccrual status to be impaired. Loans are placed on nonaccrual status when doubt as to timely collection of principal or interest exists, or when principal or interest is past due 90 days or more unless such loans are well-secured and in the process of collection. Delays or shortfalls in loan payments are evaluated along with various other factors to determine if a loan is impaired. Generally, delinquencies under 90 days are considered insignificant unless certain other factors are present which indicate impairment is probable. The decision to place a loan on nonaccrual status is also based on an evaluation of the borrower's financial condition, collateral, liquidation value, and other factors that affect the borrower's ability to pay.

Generally, at the time a loan is placed on nonaccrual status, all interest accrued and uncollected on the loan in the current fiscal year is reversed from income, and all interest accrued and uncollected from the prior year is charged off against the allowance for loan losses. Thereafter, interest on nonaccrual loans is recognized as interest income only to the extent that cash is received and future collection of principal is not in doubt. If the collectibility of outstanding principal is doubtful, such cash received is applied as a reduction of principal. A nonaccrual loan may be restored to an accruing status when principal and interest are no longer past due and unpaid, and future collection of principal and interest on a timely basis is not in doubt.

Loans not on nonaccrual status are classified as impaired in certain cases when there is inadequate protection by the current net worth and financial capacity of the borrower or of the collateral pledged, if any. In those cases, such loans have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt, and if such deficiencies are not corrected, there is a probability that the Company will sustain some loss. In such cases, interest income continues to accrue as long as the loan does not meet the Company's criteria for nonaccrual status.

Generally, the Company also classifies as impaired any loans the terms of which have been modified in a troubled debt restructuring. Interest is generally accrued on such loans that continue to meet the modified terms of their loan agreements.

The Company's charge-off policy for impaired loans is similar to its charge-off policy for all loans in that loans are charged off in the month when they are considered uncollectible.

(f) Allowance for Loan Losses

The provision for loan losses represents a charge to earnings necessary, after loan charge-offs and recoveries, to maintain the allowance for loan losses at an appropriate level which is adequate to absorb estimated losses inherent in the loan portfolio. Such estimated losses arise primarily from the loan portfolio but may also be derived from other sources, including commitments to extend credit and standby letters of credit. The level of the allowance is determined on a quarterly basis using procedures which include: (1) categorizing loans into risk categories to estimate loss probabilities based primarily on the historical loss experience of those risk categories and current economic conditions; (2) analyzing significant credits and calculating specific reserves as necessary; (3) assessing various homogeneous loan categories to estimate loss probabilities based primarily on historical loss experience; and (4) considering various other factors, such as changes in credit concentrations, loan mix, and economic conditions which may not be specifically quantified in the loan analysis process.

The allowance for loan losses consists of an allocated portion and an unallocated, or general portion. The allocated portion is maintained to cover estimated losses applicable to specific segments of the loan portfolio. The unallocated portion is maintained to absorb losses which probably exist as of the evaluation date but are not identified by the more objective processes used for the allocated portion of the allowance due to risk of errors or imprecision. While the total allowance consists of an allocated portion and an unallocated portion, these terms are primarily used to describe a process. Both portions of the allowance are available to provide for inherent loss in the entire portfolio.

The allowance for loan losses is increased by provisions for loan losses charged to expense and is reduced by loans charged off net of recoveries on loans previously charged off. The provision is based on management's determination of the amount of the allowance necessary to provide for estimated loan losses based on its evaluation of the loan portfolio. Determining the appropriate level of the allowance and the amount of the provision involves uncertainties and matters of judgment and therefore cannot be determined with precision.

(g) Loans Held-For-Sale

Mortgage loans held for sale are reported at the lower of cost or fair value, determined by outstanding commitments from investors at the balance sheet date. These loans are valued on an aggregate basis.

(h) Debt and Equity Securities

The Company accounts for debt securities under the provisions of FASB ASC 320, *"Investments - Debt Securities"*. Under these provisions debt securities are classified in three categories and accounted for as follows:

- ***Securities Held-to-Maturity***

  Debt securities that the enterprise has the positive intent and ability to hold to maturity are classified as held-to-maturity securities and reported at amortized cost. Amortization of premiums and accretion of discounts are recognized by the interest method. No debt securities have been classified as held-to-maturity.

- ***Trading Securities***

  Debt securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and reported at fair value, with unrealized gains and losses included in earnings.

- ***Securities Available-for-Sale***

  Debt securities not classified as either held-to-maturity securities or trading securities are classified as available-for-sale securities and reported at estimated fair value, with unrealized gains and losses excluded from earnings and reported in a separate component of stockholders' equity in accumulated other comprehensive income. Amortization of premiums and discounts are recognized by the straight line method. The Company has classified essentially all its debt securities as available-for-sale.

When the fair value of a debt security has declined below the amortized cost at the measurement date, if an entity intends to sell a security or is more likely than not to sell the security before the recovery of the security's cost basis, the entity must recognize an other-than-temporary impairment (OTTI) in earnings. For a debt security with a fair value below the amortized cost at the measurement date where it is more likely than not that an entity will not sell the security before the recovery of its cost basis, but an entity does not expect to recover the entire cost basis of the security, the security is classified as OTTI. The related OTTI loss on the debt security will be recognized in earnings to the extent of the credit losses, with the remaining impairment loss recognized in accumulated other comprehensive income. In estimating OTTI losses, management considers: the length of time and extent that fair value of the security has been less than the cost of the security, the financial condition and near term prospects of the issuer, cash flow, stress testing analysis on securities, when applicable, and the Company's ability and intent to hold the security for a period sufficient to allow for any anticipated recovery in fair value.

For equity securities, when the Company has decided to sell an impaired security and the entity does not expect the fair value of the security to fully recover before the expected time of sale, the security is deemed other-than-temporarily impaired in the period in which the decision to sell is made. The Company recognizes an impairment loss when the impairment is deemed other than temporary even if a decision to sell has not been made.

Notes to Consolidated Financial Statements, Continued
December 31, 2020 and 2019

Beginning on January 1, 2019, the Company accounts for equity securities under the provisions of FASB ASC 321, "Investments - Equity Securities". Under the provisions of the guidance, equity securities not using the equity method are carried at estimated fair value based on information provided by a third party pricing service with changes in fair value and realized gains or losses reported in earnings. If fair value is not readily determinable, the equity securities are carried at cost subject to adjustments for any observable market transactions on the same or similar instruments of the investee. All equity securities are evaluated at least annually for impairment. The Company's equity securities have readily determinable fair values. Because changes in fair value are recorded as they occur, there is no expectation of a gain or loss on the sale of equity securities.

Realized gains or losses from securities are determined on the specific-identification method. Purchase premiums and discounts are recognized in interest income using the straight line method over the terms of the securities.

(i) 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 financial institutions and federal funds sold. Generally, federal funds sold are purchased and sold for one-day periods. The subsidiary banks maintain deposits with other financial institutions in excess of the federal insurance amounts. Management makes deposits only with financial institutions it considers to be financially sound.

(j) Interest-Bearing Deposits in Financial Institutions

Interest-bearing deposits in financial institutions typically mature within one year and are carried at cost.

(k) Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed primarily by the straight-line method over the estimated useful lives of the related assets. Gain or loss on items retired and otherwise disposed of is credited or charged to operations and cost and related accumulated depreciation are removed from the asset and accumulated depreciation accounts.

Expenditures for major renewals and improvements of premises and equipment are capitalized and those for maintenance and repairs are charged to earnings as incurred.

These assets are reviewed for impairment when events indicate their carrying value may not be recoverable from future undiscounted cash flows. If impaired, the assets are recorded at fair value.

(l) Mortgage Servicing Rights

When mortgage loans are sold with servicing retained, servicing rights are initially recorded at fair value with the income statement effect recorded in gain on sale of loans. Fair value is based on market prices for comparable mortgage servicing contracts. All classes of servicing assets are subsequently measured using the amortization method which requires servicing rights to be amortized into non-interest expense in proportion to, and over the period of, the estimated future net servicing income of the underlying loans.

Servicing assets are evaluated for impairment based upon the fair value of the rights as compared to carrying amount. Impairment is determined by stratifying rights into groupings based on predominant risk characteristics, such as interest rate, loan type and investor type. Impairment is recognized through a valuation allowance for an individual grouping, to the extent that fair value is less than the carrying amount. If the Company later determines that all or a portion of the impairment no longer exists for a particular grouping, a reduction of the allowance may be recorded as an increase to income. Changes in valuation allowances are reported with mortgage loan servicing fees within non-interest income on the income statement. The fair values of servicing rights are subject to significant fluctuations as a result of changes in estimated and actual prepayment speeds and default rates and losses.

Servicing fee income, which is reported within non-interest income on the income statement as mortgage loan servicing fees, is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal; or a fixed amount per loan and are recorded as income when earned. The amortization of mortgage servicing rights is reflected as a component of non-interest expense. Late fees and ancillary fees related to loan servicing are not material.

(m) Foreclosed Assets

Assets acquired through or in lieu of loan foreclosure are held for sale and are initially recorded at fair value less cost to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Costs relating to the development and improvement of the property are capitalized, while holding costs of the property are charged to expense in the period incurred.

(n) Goodwill and Intangible Assets

FASB ASC 350, "Intangibles - Goodwill and Other", requires that management determine the allocation of intangible assets into identifiable groups at the date of acquisition and appropriate amortization periods be established. Under the provisions of FASB ASC 350, goodwill is not to be amortized rather it is to be monitored for impairment and written down to the impairment value at the time impairment occurs.

For details on the Goodwill and Intangible Assets see Note 7 to the consolidated financial statements.

(o) Life Insurance Policies

The Company owns life insurance policies insuring the lives of certain officers and directors. Bank-owned life insurance policies are initially recorded at the amount of premiums paid and are periodically adjusted to current cash surrender values. Changes in cash surrender values are recorded in non-interest income and are based on premiums paid less expenses plus accrued interest income.

(p) Advertising Costs

Advertising costs are expensed as incurred and totaled $294,000 and $559,000 in 2020 and 2019, respectively.

Notes to Consolidated Financial Statements, Continued

December 31, 2020 and 2019

(q) Income Taxes

The Company accounts for income taxes in accordance with Income Tax Accounting Guidance ("FASB ASC 740*"*). The Company has adopted the accounting guidance related to accounting for uncertainty in income taxes, which sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions.

The income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Company determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur.

Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are recognized if it is "more-likely-than-not", based on the technical merits, that the tax position will be realized or sustained upon examination. The term "more-likely-than-not" means a likelihood of more than 50 percent; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the "more-likely-than-not" recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the "more-likely-than-not" recognition threshold considers the facts, circumstances, and information available at the reporting date and is subject to management's judgment. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is "more-likely-than-not" that some portion or all of a deferred tax asset will not be realized.

It is the Company's policy to recognize interest and/or penalties related to income tax matters in income tax expense.

The Company and its subsidiaries file a consolidated Federal income tax return. Each member of the consolidated group provides for income taxes on a separate-return basis.

(r) Equity-Based Incentives

Stock compensation accounting guidance (FASB ASC 718, *Compensation - Stock Compensation")* requires that the compensation cost relating to share-based payment transactions be recognized in financial statements. That cost will be measured based on the grant date fair value of the equity or liability instruments issued. The stock compensation accounting guidance covers a wide range of share-based compensation arrangements including stock options, restricted share plans, performance-based awards, cash-settled stock appreciation rights (SARs), and employee share purchase plans.

The stock compensation accounting guidance requires that compensation cost for all stock awards be calculated and recognized over the employee's service period, generally defined as the vesting period. For awards with graded-vesting, compensation cost is recognized on a straight-line basis over the requisite service period for the entire award. The Company uses the Black-Scholes option pricing model to estimate the fair value of stock option and cash-settled SARs at the date of grant.

(s) Off-Balance-Sheet Financial Instruments

In the ordinary course of business the subsidiary banks have entered into off-balance-sheet financial instruments consisting of commitments to extend credit, commercial letters of credit and standby letters of credit. Such financial instruments are recorded in the financial statements when they are funded or related fees are incurred or received.

(t) Fair Value of Financial Instruments

Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in Note 19 of the consolidated financial statements. Fair value estimates involve uncertainties and matters of significant judgment. Changes in assumptions or in market conditions could significantly affect the estimates.

(u) Subsequent Events

The Company has adopted the provisions of FASB ASC 855, "Subsequent Event". FASB ASC 855 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued. The adoption of FASB ASC 855 did not impact the financial statements. The Company's management evaluated all events or transactions that occurred after December 31, 2020 through April 13, 2021, the date the consolidated financial statements were available to be issued.

On January 20, 2021, the Company declared a $0.15 per share dividend for shareholders of record on January 27, 2021 payable February 3, 2021.

(v) Reclassifications

Certain reclassifications have been made to the 2019 figures to conform to the presentation for 2020.

(w) Stock Split

The Company's Board of Directors declared a 200-for-1 stock split in the form of a stock dividend for stockholders of record as of June 20, 2019 payable July 1, 2019, solely in shares of Class A common stock. Each stockholder received one hundred and ninety-nine (199) additional shares of Class A common stock for each share owned. Stock options included in these financial statements have been restated to reflect the effect of the stock split.

Notes to Consolidated Financial Statements, Continued
December 31, 2020 and 2019

(x) Accounting Standard Updates

On January 1, 2019, the Company adopted ASU 2014-09 *Revenue from Contracts with Customers* and all subsequent amendments to the ASU Collectively, ("ASC 606"), which is (i) creates a single framework for recognizing revenue from contracts that fall within its scope and (ii) revises when it is appropriate to recognize a gain (loss) from the transfer of nonfinancial assets, such as repossessed assets. The majority of the Company's revenues are derived from interest income and other sources related to financial assets such as loans and securities, that are outside the scope of the ASC 606. The Company's services that fall within the scope of ASC 606 are presented within Non-Interest Income and recognized as revenue as the Company satisfies its obligation to the customer. Services within the scope of ASC 606 include service charges on deposits, interchange income included in other fees and commissions, and sales of repossessed assets.

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

On January 1, 2019, the Company adopted ASU 2016-01, *Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities ("ASC 825").* The guidance changes how entities account for equity investments that do not result in consolidation and are not accounted for under the equity method of accounting. The guidance also changes certain disclosure requirements and other aspects of current accounting principles. Adoption of ASU 2016-01, which was effective for the Company on January 1, 2019, required the Company to separately classify its equity securities with readily determinable fair values at fair value in accordance with FASB ASC 321, Investments - Equity Securities.

(2) LOANS AND ALLOWANCE FOR LOAN LOSSES

The Company uses four loan categories for financial reporting a summary of which is as follows:

Commercial and Agricultural: These are generally loans to businesses and agricultural enterprises the proceeds of which are used for commercial, industrial, agricultural and professional purposes. Repayment of such loans is generally dependent on the successful operations of the business or agricultural enterprise.

Real Estate - Commercial, Farming, Residential and Multifamily: This category includes primarily loans secured by 1-4 family residential, commercial or agricultural property. Repayment is primarily dependent on the cash flow of the underlying individual or business, but could also be dependent upon the operation, refinance or sale of the underlying real estate.

Real Estate - Construction and Land Development: Loans in this category generally include land development, 1-4 family construction and commercial construction projects such as office and retail space, warehouses, apartments and land development loans. Repayment of these loans is dependent upon the successful operations or sale of the completed projects.

Consumer and Other: This category includes all loans issued to individuals not included in the real estate classification. These loans generally include vehicle, education and other consumer loans. Repayment is subject to the individual's underlying ability to service their loan payments.

Loans and allowance for loan losses at December 31, 2020 and 2019 are summarized as follows:

(In Thousands)	**2020**	2019
Commercial and agricultural	**$ 92,053**	$ 58,170
Real estate:		
Commercial	**192,635**	143,540
Farming	**70,885**	72,426
Residential	**281,210**	203,390
Construction and land development	**82,199**	61,686
Multifamily	**24,878**	12,241
Consumer and other	**65,438**	61,335
	809,298	612,788
Less unearned interest	**(132)**	(117)
Less allowance for loan losses	**(9,852)**	(8,964)
	$ 799,314	$ 603,707

The Company's principal customers are primarily in the Middle Tennessee area with a concentration in Bedford, Clay, Coffee, DeKalb, Franklin, Jackson, Macon, Overton, Putnam, Smith, Sumner, Wilson and surrounding counties in Middle Tennessee. Credit is extended to businesses and individuals and is evidenced by promissory notes. The terms and conditions of the loans including collateral varies depending upon the purpose of the credit and the borrower's financial condition.

At December 31, 2020, variable rate and fixed rate loans totaled $290,943,000 and $518,355,000, respectively. At December 31, 2019, variable rate and fixed rate loans totaled $259,690,000 and $353,098,000, respectively.

In the normal course of business, the Company's subsidiaries have made loans at prevailing interest rates and terms to directors and executive officers of the Company and their affiliates. At December 31, 2020 and 2019, the aggregate amount of these loans was $1,876,000 and $2,280,000, respectively. None of these loans were restructured, charged-off or involved more than the normal risk of collectability or presented other unfavorable features.

An analysis of the activity with respect to such loans to related parties is as follows:

(In Thousands)	**2020**	2019
Balance, January 1	**$ 2,280**	$ 548
New loans, advances, and renewals during the year	**6,596**	493
Appointment of officer or director	**-**	2,169
Repayment (including loans paid by renewal) during the year	**(7,000)**	(930)
	$ 1,876	$ 2,280

The CARES Act provides for emergency economic relief to individuals and businesses impacted by the COVID-19 pandemic. The CARES Act authorized the Small Business Administration ("SBA") to administer new loan programs including, but not limited to, the guarantee of loans under a new loan program called the Paycheck Protection Program ("PPP"). The Company originated 666 PPP loans totaling $31,093,000 in 2020. At December 31, 2020, the Company had 472 PPP loans outstanding with principal balances totaling $17,713,000 that are included in Commercial and Agricultural loans. PPP loans do not have a corresponding allowance as they are 100% guaranteed by the SBA and are expected to be fully forgiven by the SBA. Fees range from 1% to 5% and are amortized over the life of the loan. As PPP loans are forgiven, any deferred loan fee and cost is recognized related to each individual loan.

Transactions in the allowance for loan losses for the years ended December 31, 2020 and 2019 are summarized as follows:

(In Thousands)	Commercial and Agricultural	Commercial Real Estate	Farming Real Estate	Residential Real Estate	Construction and Land Development	Multifamily Real Estate	Consumer and Other	Total
December 31, 2020:								
Beginning balance	$ 795	$ 1,477	$ 1,814	$ 2,452	$ 659	$ 126	$ 1,641	$ 8,964
Provision	122	809	(254)	604	173	92	(188)	1,358
Charge-offs	(105)	(35)	-	(52)	-	-	(692)	(884)
Recoveries	47	5	-	15	-	-	347	414
Total	$ 859	$ 2,256	$ 1,560	$ 3,019	$ 832	$ 218	$ 1,108	$ 9,852
Specific reserves:								
Impaired loans	$ 42	$ -	$ 808	$ -	$ -	$ -	$ -	$ 850
Acquired with credit impairment	-	-	-	-	-	-	-	-
General reserves	817	2,256	752	3,019	832	218	1,108	9,002
Total	$ 859	$ 2,256	$ 1,560	$ 3,019	$ 832	$ 218	$ 1,108	$ 9,852
Loans:								
Loans individually evaluated for impairment	$ 1,747	$ 6,567	$ 17,457	$ 4,316	$ 343	$ -	$ 34	$ 30,464
Acquired with credit impairment	-	49	-	70	165	-	-	284
Loans collectively evaluated for impairment	90,306	186,019	53,428	276,824	81,691	24,878	65,404	778,550
Total	$ 92,053	$ 192,635	$ 70,885	$ 281,210	$ 82,199	$ 24,878	$ 65,438	$ 809,298

(In Thousands)	Commercial and Agricultural	Commercial Real Estate	Farming Real Estate	Residential Real Estate	Construction and Land Development	Multifamily Real Estate	Consumer and Other	Total
December 31, 2019:								
Beginning balance	$ 941	$ 1,976	$ 1,024	$ 2,442	$ 703	$ 181	$ 835	$ 8,102
Provision	(12)	(568)	790	62	(45)	(540)	1,609	1,296
Charge-offs	(142)	(82)	-	(61)	-	-	(1,196)	(1,481)
Recoveries	8	151	-	9	1	485	393	1,047
Total	$ 795	$ 1,477	$ 1,814	$ 2,452	$ 659	$ 126	$ 1,641	$ 8,964
Specific reserves:								
Impaired loans	$ 68	$ -	$ 1,064	$ 28	$ -	$ -	$ 2	$ 1,162
Acquired with credit impairment	-	-	-	-	-	-	-	-
General reserves	727	1,477	750	2,424	659	126	1,639	7,802
Total	$ 795	$ 1,477	$ 1,814	$ 2,452	$ 659	$ 126	$ 1,641	$ 8,964
Loans:								
Loans individually evaluated for impairment	$ 2,165	$ 6,876	$ 13,748	$ 4,401	$ 2,308	$ -	$ 41	$ 29,539
Acquired with credit impairment	79	57	-	247	174	-	-	557
Loans collectively evaluated for impairment	55,926	136,607	58,678	198,742	59,204	12,241	61,294	582,692
Total	$ 58,170	$ 143,540	$ 72,426	$ 203,390	$ 61,686	$ 12,241	$ 61,335	$ 612,788

Impaired loans and related allowance for loan loss allocation amounts at December 31, 2020 and 2019 were as follows:

	Impaired Loans With Allowance			Impaired Loans With No Allowance	
(In Thousands)	Principal Balance	Recorded Investment	Allocated Allowance for Loan Losses	Principal Balance	Recorded Investment
December 31, 2020					
Commercial and agriculture	**$ 498**	**$ 511**	**$ 42**	**$ 1,249**	**$ 1,292**
Real estate:					
Commercial	**-**	**-**	**-**	**6,567**	**6,591**
Farming	**2,297**	**2,297**	**808**	**15,160**	**15,401**
Residential	**-**	**-**	**-**	**4,316**	**4,352**
Construction and land development	**-**	**-**	**-**	**343**	**345**
Multifamily	**-**	**-**	**-**	**-**	**-**
Consumer and other	**-**	**-**	**-**	**34**	**35**
Total	**$ 2,795**	**$ 2,808**	**$ 850**	**$ 27,669**	**$ 28,016**

	Impaired Loans With Allowance			Impaired Loans With No Allowance	
(In Thousands)	Principal Balance	Recorded Investment	Allocated Allowance for Loan Losses	Principal Balance	Recorded Investment
December 31, 2019					
Commercial and agriculture	$ 659	$ 664	$ 68	$ 1,506	$ 1,521
Real estate:					
Commercial	-	-	-	6,876	6,881
Farming	2,553	2,553	1,064	11,195	11,313
Residential	235	235	28	4,166	4,170
Construction and land development	-	-	-	2,308	2,314
Multifamily	-	-	-	-	-
Consumer and other	17	17	2	24	26
Total	$ 3,464	$ 3,469	$ 1,162	$ 26,075	$ 26,225

The average recorded investment in impaired loans for the years ended December 31, 2020 and 2019 was $30,258,000 and $29,498,000, respectively. The related total amount of interest income recognized for the period that such loans were impaired was $1,344,000 and $972,000 for 2020 and 2019, respectively.

The Company's loan portfolio includes certain loans that have been modified in a troubled debt restructuring (TDR), where economic concessions have been granted to borrowers who have experienced or are expected to experience financial difficulties. These concessions typically result from the Company's loss mitigation activities and could include reductions in the interest rate, payment extensions, forgiveness of principal, forbearance or other actions. Certain TDRs are classified as nonperforming at the time of restructure and may only be returned to performing status after considering the borrower's sustained repayment performance for a reasonable period, generally six months.

Notes to Consolidated Financial Statements, Continued
December 31, 2020 and 2019

The following table summarizes the carrying balances of TDRs at December 31, 2020 and 2019:

(Dollars In Thousands)	**2020**	2019
Performing TDRs	**$ 633**	$ 1,851
Nonperforming TDRs	**3,636**	294
Total TDRs	**$ 4,269**	$ 2,145

The following table outlines the amount of each troubled debt restructuring categorized by loan classification during the years ended 2020 and 2019 (dollars in thousands):

	December 31, 2020			December 31, 2019		
	Number of Contracts	Pre Modification Outstanding Recorded Investment	Post Modification Outstanding Recorded Investment, Net of Related Allowance	Number of Contracts	Pre Modification Outstanding Recorded Investment	Post Modification Outstanding Recorded Investments Net of Related Allowance
Commercial and agricultural	**-**	**$ -**	**$ -**	1	$ 8	$ 8
Real estate:						
Commercial	**1**	**4,251**	**3,560**	-	-	-
Farming	**-**	**-**	**-**	-	-	-
Residential	**3**	**17**	**16**	-	-	-
Construction and land development	**1**	**5**	**5**	-	-	-
Multifamily	**-**	**-**	**-**	-	-	-
Consumer and other	**6**	**32**	**30**	4	43	43
Total	**11**	**$ 4,305**	**$ 3,611**	5	$ 51	$ 51

During the years ended 2020 and 2019, there were no loans modified as a troubled debt restructuring that had default payments for the 12 months following the loan being modified.

The Company is working with borrowers impacted by COVID-19 and providing modifications to include interest only deferrals or full principal and interest payment deferrals. The majority of those modifications were for a period of up to three months. These modifications are excluded from troubled debt restructuring classification under Section 4013 of the CARES Act or under applicable interagency guidance of the federal banking regulations. At December 31, 2020, the Company had 633 loans with outstanding principal balances totaling $97,900,000 making payments according to modified payment terms as a result of the COVID-19 pandemic.

Credit Quality Indicators

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company analyzes loans individually by classifying the loans as to credit risk. Loans greater than $250,000 classified as substandard are reviewed regularly by the Company to determine if appropriately classified and to determine if the loan is impaired. The Company's loan portfolio is reviewed for credit quality on a quarterly basis, with samples being selected based on loan size, credit grades, etc. to ensure that the Company's management is properly applying credit risk management processes.

Loans excluded from the scope of the annual review process are generally classified as pass credits until: (a) they become past due; (b) management becomes aware of deterioration in the creditworthiness of the borrower; or (c) the customer contacts the Company for a modification. In these circumstances, the customer relationship is specifically evaluated for potential classification as to special mention, substandard or doubtful, or could even be considered for charge-off. The Company uses the following definitions for risk ratings at December 31, 2020 and 2019:

- ***Special Mention*** - The loan does not currently expose the Bank to a sufficient degree of risk to warrant an adverse classification. These loans are considered sound with no apparent loss anticipated. Further deterioration of the loan may expose the Company to increased risk of loss and applicable downgrade in classification.

  Examples of loans may include:

  a) Financial condition remains adequate but shows signs of being strained.
  b) Serious documentation deficiencies or any other deviation from prudent lending practices.
  c) Marginal net worth or cash flow problems.
  d) Collateral under-margined or has limited marketability.
  e) Loans with major loan policy inconsistencies.
  f) Loans classified special mention in the latest regulatory report of examination.

- ***Substandard*** - Some weakness is evident where more than normal risk is prevalent and requires immediate management attention. Includes loans to borrowers with erratic earnings and unstable financial condition, loans where the primary source of repayment has not been adhered to and alternate sources of repayment must be considered and loans where financial information is inadequate. Includes all loans which are on non-accrual status and all assets carried on Bank's books as other real estate or other assets. Includes loans classified Substandard at latest regulatory examination. Minor losses may occur on some of these loans.

- ***Doubtful*** - Loans inaccurately supported by current sound net worth and/or collateral. Workout situation exists, or may occur, requiring detailed servicing and the closest attention. Reliance on alternative source of repayment is likely and immediate steps should be taken to strengthen our positon. Includes loans classified doubtful at latest regulatory examination. The possibility of loss exists.

- ***Loss*** - Loans graded "Loss" may be considered uncollectible either for the short-term or at all and of such little value that their continuance as a bookable asset is no longer warranted. The amount of loss is to be clearly identifiable and will be charged to the Allowance for Loan and Lease Losses. Although collateral securing this loan may retain some liquidation value, the amount and timing of any recovery is highly uncertain. Loans so rated could include borrowers, endorsers, and guarantors that exhibit an unwillingness to liquidate the debt. Losses are to be taken in the period in which they surface as uncollectible.

Notes to Consolidated Financial Statements, Continued
December 31, 2020 and 2019

The following tables break down the Company's credit quality indicators by type of loan as of December 31, 2020 and 2019:

(In Thousands)	Commercial and Agricultural	Commercial Real Estate	Farming Real Estate	Residential Real Estate	Construction and Land Development	Multifamily Real Estate	Consumer and Other	Total
December 31, 2020								
Grade								
Pass	**$ 88,330**	**$ 162,209**	**$ 48,011**	**$ 257,698**	**$ 77,579**	**$ 21,436**	**$ 64,144**	**$ 719,407**
Special Mention	**1,085**	**23,064**	**5,392**	**9,875**	**3,498**	**3,442**	**480**	**46,836**
Substandard	**2,638**	**7,362**	**17,482**	**13,637**	**1,122**	**-**	**814**	**43,055**
Doubtful	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**$ 92,053**	**$ 192,635**	**$ 70,885**	**$ 281,210**	**$ 82,199**	**$ 24,878**	**$ 65,438**	**$ 809,298**
December 31, 2019								
Grade								
Pass	$ 55,436	$ 136,077	$ 58,255	$ 191,806	$ 58,918	$ 12,241	$ 59,885	$ 572,618
Special Mention	1,606	2,237	4,497	3,625	1,775	-	858	14,598
Substandard	1,128	5,226	9,674	7,959	993	-	592	25,572
Doubtful	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-
Total	$ 58,170	$ 143,540	$ 72,426	$ 203,390	$ 61,686	$ 12,241	$ 61,335	$ 612,788

The following tables provide an aging analysis of the Company's past due loans as of December 31, 2020 and 2019:

(In Thousands)	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days or Non-Accrual	Total Past Due and Non-Accrual Loans	Total Current Loans	Total Loans	Recorded Investment Past Due > 90 Days and Still Accruing
December 31, 2020							
Commercial and agricultural	**$ 572**	**$ 10**	**$ 305**	**$ 887**	**$ 91,166**	**$ 92,053**	**$ 12**
Real estate:							
Commercial	**689**	**60**	**3,681**	**4,430**	**188,205**	**192,635**	**-**
Farming	**718**	**-**	**4,208**	**4,926**	**65,959**	**70,885**	**-**
Residential	**2,254**	**673**	**2,280**	**5,207**	**276,003**	**281,210**	**85**
Construction and land development	**707**	**-**	**534**	**1,241**	**80,958**	**82,199**	**-**
Multifamily	**75**	**-**	**-**	**75**	**24,803**	**24,878**	**-**
Consumer and other	**1,153**	**639**	**846**	**2,638**	**62,800**	**65,438**	**514**
Total	**$ 6,168**	**$ 1,382**	**$ 11,854**	**$ 19,404**	**$ 789,894**	**$ 809,298**	**$ 611**

(In Thousands)	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days or Non-Accrual	Total Past Due and Non-Accrual Loans	Total Current Loans	Total Loans	Recorded Investment Past Due > 90 Days and Still Accruing
December 31, 2019							
Commercial and agricultural	$ 240	$ 160	$ 298	$ 698	$ 57,472	$ 58,170	$ -
Real estate:							
Commercial	108	-	4,709	4,817	138,723	143,540	394
Farming	390	149	4,627	5,166	67,260	72,426	-
Residential	2,627	1,287	2,979	6,893	196,497	203,390	643
Construction and land development	21	70	605	696	60,990	61,686	15
Multifamily	-	-	-	-	12,241	12,241	-
Consumer and other	2,170	565	1,676	4,411	56,924	61,335	1,240
Total	$ 5,556	$ 2,231	$ 14,894	$ 22,681	$ 590,107	$ 612,788	$ 2,292

Nonaccrual loans by type of loan as of December 31, 2020 and 2019:

(In Thousands)	**December 31, 2020**	December 31, 2019
Commercial and agricultural	**$ 293**	$ 298
Real estate:		
Commercial	**3,681**	4,329
Farming	**4,208**	4,627
Residential	**2,197**	2,340
Construction and land development	**534**	589
Multifamily	**-**	-
Consumer and other	**349**	437
Total	**$ 11,262**	$ 12,620

Had interest income been recognized on nonaccrual loans in 2020 and 2019, net earnings would have increased by approximately $551,000 and $432,000, respectively.

The category of “Greater than 90 Days or Nonaccrual” loans of $11,854,000 includes $463,000 of student loans purchased which are guaranteed approximately at 98%. The Company typically continues recognizing interest on such loans due to the guarantees.

The Company has acquired loans for which there was, at acquisition, evidence of deterioration of credit quality since origination and it was probable, at acquisition, that all contractually required payments would not be collected. The outstanding balances and carrying amounts of the loans were as follows at December 31, 2020 and 2019:

(In Thousands)	December 31, 2020	December 31, 2019
Commercial and agricultural	$ -	$ 80
Real estate:		
Construction and land development	214	234
Commercial real estate	65	86
Residential real estate	89	320
Total outstanding balance	368	720
Less remaining purchase discount	84	163
	284	557
Allowance for loan losses	-	-
Carrying amount, net of allowance	$ 284	$ 557

Activity related to the accretable portion of the purchase discount on loans acquired with deteriorated credit quality were as follows for the years ended December 31, 2020 and 2019:

(In Thousands)	2020	2019
Balance as of January 1,	$ 84	$ 34
New loans acquired	-	-
Accretion income	(65)	(11)
Reclassification from nonaccretable	49	61
Balance at December 31,	$ 68	$ 84

(3) SECURITIES

Debt securities have been classified in the balance sheet according to management's intent. The amortized cost and the estimated market values of debt securities at December 31, 2020 were as follows:

	Available-for-Sale 2020			
(In Thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
U.S. Treasury and other U.S. government agencies and corporations	$ 45,200	$ 732	$ 161	$ 45,771
Obligations of state and political subdivisions	119,368	4,158	16	123,510
Residential mortgage-backed securities	86,627	2,884	2	89,509
Commercial mortgage-backed securities	3,108	212	-	3,320
Corporate and other securities	251	2	-	253
	$ 254,554	$ 7,988	$ 179	$ 262,363

The amortized cost and the estimated market values of debt securities at December 31, 2019 were as follows:

	Available-for-Sale 2019			
(In Thousands)	*Amortized Cost*	*Gross Unrealized Gains*	*Gross Unrealized Losses*	*Estimated Market Value*
U.S. Treasury and other U.S. government agencies and corporations	$ 36,537	$ 161	$ 146	$ 36,552
Obligations of state and political subdivisions	107,944	1,973	89	109,828
Residential mortgage-backed securities	91,467	582	121	91,928
Commercial mortgage-backed securities	3,180	53	11	3,222
Corporate and other securities	508	3	-	511
	$ 239,636	$ 2,772	$ 367	$ 242,041

The amortized cost and estimated market value of debt securities at December 31, 2020 by contractual maturity are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

(In Thousands)	**2020**	
Debt Securities Available-for-Sale	*Amortized Cost*	*Estimated Market Value*
Due in one year or less	**$ 12,750**	**$ 12,876**
Due after one year through five years	**40,384**	**41,586**
Due after five years through ten years	**67,596**	**69,403**
Due after ten years	**44,089**	**45,669**
Residential and commercial mortgage-backed securities	**89,735**	**92,829**
	$ 254,554	**$ 262,363**

In 2019, the Company reclassified at fair value $107,000 (amortized cost of $39,000) of equity securities from the available-for-sale portfolio to marketable equity securities. The related unrealized gain of $41,000, net of tax of $14,000, was reclassified from accumulated other comprehensive earnings at January 1, 2019 to retained earnings at December 31, 2019.

The results of sales of available-for-sale debt securities are as follows:

(In Thousands)	**2020**	2019
Gross proceeds	**$ 7,229**	$ 9,763
Gross gains	**$ 32**	$ 113
Gross losses	**(4)**	(19)
Net gain	**$ 28**	$ 94

There were no sales of marketable equity securities during 2020 or 2019.

Notes to Consolidated Financial Statements, Continued

December 31, 2020 and 2019

Investment securities carried in the balance sheet at $83,459,000 and $74,957,000, respectively (amortized cost $80,642,000 and $73,972,000), as of December 31, 2020 and 2019, respectively, were pledged to secure public and trust deposits and for other purposes as required or permitted by law.

The following tables shows the Company's investments' gross unrealized losses and fair value, 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:

	In Thousands, Except Number of Securities							
	Less than 12 Months			12 Months or More			Total	
December 31, 2020	Fair Value	Unrealized Losses	Number of Securities Included	Fair Value	Unrealized Losses	Number of Securities Included	Fair Value	Unrealized Losses
U.S. Treasury and other U.S. Government agencies and corporations	**$ 10,956**	**$ 133**	**8**	**$ 2,560**	**$ 28**	**7**	**$ 13,516**	**$ 161**
Obligations of states and political subdivisions	**1,016**	**10**	**1**	**346**	**6**	**1**	**1,362**	**16**
Residential mortgage-backed securities	**-**	**-**	**-**	**521**	**2**	**2**	**521**	**2**
Commercial mortgage-backed securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Corporate and other securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total temporarily impaired securities	**$ 11,972**	**$ 143**	**9**	**$ 3,427**	**$ 36**	**10**	**$ 15,399**	**$ 179**

	In Thousands, Except Number of Securities							
	Less than 12 Months			12 Months or More			Total	
December 31, 2019	Fair Value	Unrealized Losses	Number of Securities Included	Fair Value	Unrealized Losses	Number of Securities Included	Fair Value	Unrealized Losses
U.S. Treasury and other U.S. Government agencies and corporations	$ 14,059	$ 104	14	$ 4,245	$ 42	7	$ 18,304	$ 146
Obligations of states and political subdivisions	6,045	23	14	3,653	66	9	9,698	89
Residential mortgage-backed securities	37,239	95	22	4,162	26	6	41,401	121
Commercial mortgage-backed securities	1,380	11	1	-	-	-	1,380	11
Corporate and other securities	-	-	-	-	-	-	-	-
Total temporarily impaired securities	$ 58,723	$ 233	51	$ 12,060	$ 134	22	$ 70,783	$ 367

The impaired securities are considered high quality investments in line with normal industry investing practices. The unrealized losses are primarily the result of changes in the interest rate and sector environments consistent with the classification as available-for-sale. The Company intends and has the ability to hold the above securities until the value is realized.

The Company may sell the above or other securities in the ordinary course of business in response to unexpected and significant changes in liquidity needs, unexpected and significant increases in interest rates and/or sector spreads that significantly extend the security's holding period, or conducting a small volume of security transactions.

(4) RESTRICTED EQUITY SECURITIES

Restricted equity securities consist of stock of the Federal Home Loan Bank and Westport Life Insurance. The FHLB stock totaled $4,119,000 and $3,712,000 at December 31, 2020 and 2019, respectively. In 2019, the Company purchased an initial investment of $5,000 of Westport Life Insurance stock. Both stocks can be sold back only at par or a value as determined by the issuing entity and only to the respective entity or to another member entity. These securities are recorded at cost.

(5) PREMISES AND EQUIPMENT

The detail of premises and equipment at December 31, 2020 and 2019 is as follows:

(In Thousands)	**2020**	2019
Land	**$ 3,415**	$ 2,266
Buildings	**23,740**	11,225
Furniture and equipment	**13,226**	10,466
Autos	**355**	285
Construction in progress	**-**	4,308
	40,736	28,550
Less accumulated depreciation	**(19,508)**	(14,795)
	$ 21,228	$ 13,755

Depreciation expense totaled $974,000 and $739,000 for the years ended December 31, 2020 and 2019, respectively.

Construction in progress at December 31, 2019 represents costs incurred related to an addition to and renovation of the Company's main office. The total cost of the project was approximately $5,000,000 and was completed during Spring 2020.

Notes to Consolidated Financial Statements, Continued
December 31, 2020 and 2019

(6) MORTGAGE SERVICING RIGHTS

Mortgage loans serviced for others are not reported as assets. The principal balance of these loans was $208,067,000 at December 31, 2020.

The related mortgage servicing rights activity for the year ending December 31, 2020 is as follows:

(In Thousands)	2020
Mortgage servicing rights:	
Acquired December 1, 2020	$ 1,278
Additions (disposals), net	133
Amortized to expense	(54)
Change in valuation allowance	(223)
End of year	$ 1,134
Valuation allowance:	
Acquired December 1, 2020	$ -
Additions expensed	-
Reductions credited to operations	-
Direct write-downs	(223)
End of year	$ (223)

The fair value of servicing rights was estimated to be $1,134,000 at December 31, 2020. Fair value at December 31, 2020 was determined by using weighted average discount rates ranging from 4.21% and 7.75% and prepayment speeds ranging from 9.80% and 44.15%, depending on the stratification of the specific right.

(7) GOODWILL AND INTANGIBLE ASSETS

The change in goodwill during the years ended December 31, 2020 and 2019 is as follows:

(In Thousands)	**2020**	2019
Goodwill:		
Balance at January 1,	**$ 6,820**	$ 6,820
Goodwill acquired during the year	**10,850**	-
Impairment loss	**-**	-
Balance at December 31,	**$ 17,670**	$ 6,820

Amortizable intangible assets at December 31, 2020 and 2019 are as follows:

(In Thousands)	**2020**	2019
Core deposit intangibles	**$ 4,402**	$ 3,580
Accumulated amortization	**(2,277)**	(2,034)
	$ 2,125	$ 1,546
Amortization expense	**$ 243**	$ 239

Core deposit intangible assets are amortized on a straight-line basis over the estimated useful life. As of December 31, 2020, estimated future amortization expense is as follows:

(In Thousands)	
2021	$ 293
2022	293
2023	293
2024	279
2025	126
Thereafter	841
	$ 2,125

(8) DEPOSITS

Principal maturities of certificates of deposit and individual retirement accounts at December 31, 2020 are as follows:

Maturity	*(In Thousands)*
2021	$ 281,628
2022	96,877
2023	35,154
2024	21,616
2025	11,124
Thereafter	-
	$ 446,399

At December 31, 2020 and 2019, certificates of deposit and individual retirement accounts in denominations of $250,000 or more amounted to $106,400,000 and $83,127,000, respectively.

The aggregate amount of overdrafts reclassified as loans receivable was $396,000 and $661,000 at December 31, 2020 and 2019, respectively.

The subsidiary banks may be required to maintain cash balances or balances with the Federal Reserve Bank or other correspondent banks based on certain percentages of deposit types. No amounts were required at December 31, 2020 or 2019.

(9) NOTES PAYABLE

To supplement capital needs, the Company will issue debt at the Citizens Bancorp Investment, Inc. level. Notes payable at December 31, 2020 and 2019 consist of the following:

(In Thousands)	**2020**	2019
4.00% note due in quarterly installments of principal and interest of $152,000 with a maturity date of March 5, 2020.	**$ -**	$ 2,888
Variable rate note (90 day LIBOR plus 2.70%) with interest payable quarterly and principal due at maturity, March 5, 2020.	**-**	952
4.10% note due in quarterly installments of principal and interest totaling $213,000 with a maturity date of March 5, 2025.	**3,106**	-
4.00% note due in quarterly installments of $112,500 plus interest with a maturity date of December 1, 2025.	**4,500**	-
Variable rate note (*The Wall Street Journal* prime rate plus 0.50%) with interest payable quarterly and principal due at maturity, December 1, 2021.	**4,000**	-
Variable rate note (*The Wall Street Journal* prime rate plus 0.50%) due in quarterly installments of $112,500 plus interest and a maturity date of December 1, 2025.	**4,500**	-
	$ 16,106	$ 3,840

Estimated principal maturities of the notes payable are as follows:

(In Thousands)	
2021	$ 5,637
2022	1,668
2023	1,700
2024	1,701
2025	5,400
Thereafter	-
	$ 16,106

All notes payable are secured by 21,930 shares of common stock of the Company's subsidiary bank, Citizens Bank. This constitutes 51% of the issued and outstanding common stock shares of Citizens Bank.

Under the terms of the loan agreement, the lender has right of set-off against funds deposited with the lender's institution. The loan agreement also contains various financial and non-financial covenants. Among other items outlined in the loan agreement, the covenants place limits on the subsidiary bank's borrowing, limits on pledging securities, and the maintenance of certain regulatory capital and other ratios. As of the date of this report, the Company was in compliance with all covenants.

(10) ADVANCES FROM FEDERAL HOME LOAN BANK

The Bank maintains a line of credit with the Federal Home Loan Bank in the amount of $136,014,000. As of December 31, 2020 and 2019, advances under this line of credit consist of the following:

	2020		2019	
(In Thousands)	Amount	Weighted Average Rate	Amount	Weighted Average Rate
Fixed rate advances	**$ 39,114**	**2.19%**	$ 59,974	2.16%
Variable rate advances	**$ -**	**-%**	$ -	-%

Required future principal payments on FHLB advances are as follows:

(In Thousands)	Amount
2021	**$ 12,915**
2022	**7,046**
2023	**3,900**
2024	**4,593**
2025	**2,523**
Thereafter	**8,137**
	$ 39,114

First and junior mortgage residential real estate loans, HELOC, commercial real estate loans, multifamily loans and loans secured by farmland totaling $516,217,000 are pledged to the FHLB as collateral for these advances at December 31, 2020.

Notes to Consolidated Financial Statements, Continued
December 31, 2020 and 2019

(11) NON-INTEREST INCOME AND NON-INTEREST EXPENSE

The significant components of non-interest income and non-interest expense for the years ended December 31, 2020 and 2019 are presented below:

(In Thousands)	**2020**	2019
Non-interest income:		
Service charges and overdraft fees on deposits	**$ 2,978**	$ 3,644
Debit and ATM card income	**2,811**	2,597
Other fees and commissions	**632**	560
Gain on sale of loans held for sale	**363**	-
Earnings on bank owned life insurance and annuity contracts	**334**	442
Mortgage servicing income	**177**	-
Brokers fee income	**88**	92
Net gain on sale of other real estate	**-**	39
	$ 7,383	$ 7,374
Non-interest expense:		
Employee salaries and benefits	**$ 15,030**	$ 15,400
Professional fees	**1,681**	894
Occupancy expenses	**1,479**	1,274
Debit card and ATM expense	**1,268**	1,228
Data processing	**1,221**	1,028
Furniture and equipment expenses	**1,118**	1,096
Telephone and communications	**466**	518
FDIC insurance and state banking fees	**420**	198
Director and Committee fees	**418**	328
Supplies	**383**	381
Advertising	**294**	559
Amortization of core deposit intangibles	**243**	239
Postage	**240**	287
Amortization of mortgage servicing asset	**54**	-
Net loss on sale of other real estate	**29**	-
Net loss on sale of premises and equipment	**17**	5
Other real estate expense	**4**	6
Net loss on sale of repossessed assets	**1**	-
Other operating expenses	**1,860**	2,005
	$ 26,226	$ 25,446

(12) INCOME TAXES

The components of the net deferred tax asset (liability) at December 31, 2020 and 2019 are as follows:

(In Thousands)	**2020**	2019
Deferred tax asset:		
Federal	**$ 3,153**	$ 2,043
State	**953**	587
	4,106	2,630
Deferred tax liability:		
Federal	**(3,240)**	(1,068)
State	**(991)**	(313)
	(4,231)	(1,381)
expense not recognized for		
Net deferred tax asset (liability)	**$ (125)**	$ 1,249

The tax effects of each type of significant item that gave rise to deferred taxes at December 31, 2020 and 2019 are as follows:

(In Thousands)	**2020**	2019
Financial statement allowance for loan losses in excess of tax allowance	**$ 2,509**	$ 2,277
Financial statement deduction for deferred compensation in excess of deduction for tax purposes	**556**	265
Stock options compensation expense not recognized for tax purposes	**69**	46
Excess of depreciation deducted for tax purposes over amounts deducted in the financial statements	**(477)**	(344)
Income on FHLB stock dividends not recognized for tax purposes	**(83)**	(15)
Amortization of core deposit intangibles	**(180)**	42
Purchased asset step-up not recognized for tax purposes	**(625)**	-
Income on mortgage servicing rights not recognized for tax purposes	**(355)**	-
Acquisition fair value adjustments not recognized for tax purposes	**972**	-
Purchased goodwill amortized for tax purposes	**(453)**	(375)
Unrealized gain on debt securities available-for-sale	**(2,041)**	(629)
Unrealized gain on marketable equity securities	**(17)**	(18)
	$ (125)	$ 1,249

The components of income tax expense (benefit) for the years ended December 31, 2020 and 2019 are summarized as follows:

(In Thousands)	**2020**	2019
Current:		
Federal	**$ 2,210**	$ 2,360
State	**202**	793
	2,412	3,153
Deferred:		
Federal	**(12)**	(195)
State	**(42)**	(67)
	(54)	(262)
	$ 2,358	$ 2,891

A reconciliation of actual income taxes in the consolidated statements of earnings with the "expected" tax expense (computed by applying the statutory federal income tax of 21% to earnings before income taxes) is as follows:

(In Thousands)	**2020**	2019
Computed "expected" federal tax expense	**$ 2,771**	$ 2,965
State income taxes, net of benefit of state tax deduction for federal tax purposes	**136**	586
Benefit of tax exempt interest, net of interest expense exclusion	**(584)**	(578)
Tax benefit of earnings on cash surrender value of officers life insurance not taxable	**(71)**	(95)
Merger related expenses not deductible for tax purposes	**91**	-
Other	**15**	13
	$ 2,358	$ 2,891

As of December 31, 2020 and 2019, the Company has not accrued or recognized interest or penalties related to uncertain tax positions. It is the Company's policy to recognize interest and/or penalties related to income tax matters in income tax expense.

The Company does not expect that unrecognized tax benefits will significantly increase or decrease within the next 12 months. Included in the balance at December 31, 2020 were approximately $4,106,000 of tax positions (deferred tax assets) for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility. Because of the impact of deferred tax accounting, other than interest, the disallowance of the shorter deductibility period would not affect the annual effective tax rate but would accelerate the payment of cash to the taxing authority to an earlier period.

The Company and its subsidiaries file income tax returns in the United States ("U.S."), as well as in the State of Tennessee. The Company is no longer subject to U.S. federal or state income tax examinations by tax authorities for years before 2016 which would include audits of acquired entities. The Company's Federal tax returns have not been audited for several years and there have been no changes in the returns in prior audits.

(13) COMMITMENTS AND CONTINGENCIES

The Company is party to litigation and claims arising in the normal course of business. Management, after consultation with legal counsel, believes that the liabilities, if any, arising from such litigation and claims will not be material to the consolidated financial position.

The values of the Company's assets as reported in the consolidated financial statements are subject to the volatility in the financial markets; and accordingly, the ultimate realization may be subject to the condition of the U.S. economy and banking system in general.

The Company's subsidiary banks have lines of credit with other financial institutions. The lines of credit with other financial institutions totaled $60,600,000 and $55,000,000 at December 31, 2020 and 2019, respectively. At December 31, 2020 and 2019, there were no amounts outstanding under these lines of credit.

The Company leases office space in Smith County, Tennessee, under two non-cancelable operating leases that are renewed through 2023. The Company also leases various office equipment under non-cancelable operating leases with various expiration dates through 2025.

As of December 31, 2020, the minimum future rental commitments under all non-cancelable operating leases were as follows:

(In Thousands)	
2021	**$ 26**
2022	**16**
2023	**7**
2024	**5**
2025	**2**

Total office rental expense incurred for the years ended December 31, 2020 and 2019 totaled $11,000 and $10,000, respectively. Total office equipment lease expense incurred for the year ended December 31, 2020 and 2019 totaled $34,000 and $26,000, respectively.

The Company entered into a three year profit enhancing program in December, 2016 at a cost of $125,000 per year. During December, 2019, the contract automatically renewed through April, 2021 at a cost of $115,000 and $41,000 for 2020 and 2021, respectively.

The Company intends to merge its wholly-owned subsidiary, American Bank & Trust of the Cumberlands, with its wholly-owned subsidiary, Citizens Bank, effective June 30, 2021. The merger will be accounted for as a reorganization and, as such, the subsidiary will utilize pooling accounting. Under the provisions of pooling accounting the assets and liabilities will be merged at recorded values and not marked to market as a result of the merger.

In conjunction with the merger, on January 25, 2021 the Company entered into an agreement with its core processor to complete a system conversion. The base cost is approximately $308,000 plus additional hourly and per item charges. As a result of this process, American Bank & Trust of the Cumberlands will cancel its contract with its current core processor and, as a result, are anticipating deconversion and severance fees of approximately $1,000,000.

Notes to Consolidated Financial Statements, Continued

December 31, 2020 and 2019

(14) 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 its customers. These financial instruments consist primarily of commitments to extend credit. These instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the consolidated balance sheet. The contract or notional amounts of those instruments reflect the extent of involvement the Company has in particular classes of financial instruments.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual notional amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

(In Thousands)	**Contract or Notional Amount 2020**	Contract or Notional Amount 2019
Financial instruments whose contract amounts represent credit risk:		
Unused commitments to extend credit	**$ 169,992**	$ 101,501
Standby letters of credit	**6,514**	2,074
Total	**$ 176,506**	$ 103,575

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to be drawn upon, the total commitment amounts generally represent future cash requirements. The Company evaluates each customer's credit-worthiness on a case-by-case basis. The amount of collateral, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral normally consists of real property.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing, and similar transactions. Most guarantees extend from one to two years. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The maximum potential amount of future payments that the Company could be required to make under the guarantees totaled $6,514,000 and $2,074,000 at December 31, 2020 and 2019, respectively.

(15) CONCENTRATION OF CREDIT RISK

Substantially all of the Company's loans, commitments, and commercial and standby letters of credit have been granted to customers in the Company's market area. Virtually all such customers are depositors of the subsidiary banks. Investment in state and municipal securities also include governmental entities within the Company's market area. Additional information regarding concentrations in securities are included in Note 3 to the consolidated financial statements. The concentrations of credit by type of loan are set forth in Note 2 to the consolidated financial statements.

At December 31, 2020 and 2019, the Company's cash and due from banks included commercial bank deposit accounts aggregating $10,648,000 and $8,399,000, respectively, in excess of the Federal Deposit Insurance Corporation limit of $250,000 per institution. Interest bearing deposits in financial institutions at December 31, 2020 and 2019 consist of the following:

(In Thousands)	**2020**	2019
Federal Reserve Bank	**$ 156,177**	$ 22,402
Federal Home Loan Bank	**13,363**	2,498
Certificates of deposit with other banks	**1,245**	-
Total	**$ 170,785**	$ 24,900

Deposits held at the Federal Reserve Bank and Federal Home Loan Bank are not insured by the Federal Deposit Insurance Corporation. All holdings of certificates of deposit with other banks are insured by the Federal Deposit Insurance Corporation up to the limit of $250,000 per institution.

(16) REGULATORY MATTERS AND RESTRICTIONS ON DIVIDENDS

The Company and its bank subsidiaries are subject to regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company must meet specific capital guidelines that involve quantitative measures of their assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Prompt corrective action provisions are not applicable to bank holding companies. Quantitative measures established by regulation to ensure capital adequacy require the Company and its bank subsidiaries to maintain minimum amounts and ratios of total common equity Tier 1 and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined) and of Tier 1 capital (as defined) to average assets (as defined).

Management believes, as of December 31, 2020 and 2019, that the Company and the bank subsidiaries meet all capital adequacy requirements to which they are subject. The actual ratios of the Company and the bank subsidiaries are as follows:

(In Thousands)	**2020**	2019	Minimum Requirement
Citizens Bancorp Investment, Inc.:			
Common Equity Tier 1 ratio	**11.52%**	16.26%	7.0%
Tier 1 ratio	**11.52%**	16.26%	8.5%
Total capital ratio	**12.77%**	17.51%	10.5%
Leverage ratio	**8.80%**	11.29%	4.0%
Citizens Bank:			
Common Equity Tier 1 ratio	**13.97%**	16.79%	7.0%
Tier 1 ratio	**13.97%**	16.79%	8.5%
Total capital ratio	**15.22%**	18.04%	10.5%
Leverage ratio	**9.07%**	11.73%	4.0%

(In Thousands)	**2020**	2019	Minimum Requirement
American Bank & Trust of the Cumberlands:			
Common Equity Tier 1 ratio	**18.81%**	Not Applicable	7.0%
Tier 1 ratio	**18.81%**	Not Applicable	8.5%
Total capital ratio	**18.81%**	Not Applicable	10.5%
Leverage ratio	**10.81%**	Not Applicable	4.0%

As of December 31, 2020, the most recent notification from the banking regulators categorized the Company and its bank subsidiaries as "well capitalized" under the regulatory framework for prompt corrective action. There are no conditions or events since the notification that management believes have changed the Company's category.

The dividends paid by the Company are generally funded by dividends received by the Company from its bank subsidiaries. The Company and its bank subsidiaries are limited by law, regulation and prudence as to the amount of dividends it can pay. At December 31, 2020, under the most restrictive of these regulatory limitations, the Company may pay additional cash dividends of $25,158,000 without prior approval of the applicable regulatory agencies. Actual dividends paid could be further limited by restrictions at the bank subsidiary level and by required debt service payments on notes payable as described in Note 9.

(17) BANK OWNED LIFE INSURANCE AND DEFERRED COMPENSATION PLAN

The Company maintains bank-owned life insurance policies on the lives of several key employees for the purposes of financing the cost of employee benefits. The Company has committed a portion of the policy death benefits to be paid to the estate of each participant upon their death. The cash surrender value of the these policies as of December 31, 2020 and 2019 was $20,344,000 and $16,216,000, respectively. The net non-cash income of which is included in the above asset values was $343,000 and $351,000, respectively.

The Company has established various deferred compensation plans, which provide death and disability benefits for member of the Company's Board of Directors and select members of the Company's management team. Terms of the benefits vary based on the underlying agreements. The plans are not qualified under Section 401 of the Internal Revenue Code. At December 31, 2020 and 2019, deferred compensation liabilities related to these plans totaled $2,130,000 and $1,016,000, respectively, and are included in other liabilities on the consolidated balance sheets. Related expenses for the years ended December 31, 2020 and 2019 totaled $385,000 and $253,000, respectively. Total amount of benefits paid related to the plans totaled $64,000 for each of the years ended December 31, 2020 and 2019.

The Company has purchased various deferred annuity investment contracts to fund the benefits under certain deferred compensation plan agreements. At December 31, 2020 and 2019, the outstanding investments in the annuity contracts totaled $3,596,000 and $3,644,000, respectively.

(18) EQUITY INCENTIVE PLAN

In February, 2018, the Board of Directors of the Company approved the Citizens Bancorp Investment, Inc. 2018 Incentive Plan (the "Plan"). The Plan provided for the granting of stock options, and authorized the issuance of common stock upon the exercise of such options, for up to 500,000 shares of common stock to employees, officers, directors and consultants of the Company and its affiliates. The primary purpose of the Plan is to promote the success, and enhance the value, of the Company by linking the personal interests of employees, officers, directors and consultants of the company or any affiliate to those of Company shareholders and by providing such persons with an incentive for outstanding performance. The Plan is further intended to provide flexibility to the Company in its ability to motivate, attract and retain the services of employees, officers, directors and consultants upon whose judgment, interest and special effort the successful conduct of the Company's operation is largely dependent.

Under the Plan, the stock option awards may be granted in the form of nonstatutory stock options, stock appreciation rights, restricted stock units, deferred stock units, performance awards and other stock-based awards. The stock option awards are exercisable for up to ten years following the date such option awards are granted. Exercise prices of stock option awards must be equal to or greater than the fair market value of the common stock on the grant date. As of December 31, 2020, the Company had 284,000 shares remaining available for issuance under the Plan.

A summary of the stock option activity for 2020 and 2019 is as follows:

	2020		2019	
	Shares	**Weighted Average Exercise Price**	**Shares**	**Weighted Average Exercise Price**
Outstanding at beginning of year	**226,000**	**$ 18.75**	226,000	$ 18.75
Granted	**-**	**-**	-	-
Exercised	**-**	**-**	-	-
Forfeited or expired	**(10,000)**	**18.75**	-	-
Outstanding at end of year	**216,000**	**$ 18.75**	226,000	$ 18.75
Options exercisable at year end	**87,400**	**$ 18.75**	40,400	$ 18.75

The following tables summarize information about stock options for the year ended December 31, 2020:

	Options Outstanding			Options Exercisable		
Range of Exercise Prices	Number Outstanding at 12/31/20	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Number Exercisable at 12/31/20	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term
$ 18.75	**216,000**	**$ 18.75**	**7.12 years**	**87,400**	**$ 18.75**	**7.12 years**
Aggregate intrinsic value (in thousands)	**$ 918**			**$ 371**		

No options were granted during 2020 and 2019.

Stock based compensation expense for the years ended December 31, 2020 and 2019 totaled $64,000 and $179,000, respectively. As of December 31, 2020, there was $199,000 of total unrecognized cost related to non-vested share-based compensation agreements granted under the Company's stock option plans. The cost is expected to be recognized over a weighted-average period of 2.12 years.

(19) DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

FASB ASC 820, *Fair Value Measurements and Disclosures*, which defines fair value, establishes a framework for measuring fair value in U.S. GAAP and expands disclosures about fair value measurements. The definition of fair value focuses on the exit price, i.e., the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, not the entry price, i.e., the price that would be paid to acquire the asset or received to assume the liability at the measurement date. The statement emphasizes that fair value is a market-based measurement; not an entity-specific measurement. Therefore, the fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability.

Valuation Hierarchy

FASB ASC 820 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

Assets

Securities available-for-sale and marketable equity securities - Where quoted prices are available for identical securities in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include highly liquid government securities and certain other financial products. If quoted market prices are not available, then fair values are estimated by using pricing models that use observable inputs or quoted prices of securities with similar characteristics and are classified within Level 2 of the valuation hierarchy. In certain cases where there is limited activity or less transparency around inputs to the valuation and more complex pricing models or discounted cash flows are used, securities are classified within Level 3 of the valuation hierarchy.

Impaired loans - A loan is considered to be impaired when it is probable the Company will be unable to collect all principal and interest payments due in accordance with the contractual terms of the loan agreement. Impaired loans are measured based on the present value of expected payments using the loan's original effective rate as the discount rate, the loan's observable market price, or the fair value of the collateral less selling costs if the loan is collateral dependent. If the recorded investment in the impaired loan exceeds the measure of fair value, a valuation allowance may be established as a component of the allowance for loan losses or the expense is recognized as a charge-off. Impaired loans are classified within Level 3 of the hierarchy due to the unobservable inputs used in determining their fair value such as collateral values and the borrower's underlying financial condition.

Mortgage servicing rights - On a quarterly basis, mortgage servicing rights are evaluated for impairment based upon the fair value of the rights as compared to the carrying amount. If the carrying amount of an individual tranche exceeds fair value, impairment is recorded on that tranche so that the servicing asset is carried at fair value. Fair value is determined at a tranche level based on a market prices for comparable mortgage servicing contracts (Level 2), when available, or alternatively based on a valuation model that calculates the present value of estimated future net servicing income. The valuation model utilizes interest rate, prepayment speeds, discount rate assumptions, cost to service, float earnings and ancillary income and late fees that market participants would use in estimating future net servicing income and can be validated against available market data.

Other real estate owned - Other real estate owned "OREO" represents real estate foreclosed upon by the Company through loan defaults by customers or acquired in lieu of foreclosure. Substantially all of these amounts relate to lots, homes and development projects that are either completed or are in various stages of construction for which the Company believes it has adequate collateral. Upon foreclosure, the property is recorded at the lower of cost or fair value, based on appraised value, less selling costs estimated as of the date acquired with any loss recognized as a charge-off through the allowance for loan losses. Additional OREO losses for subsequent valuation downward adjustments are determined on a specific property basis and are included as a component of noninterest expense along with holding costs. Any gains or losses realized at the time of disposal are also reflected in noninterest expense, as applicable. OREO is included in Level 3 of the valuation hierarchy due to the lack of observable market inputs into the determination of fair value. Appraisal values are property-specific and sensitive to the changes in the overall economic environment.

The following tables present the financial instruments carried at fair value as of December 31, 2020 and 2019, by caption on the consolidated balance sheets and by FASB ASC 820 valuation hierarchy (as described above) (in thousands):

	Measured on a Recurring Basis			
	Total Carrying Value in the Consolidated Balance Sheet	Quoted Market Price in an Active Market (Level 1)	Models with Significant Observable Market Parameters (Level 2)	Models with Significant Unobservable Market Parameters (Level 3)
December 31, 2020				
Debt securities available-for-sale	**$ 262,363**	**$ -**	**$ 262,363**	**$ -**
Marketable equity securities	**103**	**103**	**-**	**-**
Mortgage servicing rights ([1])	**1,134**	**-**	**1,134**	**-**
Total assets at fair value	**$ 263,600**	**$ 103**	**$ 263,497**	**$ -**
December 31, 2019				
Debt securities available-for-sale	$ 242,041	$ -	$ 242,041	$ -
Marketable equity securities	107	107	-	-
Total assets at fair value	$ 242,148	$ 107	$ 242,041	$ -

([1]) Amount is net of a valuation allowance of $223,000 at December 31, 2020 as required by ASC 860-50 "Servicing Assets and Liabilities".

Notes to Consolidated Financial Statements, Continued
December 31, 2020 and 2019

	Measured on a Non-Recurring Basis			
	Total Carrying Value in the Consolidated Balance Sheet Total	Quoted Market Price in an Active Market (Level 1) Quoted	Models with Significant Observable Market Parameters (Level 2) Models with	Models with Significant Unobservable Market Parameters (Level 3) Models with
December 31, 2020				
Other real estate owned....................................	**$ 40**	**$ -**	**$ -**	**$ 40**
Impaired loans, net ([1])	**29,898**	**-**	**-**	**29,898**
Total	**$ 29,938**	**$ -**	**$ -**	**$ 29,938**

	Measured on a Non-Recurring Basis			
	Total Carrying Value in the Consolidated Balance Sheet Total	Quoted Market Price in an Active Market (Level 1) Quoted	Models with Significant Observable Market Parameters (Level 2) Models with	Models with Significant Unobservable Market Parameters (Level 3) Models with
December 31, 2019				
Other real estate owned....................................	$ 40	$ -	$ -	$ 40
Impaired loans, net ([1])	28,934	-	-	28,934
Total..	$ 28,974	$ -	$ -	$ 28,974

([1]) *Amount is net of a valuation allowance of $850,000 at December 31, 2020 and $1,162,000 at December 31, 2019 as required by ASC-310-10, "Accounting by Creditors for Impairment of a Loan."*

In the case of the bond portfolio, the Company monitors the valuation technique utilized by various pricing agencies to ascertain when transfers between levels have been affected. The nature of the remaining assets and liabilities is such that transfers in and out of any level are expected to be rare. For the twelve months ended December 31, 2020, there were no transfers between Levels 1, 2 or 3.

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments that are not measured at fair value. In cases where quoted market prices are not available, fair values are based on estimates using discounted cash flow models. Those models are significantly affected by the assumptions used, including the discount rates, estimates of future cash flows and borrower creditworthiness. The fair value estimates presented herein are based on pertinent information available to management as of December 31, 2020 and 2019. Such amounts have not been revalued for purposes of these consolidated financial statements since those dates and, therefore, current estimates of fair value may differ significantly from the amounts presented herein.

Loans - The fair value of our loan portfolio includes a credit risk factor in the determination of the fair value of our loans. This credit risk assumption is intended to approximate the fair value that a market participant would realize in a hypothetical orderly transaction. Our loan portfolio is initially fair valued using a segmented approach. We divide our loan portfolio into the following categories: variable rate loans, impaired loans and all other loans. The results are then adjusted to account for credit risk.

(20) BUSINESS COMBINATION

On December 1, 2020, the Company acquired all of the outstanding stock of American Bancshares Corp. and its wholly-owned subsidiary, American Bank & Trust of the Cumberlands, for cash consideration of approximately $36,000,000. This business combination results in an expanded and more diversified market area for the Company. The consideration for the stock acquisition was funded partially with cash on hand and with long-term financing obtained in the amount of $13,000,000.

The following table details the financial impact of the merger, including the calculation of the purchase price, the allocation of the purchase price to the fair value of net assets acquired and goodwill recognized:

(In Thousands)		
Allocation of Purchase Price		
Cash consideration		$ 36,000
Fair value of assets acquired and liabilities assumed:		
Loans	$ 191,985	
Debt securities, available-for-sale	3,258	
Restricted equity securities	407	
Interest-bearing deposits in financial institutions	68,824	
Loans held for sale	6,750	
Cash and cash equivalents	3,962	
Premises and equipment	7,388	
Accrued interest receivable	690	
Cash surrender value of life insurance	3,792	
Mortgage servicing rights	1,055	
Core deposit intangibles	822	
Other assets	49	
Total assets acquired	288,982	
Deposits	261,568	
Accrued interest payable	1,237	
Income taxes payable	160	
Deferred income taxes	22	
Other liabilities	845	
Total liabilities acquired	263,832	
Total fair value of net assets acquired		25,150
Goodwill		**$ 10,850**

As part of the purchase accounting, loans and deposits were marked to fair market value with the resulting discount/premium being accreted to income over time. The following table summarizes the loan discount and deposit premium adjustments and their respective weighted average remaining accretion periods at December 31, 2020:

(In Thousands)	***Loans***	***Deposits***
Original loan discount/deposit premium adjustments	$ 1,470	$ 2,507
Accreted in 2020	91	(168)
Remaining loan discount/deposit premium	1,379	2,339
Weighted average remaining accretion period	24 months	14 months

Accretion of the loan discount is reported as an increase in interest income and accretion of the deposit premium is reported as a decrease in interest expense in the consolidated statements of earnings.

Schedule 1

CITIZENS BANCORP INVESTMENT, INC.

Consolidating Balance Sheet

December 31, 2020

(In Thousands)	Citizens Bancorp Investments, Inc.	Citizens Bank	Citizens Insurance Services Inc.	Eliminations Dr.	Eliminations Cr.	Citizens Bank Consolidated	American Bank & Trust	Town & Country Finance Company, Inc.	Eliminations Dr.	Eliminations Cr.	Citizens Bancorp Investments, Inc. Consolidated
Loans, net of unearned interest	$ -	623,072	-			623,072	185,751	343			809,166
Allowance for loan losses	-	(9,508)	-			(9,508)	(1)	(343)			(9,852)
Loans, net	-	613,564	-			613,564	185,750	-			799,314
Loans held for sale	-	-	-			-	2,786	-			2,786
Debt securities, available-for-sale, at market	-	259,153	-			259,153	3,210	-			262,363
Marketable equity securities, at market	-	103	-			103	-	-			103
Restricted equity securities	-	3,717	-			3,717	407	-			4,124
Federal funds sold	-	1,000	-			1,000	-	-			1,000
Interest-bearing deposits in financial institutions	-	69,927	-			69,927	100,858	-			170,785
Total earning assets	-	947,464	-			947,464	293,011	-			1,240,475
Cash and due from banks	814	18,947	501		*(1)* 501	18,947	3,132	148		*(1)* 962	22,079
Premises and equipment:											
Land	-	2,266	-			2,266	1,149	-			3,415
Buildings	-	15,484	-			15,484	8,256	-			23,740
Furniture and equipment	-	10,476	-			10,476	2,750	-			13,226
Auto	-	304	-			304	51	-			355
Construction in progress	-	-	-			-	-	-			-
	-	28,530	-			28,530	12,206	-			40,736
Less accumulated depreciation	-	(14,665)	-			(14,665)	(4,843)				(19,508)
Premises and equipment, net	-	13,865	-			13,865	7,363	-			21,228
Accrued interest receivable	-	5,234	-			5,234	681	-	-	-	5,915
Cash surrender value of life insurance	-	16,545	-			16,545	3,799	-			20,344
Annuity investment	-	3,596	-			3,596	-	-			3,596
Refundable income taxes	(34)	611	(7)	*(1)* 7		611	(150)	(1)	*(1)* 25		451
Mortgage servicing rights	-	-	-			-	1,134	-			1,134
Other real estate	-	40	-			40	-	-			40
Foreclosed assets	-	-	-			-	-	-			-
Deferred income taxes, net	-	-	-			-	-	-			-
Other assets	-	2,287	14		*(1)* 7	2,294	99	-		*(1)* 25	2,368
Goodwill and intangible assets	2,366	5,762	-			5,762	11,667	-			19,795
Investment in Citizens Bank	102,721	-	-		-	-	-	-		*(2)* 102,721	-
Investment in American Bank & Trust	36,745	-	-			-	-	-		*(2)* 36,745	-
Investment in Citizens Insurance Services, Inc.	-	508	-		*(2)* 508	-	-	-			-
Investment in Town & Country Finance, Inc.	237	-	-		-	-	-	-		*(2)* 237	-
Total assets	$ 142,849	1,014,859	508			1,014,358	320,736	147			1,337,425

CITIZENS BANCORP INVESTMENT, INC.

Consolidating Balance Sheet, Continued

December 31, 2020

(In Thousands)	Citizens Bancorp Investments, Inc.	Citizens Bank	Citizens Insurance Services Inc.	Eliminations Dr.	Eliminations Cr.	Citizens Bank Consolidated	American Bank & Trust	Town & Country Finance Company, Inc.	Eliminations Dr.	Eliminations Cr.	Citizens Bancorp Investments, Inc. Consolidated
Non-interest-bearing demand deposits	$ -	176,953	-	(1) 501		176,452	33,521	-	(1) 962		209,011
Interest-bearing demand deposits	-	220,721	-			220,721	67,647	-			288,368
Money market accounts	-	36,102	-			36,102	22,528	-			58,630
Savings accounts	-	120,978	-			120,978	24,650	-			145,628
Certificates of deposit	-	256,224	-			256,224	110,989	-			367,213
Individual retirement accounts	-	56,812	-			56,812	22,374	-			79,186
Total deposits	-	867,790	-			867,289	281,709	-			1,148,036
Notes payable	16,106	-	-			-	-	-			16,106
Advances from the Federal Home Loan Bank	-	39,114	-			39,114	-	-			39,114
Accrued interest payable	44	535	-			535	1,161	-			1,740
Income tax payable	-	-	-			-	-	-			-
Deferred income tax liability	(69)	176	-			176	108	(90)			125
Other liabilities	2	4,523	-			4,523	1,013	-			5,538
Total liabilities	16,083	912,138	-			911,637	283,991	(90)			1,210,659
Common stock	294	430	-			430	343	61	(2) 834		294
Additional paid-in capital	7,722	35,917	91	(2) 91		35,917	35,637	414	(2) 71,968		7,722
Retained earnings	112,982	60,625	417	(2) 417		60,625	746	(238)	(2) 61,133		112,982
Accumulated other comprehensive earnings, net of taxes	5,768	5,749	-			5,749	19	-	(2) 5,768		5,768
Total Citizens Bancorp shareholders' equity	126,766	102,721	508			102,721	36,745	237			126,766
Total liabilities and equity	$ 142,849	1,014,859	508			1,014,358	320,736	147			1,337,425

Eliminations:

(1) To eliminate intercompany accounts including due from/due to accounts.

(2) To eliminate investment accounts, capital accounts, and subsidiary earnings.

Schedule 2

CITIZENS BANCORP INVESTMENT, INC.

Consolidating Statement of Earnings

December 31, 2020

(In Thousands)	Citizens Bancorp Investments, Inc.	Citizens Bank	Citizens Insurance Services Inc.	Eliminations Dr.	Eliminations Cr.	Citizens Bank Consolidated	American Bank & Trust	Town & Country Finance Company, Inc.	Eliminations Dr.	Eliminations Cr.	Citizens Bancorp Investments, Inc. Consolidated
Interest and fees on loans	$ -	34,507	-			34,507	999	6			35,512
Interest and dividends on debt securities - taxable securities	-	2,624	-			2,624	3	-			2,627
Interest and dividends on debt securities - exempt from federal income taxes	-	2,780	-			2,780	1	-			2,781
Interest and dividends on marketable equity securities	-	4	-			4	-	-			4
Interest and dividends on restricted equity securities	-	84	-			84	(6)	-			78
Interest on fed funds sold	-	3	-			3	-	-			3
Interest on interest-bearing deposits in financial institutions	-	118	-			118	11	-			129
	-	40,120	-			40,120	1,008	6			41,134
Interest on interest bearing demand deposit accounts	-	550	-			550	4	-			554
Interest on money market accounts and savings accounts	-	322	-			322	7	-			329
Interest on certificates of deposit	-	4,517	-			4,517	25	-			4,542
Interest on individual retirement accounts	-	1,039	-			1,039	5	-			1,044
Interest on federal funds purchased	-	-	-			-	-	-			-
Interest on Federal Home Loan Bank borrowings	-	1,064	-			1,064	-	-			1,064
Interest on notes payable	228	-	-			-	-	-			228
	228	7,492	-			7,492	41	-			7,761
Net interest income before provision for loan losses	(228)	32,628	-			32,628	967	6			33,373
Provision for loan losses	-	1,303	-			1,303	-	55			1,358
Net interest income after provision for loan losses	(228)	31,325	-			31,325	967	(49)			32,015
Non-interest income:											
Service charges and overdraft fees on deposits	-	2,959	-			2,959	19	-			2,978
Debit and ATM card income	-	2,761	-			2,761	50	-			2,811
Earnings on bank owned life insurance and annuity contracts	-	327	-			327	7	-			334
Other fees and commissions	-	687	35			722	3	-	(1) 93		632
Brokers fee income	-	88	-			88	-	-			88
Mortgage servicing income	-	-	-			-	177	-			177
Gain on sale of mortgage loans held for sale	-	-	-			-	363	-			363
Net gain on sale of other real estate	-	-	-			-	-	-			-
	-	6,822	35			6,857	619	-			7,383
Net gain on sale of available-for-sale debt securities	-	28	-			28	-	-			28
Non-interest expense:											
Employee salaries and benefits	84	14,612	-			14,612	334	-			15,030
Occupancy expenses	-	1,439	-			1,439	40	-			1,479
Debit and ATM card expense	-	1,245	-			1,245	23				1,268
Furniture and equipment expenses	-	1,090	-			1,090	28	-			1,118
Data Processing	-	1,104	-			1,104	117	-			1,221
Professional fees	701	905	-			905	75	-			1,681
Advertising	-	293	-			293	1	-			294
Telephone and communications	-	462	-			462	4	-			466
Supplies	-	378	-			378	5	-			383
Director and Committee fees	-	412	-			412	6	-			418
Postage	-	237	-			237	3	-			240
Amortization of purchased deposit base	-	238	-			238	5	-			243
FDIC insurance and state banking fees	-	385	-			385	35	-			420
Amortization of mortgage servicing asset	-	-	-			-	54	-			54
Net loss on sale of other real estate	-	29	-			29	-	-			29
Net loss on sale of premises and equipment	-	17	-			17	-	-			17
Other real estate expense	-	4	-			4	-	-			4
Net loss on sale of repossessed assets	-	1	-			1	-	-			1
Other operating expenses	98	1,709	-			1,709	109	37		(1) 93	1,860
	883	24,560	-			24,560	839	37			26,226
Earnings (loss) before taxes and equity in earnings of subsidiaries	(1,111)	13,615	35			13,650	747	(86)			13,200
Citizens Bank	11,090	-	-			-	-	-	(2) 11,090		-
American Bank & Trust	746	-	-			-	-	-	(2) 746		-
Citizens Insurance Services, Inc.	-	28	-	(2) 28		-	-	-			-
Town & Country Finance Company, Inc.	(63)	-	-			-	-	-		(2) 63	-
	10,662	13,643	35			13,650	747	(86)			13,200
Unrealized holding gain (loss) on marketable equity securities	-	(4)	-			(4)	-	-			(4)
Income taxes (benefit)	(176)	2,549	7			2,556	1	(23)			2,358
Net earnings	$ 10,838	11,090	28			11,090	746	(63)			10,838

THIS PAGE LEFT INTENTIONALLY BLANK

In Memory – Charles Darnell

On March 1, 2021, Citizens Bancorp lost its former Chairman, CEO, mentor and friend, Charles E. Darnell.

Darnell became President and CEO of Citizens Bank in Lafayette, Tennessee, in 1973, when the bank had $14 million in total assets. At his retirement as CEO in 2005, Citizens Bancorp had grown to $380 million in assets and operated 14 locations across the Upper Cumberland region of Tennessee.

A graduate of the University of Tennessee, Darnell began his career as a salesman for Cargill Feed Company in Tennessee and Kentucky. He started his banking career as a cashier at a community bank in Franklin, Tennessee, where he worked for five years before joining Citizens Bank.

Darnell was very active in his community, having served as a youth baseball coach for over 45 years, on the Macon Community Hospital Board for over 35 years, on the Alumni Board of the University of Tennessee, as an advisor to the 4-H Alumni Foundation, and as past President of the Tennessee Bankers Association.

Citizens Bank will always remember his humanitarian spirit, honesty, humility and kindness; and we will continue to live by his legacy and values.

CORPORATE INFORMATION

Stock Listing
OTCQX – Coming Soon
Ticker Symbol: CBTN

Stock Registrar & Transfer Agent
Broadridge Corporate Issuer Solutions
1155 Long Island Avenue
Edgewood, NY 11717-8309

Outside Counsel
K&L Gates LLP
222 Second Avenue South, Suite 1700
Nashville, TN 37201

External Auditors
Maggart & Associates, CPAs
1201 Demonbreun Street, Suite 1220
Nashville, TN 37203-3140

www.citizens-bank.org

Member FDIC

EQUAL HOUSING LENDER