ABI

Allegheny Bancshares Inc

ANNUAL REPORT 2021

Inside this Report

Page 1 | Financial Highlights
Pages 2-3 | Letter to Our Shareholders
Pages 4-5 | Facilitating Customer Financial Success
Pages 6-7 | Stimulating Economic Growth
Page 8 | Board of Directors
Page 9 | Advisory Boards
Pages 10-11 | Encouraging Team Member Success
Page 12 | Together Reaching New Heights

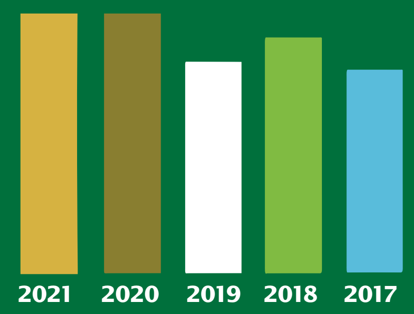
Our Mission

Pendleton Community Bank,
an Independent Community Bank,
is dedicated to **providing products and services**
that facilitate financial success of our customers,
encouraging professional success for our team members,
and **stimulating economic growth** in our communities,
thereby enhancing **the value of "YourBank".**

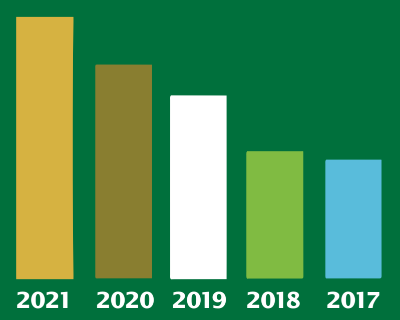
Financial Highlights

	Years ended December 31,				
	2021	2020	2019	2018	2017
	(Dollars in thousands except per share data)				
RESULTS OF OPERATIONS					
Interest Income	$ 19,974	$ 19,972	$ 16,452	$ 13,896	$ 12,730
Interest Expense	(1,837)	(2,554)	(2,540)	(1,672)	(1,062)
Net Interest Income	18,137	17,418	13,912	12,224	11,668
Provision for Loan Losses	(625)	(860)	(540)	(370)	(450)
Noninterest Income	3,932	3,440	2,961	2,441	2,350
Noninterest Expenses	(15,750)	(14,366)	(12,079)	(9,608)	(8,759)
Income Taxes	(989)	(1,060)	(841)	(862)	(1,493)
Net Income	$ 4,705	$ 4,572	$ 3,413	$ 3,825	$ 3,316
PROFITABILITY RATIOS					
Return on Average Assets	0.80%	0.94%	1.08%	1.27%	1.16%
Return on Average Equity	10.31%	10.63%	8.55%	10.10%	9.05%
PER COMMON SHARE					
Net Income	$5.70	$5.49	$4.07	$4.54	$3.90
Cash Dividends Declared	2.28	2.20	2.12	2.00	1.88
Book Value	55.37	53.35	48.10	45.51	43.33
Last Reported Market Price	72.00	72.00	70.00	70.00	72.00
AT YEAR END					
Assets	$627,833	$515,138	$442,126	$307,530	$288,858
Deposits	565,461	457,657	389,730	263,655	245,880
Loans, Net	369,308	341,483	325,233	241,353	225,636
Long-term Debt	11,050	7,734	7,944	2,144	2,334
Stockholders' Equity	45,385	43,732	39,984	38,008	36,360
Equity to Assets Ratio	7.23%	8.49%	9.04%	12.36%	12.59%

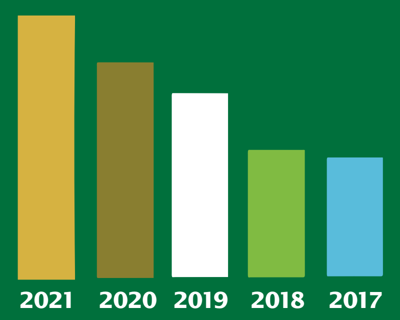
Net Income



Year End Assets



Year End Deposits



Letter to Our Shareholders

WILLIAM A. LOVING, JR., CLBB
President / CEO

Dear Shareholder,

Living out our mission…to us, our Mission Statement is not just words on a page, but how we conduct business and interact with our community day in and day out. Throughout 2021, the fruits of our dedication to this mission have never been more evident than in our accomplishments this year – a few of which are outlined in this year's report.

As I stated in the recent Letter to Shareholders announcing our annual dividend, 2021 was another year of growth. Our strategic focus on profitable growth was played out by the acquisition of three financial centers in Bridgewater, Harrisonburg, and Staunton from Carter Bank & Trust, which was completed in late May. In addition, we opened loan production offices in Lewisburg, West Virginia and in Staunton, Virginia. Not only do these offices fit well within our footprint, but this also positions us for expansion into the Augusta County, Virginia market and collectively provides an opportunity to grow earnings while ***facilitating customer financial success.***

Another element of fulfilling our mission was evident throughout the Paycheck Protection Program (PPP). PCB partnered with 930 small businesses to provide approximately $50 million in PPP funding in 2020 and 2021, impacting over 4,300 jobs…and many individuals. I am so proud of our team for their dedication and work effort during those trying times and for staying focused on one of our core values of ***stimulating economic growth in our communities.***

Not only did we experience "brick and mortar" growth during the year, but we also saw a significant increase in our digital offerings and presence. This growth also aligned with our strategic focus and reminds me of a promise we made some years ago pertaining to our ever-changing landscape when I stated:

> *"What does the future bring? Clearly the financial services industry is changing and evolving into a different system of yesteryear. We will continue to see increased utilization of electronic banking products and customers looking for the 'coolest' and the 'newest' ways to transact business. At the same time, there will be those that remain true to their 'traditional' ways of banking. To that end, we are committed to serving both…".*

Words that rang true then and remain so today. We are committed to providing "High Tech" options, while focusing on our traditional delivery channel of "High Touch".

All these elements, along with a host of others, culminated in a very successful year. We saw $112.7 million in balance sheet growth (Total Assets) that was accomplished via approximately $65.3 million in the three-branch acquisition, but also approximately $47.4 million in organic growth to end the year at $627.8 million in total assets. This growth was fueled by a $107.8 million (23.6%) increase in total deposits; and, while loan volume doesn't show similar growth, adjusting for PPP activity and reduction in warehouse funding, we saw approximately $46.6 million in organic loan growth.

> *"I am extremely pleased to report that 2021's profitability set another record. Net income for the year was $4,704,735. This represented an increase of $133,214 (2.91%) over 2020's performance. . .*

I am extremely pleased to report that 2021's profitability set another record. Net income for the year was $4,704,735. This represented an increase of $133,214 (2.91%) over 2020's performance and includes one-time conversion costs of approximately $293,450. This year's profitability allowed for the $2.28 per common share annual dividend we announced in December 2021– an increase of 3.8% in Earnings Per Share– and many other positive results that you will be able to discern for yourself by reviewing the "Summary Information" page or the entirety of this report. Given the current economy, the buildout of our team, and the addition of a Dealer Finance division and Loan Production Offices in Lewisburg, West Virginia and Staunton, Virginia, I'm confident we will continue to see growth in loans, thus supporting future growth in earnings and profitability.

In closing, this year's accomplishments and our stellar performance would not have been possible without the leadership of the Board of Directors and the dedicated team members who I have the privilege to work alongside. They are truly the best, and PCB remains committed to ***encouraging team member success.*** Also, I would be remiss if I didn't acknowledge the important impact of our shareholders and loyal customers who have entrusted us with their financial wealth, which without that, the year would not have been possible. To all…thank you. It is a privilege and honor to be your CEO.

Facilitating Customer Financial Success

Our Virginia, Northern West Virginia, and Southern West Virginia regions are individually unique, but all present opportunities for market development and expansion. Loan production and deposit growth were strong in each region, reflecting the hard work of our team members to build relationships and trust with clients in an increasingly competitive and changing environment.

Through physical expansion, digital enhancements, and new program development, PCB provides a more well-rounded banking experience for current customers and attracts new relationships to the bank with the goal of facilitating financial success.

Mobile Check Deposit

Approximately 400 active users per month averaging 1,200 deposits per month

Social Media Follower Increases

- Facebook – 18%
- LinkedIn – 82%
- Instagram – 33%
- Twitter – 18%

Growing Our Digital Community

PCB continues to promote digital offerings to our customer base and since the start of the pandemic, all digital solutions have seen a steady increase in adoption and usage. The website and social media have been an area of focus as well in an effort to continue expanding the bank's digital footprint to best meet customers where they are.

Active Online Banking Users

2021	7,967
2020	7,646
2019	5,181
2018	4,830

Active Mobile Banking Users

2021	4,864
2020	4,063
2019	2,503
2018	2,048

Monthly Website Visits

2021	137,704
2020	67,355
2019	48,210
2018	56,845

Market Expansion

PCB acquired three financial centers from Carter Bank & Trust on May 24, 2021. The expansion was strategically beneficial in that it meets the needs of current customers in Harrisonburg and opens the door for new opportunity in Bridgewater and Staunton.

Harrisonburg
2169 South Main Street

Bridgewater
317 N. Main Street

Staunton
478 Frontier Drive

During 2021, PCB opened Loan Production Offices in Lewisburg, West Virginia and Staunton, Virginia. This positions the organization for further growth in both regions following the acquisition of financial centers from the Bank of Mount Hope (2019) and Carter Bank & Trust.

Lewisburg LPO
787 South Court Street

Staunton LPO
2201 North Augusta Street

Paycheck Protection Program

The Small Business Administration opened the second round of the Paycheck Protection Program (PPP) in January of 2021, and PCB team members were quick to assist our small business customers. Additionally, a large portion of PPP forgiveness was processed throughout the year. The program created new opportunities for our team members who continue to strengthen and develop those relationships.

2020	2021
356 PPP Loans Totaling $32M	581 PPP Loans Totaling $18M

930 Small Businesses Assisted
4,313 Local Jobs Retained

PCB Stimulating Economic Growth in Our Communities

Dealer Finance Division

PCB continued growth in July of 2021 by creating a Dealer Finance Division to build and oversee the financial institution's auto lending portfolio throughout West Virginia and Virginia. PCB successfully launched a loan origination/underwriting platform for auto lending and rolled out programs specific to powersports and recreational vehicles.

25 Dealerships Signed
on throughout entire footprint

Committed to Our Community

Although the banking industry continued to face the challenges of operating during a global pandemic, PCB team members adapted and evolved to best service our customers and community. Business development activities were able to resume a sense of normalcy which was encouraging for our hands-on team of community-driven bankers.

People Centered
Community Driven
Banking Solutions

Board of Directors

WILLIAM A. LOVING, JR., CLBB
President / CEO

CAROLE HARTMAN
Chair / Farmer

ROGER CHAMP
Secretary / Retired Contractor

CHAD BRANSON
Vice Chair / Associate Broker – Old Dominion Realty

WILLIAM BEARD, JR.
Farmer

WILLIAM BOSLEY, OD
Doctor of Optometry

MIKE LIVELY
Retired Commercial Insurance Agent

LAURA SIMPSON EVICK
Partner – Hoover Penrod, PLC

DENNIS WENGER
President – Skyline Roofing
Vice President – Stone Hill Construction, Inc.

Harrisonburg-Rockingham Advisory Board

Pictured from left to right:

Oren Heatwole
Owner, Poultry Specialties Inc.

Chris Rooker
Realtor, Harrisonburg Homes Team

Troy Suter
President & CEO, LD&B Insurance and Financial Services

Bernard Hamann
Owner, Chief Marketing Officer, Rocktown Realty

Frank Oncken
CFO & Director of Administration, Partners Excavating Company

Hahns Kanode
Agronomy Consultant–Houff Corporation, Business Owner

Dr. Catherine Slusher
OB/GYN Provider, Harrisonburg OB–GYN Association P.C.

Augusta County Advisory Board

Pictured from left to right:

Dean Caldwell
Agent & Marketing Representative, Valley Trust Insurance

Allen Dahl
Business Partner, Triangle Real Estate Group

Roger Boles
Owner, Home Instead Senior Care (Staunton)

Andrea Oakes
Mayor, City of Staunton

Butch Smiley
Retired Community Banker

Scott Simons
Managing Partner/President of Valley CMA Dealerships

Clay Wisely (not pictured)
CPA; Owner at Blue Ridge Mountain Mortgage

There are many reasons for this year's success.
The most obvious is that of the continued dedication and support of our many PCB team members.

PCB

Encouraging Team Member Success

Below, you will find our years of service recognition.
Names with an asterisk received an internal promotion in 2021.

Team Member | Years of Service

William A Loving, Jr., CLBB, President/CEO (21)
Neil Hayslett, Chief Banking Officer (1+)
Sheldon Arbaugh, SR VP West Virginia Area Executive (26)
JT Bishop, SR VP Commercial Relationship Manager (1+)
Josh Byers, SR VP Chief Credit Officer (17)
Aaron Green, SR VP Senior Lending Officer (1+)
Tammy Kesner, SR VP Chief Financial Officer (1+)
Jonah Pence, SR VP Virginia Area Executive (3)
Tim Cash, VP Business Development Officer (3)
Tammy Clutter*, VP Information Security Officer (20)
Gary Davenport, VP Business Development Officer
Monika Eckard, CPA, VP Human Resources/Affirmative Action Officer (10)
Kathy Parker, VP Executive Assistant/Investor Relations/Ethics Officer (19)
Sarah Prusak, VP Business Banking Officer (1+)
Cindy Rader, VP Mortgage (6)
Erin Sites, CPA, VP Assistant CFO (19)
Amanda Smith, VP Retail Administrator (18)
Rhonda Tredway, VP Business Development Officer (22)
Bradley Wartella, VP Business Development Officer (23)
Mark Williams, VP Director of Compliance (15)

35 Years
Tony Calhoun

20-25 Years
Joy Hersey
Donna Idleman
Lori Nelson-Roberson
Leigh Richardson
Margaret Shriver
Tammy Smith*
Misty Taylor
Trina Whitt
Diana Williams

15-20 Years
Missy Bennett
Marc Craun
Tammy Davis
Trish Flynn
Teresa Heavner
Darla Jones
Selina King
Nancy Mallow
Debbie Propst
Evelyn Simmons
Melissa Smith

10-15 Years
Jessica Basagic*
Holly Beachler*
Michelle Bickford
Yvette Britt-Boggess
Kimberly Butner
Linda Comer
Dayne Davis
Angel Dove
Samantha Farley
Kimberly Fox
Brittany Mitters*
Susan Mullins
Susan Payne*
Julie Pence
Duwan Romage
Katie Sinnett*
Sharon Stickley
Joey Vetter
Linda Walker

5-10 Years
Kendall Beverage
Christina Branham*
Sarah Burns
Lauren Dunbrack*
Steven Gravely
Emily Hull
Stacey Irvine
Katie Jackson
Teri Janes
Luke Kesner
Nicole Marsh
Doug Moran
Samantha Puchany*
Brittany Raynes
Laura Roadcap
Judy Snyder
Nick Yoder

"PCB is committed to team member achievement and supports a culture where employees grow and succeed."

– William A. Loving, Jr., CLBB | President & CEO

0-5 Years
Faith Anderson Harper
Holly Bailey
Jason Blosser
Allison Bowser
Rebekah Byers
Reyenne Colaw
Carly Cooper
Larissa Cramer
Doreen D'Alberti
Lori D'Angelo
Kelsey Dean
Michael Deel
Teresa Dion
Melissa Elliott
Tammy Ellis
Caleb Elswick
Kyle Evick
Karen Ewing
Casey Goldizen*
Mary Beth Good
Barbara Gowl
Preston Haden
Brionna Hartman*
Jessica Hedrick
Diana Hernandez
Grace Hernandez-Salva
Joseph Ingram
John Keppe Jr
Stephanie Kile*
Carly Knicely*
Rita Lawhorne
Keliegh Lewis
Christopher Mabes
David Martin
Courtney Martiny
Joan Mathias
Jaime McDonald
Hillary Mclaughlin
Crystal Merrick
Billy Miller
Donna Miller
Amy Nazelrodt
Craig Orndorff
Katherine Ours
Michael Parker
Alexandra Plate
Kimberly Reyes
Clay Richardson*
Alexander Roth
Darla Ruddle
Haley Sager
Chelsey Simmons*
Natasha Simmons
James Sneed Jr
Lisa Sponaugle
Stephanie Walker
Kerry Watkins
Lana Watson
Meghan Wright
Kelcy Young

PCB

Together Reaching New Heights

*"While our footprint and our organization continues to grow, **we remain one team working together** to facilitate financial success for our customers and to stimulate economic growth in our communities."*

– William A. Loving, Jr. CLBB | President & CEO

Northern West Virginia Market

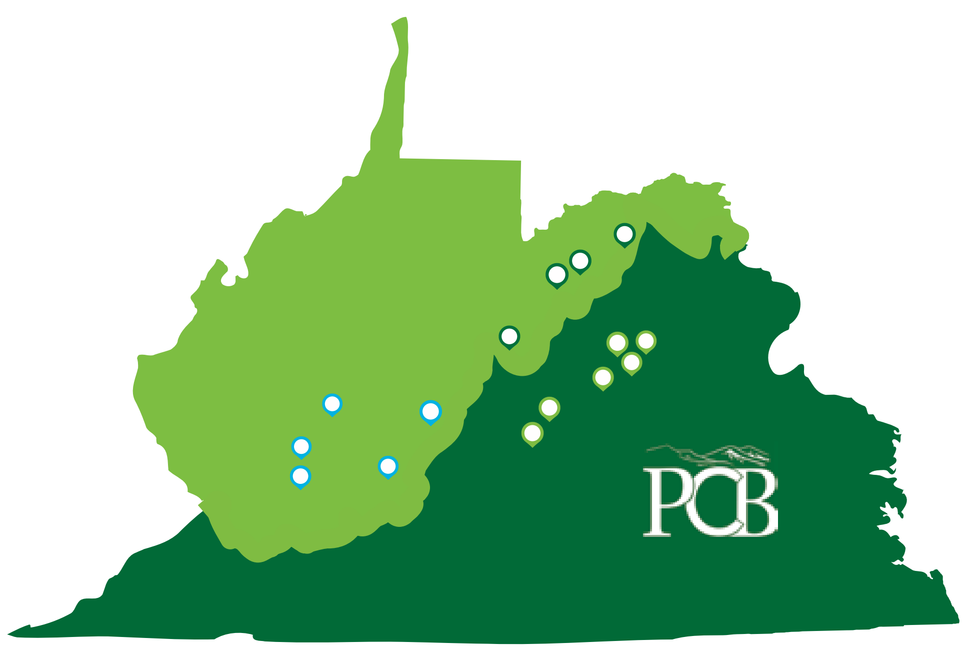
Franklin | 128 North Main Street | (304) 358-2311
Moorefield | 402 South Main Street | (304) 538-7900
Petersburg | 102 Virginia Avenue | (304) 257-4000
Wardensville | 25 West Main Street | (304) 897-2265

Southern West Virginia Market

Beckley | 204 Pinewood Drive | (304) 252-2265
Lewisburg Loan Production Office | 787 South Court Street | (304) 661-1293
Marlinton | 19180 Seneca Trail | (304) 799-6700
Mount Hope | 602 Main Street | (304) 877-5551
Oak Hill | 835 E. Main Street | (304) 469-8046

Virginia Market

Bridgewater | 317 N Main Street | (540) 828-6630
Harrisonburg West | 41 Monte Vista Drive | (540) 434-4722
Harrisonburg Downtown | 57 South Main Street | (540) 214-2070
Harrisonburg South Main | 2169 S Main Street | (540) 432-0474
Staunton | 478 Frontier Drive | (540) 885-1108
Staunton Loan Production Office | 2201 North Augusta Street | (540) 294-1831



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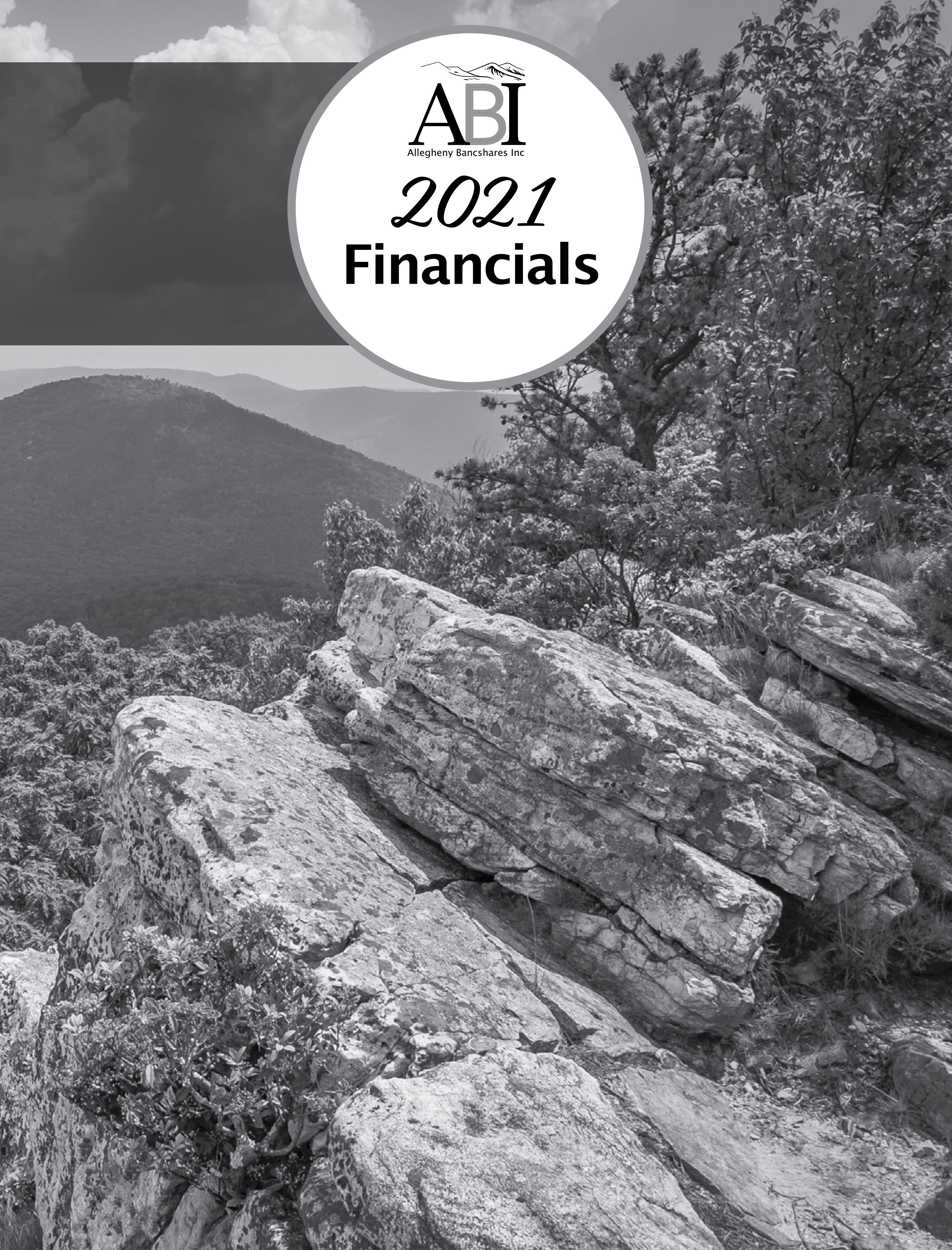
Allegheny Bancshares Inc

2021 Financials



INDEX TO FINANCIAL STATEMENTS

PAGE 2	INDEPENDENT AUDITOR'S REPORT
PAGE 4	CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION as of December 31, 2021 and 2020
PAGE 5	CONSOLIDATED STATEMENTS OF INCOME for the years ended December 31, 2021 and 2020
PAGE 6	CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME for the years ended December 31, 2021 and 2020
PAGE 7	CONSOLIDATED STATEMENTS OF CASH FLOWS for the years ended December 31, 2021 and 2020
PAGE 8	CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY for the years ended December 31, 2021 and 2020
PAGE 10	NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
PAGE 43	ANNUAL DISCLOSURE STATEMENT

ABI
Allegheny Bancshares Inc

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders
Allegheny Bancshares, Inc.
Franklin, West Virginia

Opinion
We have audited the accompanying consolidated financial statements of Allegheny Bancshares, Inc. and its subsidiary (the Company), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of their operations and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

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

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

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

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Other Information Included in the Annual Report
Management is responsible for the other information included in the annual report. The other information comprises the shareholder letter and selected financial data but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Yount, Hyde & Barbour, P.C.

Roanoke, Virginia
March 1, 2022

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2021 AND 2020

	2021	2020
ASSETS		
Cash and cash equivalents	$ 12,838,925	$ 12,306,271
Fed funds sold	12,666,686	5,642,273
Interest bearing deposits in banks	82,354,527	36,053,649
Cash and cash equivalents	107,860,138	54,002,193
Investment securities available for sale, at fair value	117,258,688	64,497,041
Restricted equity securities, at cost	260,395	271,295
Loans held for sale	---	29,065,446
Loans held for investment	372,388,007	344,657,014
Less: allowance for loan losses	(3,079,683)	(3,174,065)
Net loans held for investment	369,308,324	341,482,949
Bank premises and equipment, net	9,664,708	7,136,679
Interest receivable	2,108,002	2,155,166
Goodwill	5,117,001	4,479,823
Core deposit intangible, net	1,327,611	1,032,500
Bank owned life insurance	11,858,505	9,129,541
Other real estate owned	634,875	1,181,175
Other assets	2,434,876	703,858
Total Assets	$ 627,833,123	$ 515,137,666
LIABILITIES		
Deposits		
Noninterest bearing	$ 160,461,376	$ 133,545,846
Interest bearing:		
Demand	84,133,040	68,360,405
Savings	182,422,136	144,225,147
Time deposits over $250,000	17,842,969	18,817,335
Other time deposits	120,601,705	92,708,545
Total Deposits	565,461,226	457,657,278
Securities sold under agreements to repurchase	657,407	1,677,484
Subordinated debt	9,500,000	6,000,000
Long-term debt	1,550,347	1,734,106
Accrued expenses and other liabilities	5,279,369	4,336,472
Total Liabilities	582,448,349	471,405,340
STOCKHOLDERS' EQUITY		
Common stock; $1 par value, 2,000,000 shares authorized, 784,554 shares issued in 2021 and 2020	784,554	784,554
Class A Common stock; $1 par value, 2,000,000 shares authorized, 108,872 shares issued in 2021 and 2020	108,872	108,872
Class B Common stock, $1 par value, 2,000,000 shares authorized, 6,574 shares issued in 2021 and 2020	6,574	6,574
Additional paid in capital	900,000	900,000
Retained earnings	47,220,075	44,372,757
Accumulated other comprehensive income	1,046,446	2,241,316
Common Treasury stock (at cost, 76,487 shares)	(4,453,627)	(4,453,627)
Class A Treasury stock (at cost, 3,785 shares)	(227,100)	(227,100)
Class B Treasury stock (at cost, 17 shares)	(1,020)	(1,020)
Total Stockholders' Equity	45,384,774	43,732,326
Total Liabilities and Stockholders' Equity	$ 627,833,123	$ 515,137,666

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Interest Income:		
Loans and fees	$ 18,003,011	$ 18,246,426
Interest bearing deposits in banks	208,124	165,768
Investment securities – taxable	1,119,006	878,690
Investment securities – nontaxable	644,197	681,533
Total Interest Income	19,974,338	19,972,417
Interest Expense:		
Interest on deposits	1,301,831	2,104,716
Interest on borrowings	535,699	449,431
Total Interest Expense	1,837,530	2,554,147
Net Interest Income	18,136,808	17,418,270
Provision for loan losses	625,000	860,000
Net Interest Income After Provision for Loan Losses	17,511,808	16,558,270
Noninterest Income:		
Service charges, fees and commissions	1,443,921	1,390,076
Increase in cash value of bank owned life insurance	228,964	202,630
Gain (Loss) on sale of available for sale securities, net	18,390	(22,536)
Other income	2,240,352	1,869,736
Total Noninterest Income	3,931,627	3,439,906
Noninterest Expense:		
Salaries and benefits	8,529,106	7,593,569
Occupancy expenses	1,046,021	901,607
Equipment expenses	1,838,567	1,707,203
Director's fees	390,283	444,940
Core deposit intangible amortization	144,889	118,000
(Gains) losses on sale and write-downs of other real estate owned, net	(18,746)	20,114
Merger related expenses	302,059	639,754
Other expenses	3,517,708	2,940,732
Total Noninterest Expenses	15,749,887	14,365,919
Income before Income Taxes	5,693,548	5,632,257
Income Tax Expense	988,813	1,060,736
Net Income	$ 4,704,735	$ 4,571,521
Net Income per share of Common, basic and diluted	$ 5.70	$ 5.49
Net Income per share of Common Class A, basic and diluted	$ 5.98	$ 5.77
Net Income per share of Common Class B, basic and diluted	$ 6.27	$ 6.04
Cash dividends paid per share of Common	$ 2.28	$ 2.20
Cash dividends paid per share of Common Class A	$ 2.39	$ 2.31
Cash dividends paid per share of Common Class B	$ 2.51	$ 2.42
Weighted Average Shares Outstanding, Common	708,067	712,552
Weighted Average Shares Outstanding, Common Class A	110,341	105,087
Weighted Average Shares Outstanding, Common Class B	7,213	6,557

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Net Income	$ 4,704,735	$ 4,571,521
Other comprehensive income (loss)		
Unrealized gains (losses) arising during the period on available for sale securities	(1,493,971)	2,114,541
Adjustments for income tax expense	313,734	(444,054)
	(1,180,237)	1,670,487
Reclassification adjustment for net (gains) loss included in net income	(18,390)	22,536
Adjustment for income tax expense (benefit)	3,757	(4,733)
	(14,633)	17,803
Total other comprehensive income (loss)	(1,194,870)	1,688,290
Total comprehensive income	$ 3,509,865	$ 6,259,811

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Cash Flows from Operating Activities:		
Net Income	$ 4,704,735	$ 4,571,521
Adjustment to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	625,000	860,000
Depreciation and amortization	666,441	675,040
Core deposit intangible amortization	144,889	118,000
Net amortization of securities	438,400	408,256
(Gain) Loss on sale of available for sale securities, net	(18,390)	22,536
Loss on sale of bank premises and equipment	257	14,576
Deferred income tax benefit	(94,612)	(62,204)
Increase in bank owned life insurance	(228,964)	(202,630)
(Gain) Loss on sale and write-downs of other real estate owned, net	(18,746)	20,114
Net change in interest receivable	47,164	(357,862)
Net change in other assets	(1,536,283)	(1,599,855)
Net change in accrued expense and other liabilities	898,842	1,326,615
Net Cash Provided by Operating Activities	5,628,733	5,794,107
Cash Flows from Investing Activities:		
Net change in Fed Funds sold	(7,024,413)	3,855,973
Net change in interest bearing deposits in banks	(46,300,878)	(29,990,173)
Proceeds from sales, calls and maturities of available for sale securities	12,013,769	26,866,290
Purchase of available for sale securities	(66,707,787)	(22,164,014)
Purchase of bank owned life insurance	(2,500,000)	---
Proceeds from redemption of restricted investments	10,900	9,600
Proceeds from sale of other real estate owned	692,046	514,114
Purchase of bank premises and equipment	(869,236)	(752,396)
Net changes in loans	(26,266,980)	(17,109,496)
Net changes in loans held for sale	29,065,446	(29,065,446)
Cash acquired in bank acquisition, net of consideration paid	60,181,031	---
Net Cash (Used in) Investing Activities	(47,706,102)	(67,835,548)
Cash Flows from Financing Activities:		
Net change in demand and savings deposits	58,976,725	70,683,550
Net change in time deposits	(16,805,449)	(2,756,496)
Net change in securities sold under agreements to repurchase	(1,020,077)	219,685
Proceeds of issuance of subordinated debt	3,500,000	---
Curtailments of long-term borrowings	(183,759)	(210,168)
Purchase of treasury stock	---	(695,100)
Cash dividends paid	(1,857,417)	(1,816,366)
Net Cash Provided by Financing Activities	42,610,023	65,425,105
Cash and Cash Equivalents		
Net increase in cash and cash equivalents	532,654	3,383,664
Cash and cash equivalents, January 1	12,306,271	8,922,607
Cash and cash equivalents, December 31	$ 12,838,925	$ 12,306,271
Supplemental Disclosure of Cash Paid During the Year for:		
Interest	$ 1,797,417	$ 2,627,779
Income taxes	$ 583,962	$ 1,267,250
Supplemental Schedule of Noncash Investing and Financing Activities:		
Other real estate acquired in settlement of loans	$ 127,000	$ 821,000
Unrealized gains (losses) on securities available for sale	$ (1,512,361)	$ 2,137,077
Branch purchase:		
Tangible assets acquired (net of cash received)	$ 4,643,459	$ ---
Identifiable intangible assets acquired	$ 440,000	$ ---
Liabilities assumed	$ 65,676,728	$ ---

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Total	Common Stock	Class A Common Stock	Class B Common Stock	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Common Treasury Stock	Class A Treasury Stock	Class B Treasury Stock
Balance December 31, 2019	$ 39,983,981	$ 784,554	$ 108,872	$ 6,574	$ 900,000	$ 41,617,602	$ 553,026	$ (3,794,527)	$ (191,100)	$ (1,020)
Net Income	4,571,521	---	---	---	---	4,571,521	---	---	---	---
Other Comprehensive Income	1,688,290	---	---	---	---	---	1,688,290	---	---	---
Purchase of Treasury Stock	(695,100)	---	---	---	---	---	---	(659,100)	(36,000)	---
Dividends Paid	(1,816,366)		---	---	---	(1,816,366)	---	---	---	---
Balance December 31, 2020	$ 43,732,326	$ 784,554	$ 108,872	$ 6,574	$ 900,000	$ 44,372,757	$ 2,241,316	$ (4,453,627)	$ (227,100)	$ (1,020)
Net Income	4,704,735	---	---	---	---	4,704,735	---	---	---	---
Other Comprehensive Loss	(1,194,870)	---	---	---	---	---	(1,194,870)	---	---	---
Purchase of Treasury Stock	---	---	---	---	---	---	---	---	---	---
Dividends Paid	(1,857,417)	---	---	---	---	(1,857,417)	---	---	---	---
Balance December 31, 2021	$ 45,384,774	$ 784,554	$ 108,872	$ 6,574	$ 900,000	$ 47,220,075	$ 1,046,446	$ (4,453,627)	$ (227,100)	$ (1,020)

See accompanying notes to consolidated financial statements.

ALLEGHENY BANCSHARES, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Allegheny Bancshares ("Company") is a bank holding company and operates under a charter issued by the state of West Virginia. The Company owns all of the outstanding stock of Pendleton Community Bank ("Bank"), which operates under a charter issued by the State of West Virginia. The Bank provides commercial banking services to customers and is headquartered in Pendleton County, West Virginia. As a state-chartered bank, the Bank is subject to regulation by the Department of Banking for the State of West Virginia and the Federal Deposit Insurance Corporation. The Bank is engaged in the general commercial banking business offering a full range of banking services focused primarily towards serving individuals, small businesses, the agricultural industry, local government entities, and the professional community.

The Bank's primary trade area includes the West Virginia localities of Pendleton, Grant, Hardy, Pocahontas, Greenbrier, Fayette, and Raleigh counties, with full service financial centers in the towns of Franklin, Marlinton, Moorefield, Petersburg, Wardensville, Mount Hope, Beckley, and Oak Hill, and a loan production office in Lewisburg. The institution currently operates three financial centers in the Virginia community of Harrisonburg, financial centers in Bridgewater and Staunton, and a loan production office in Staunton.

On May 21st, 2021, the Company completed the acquisition of three (3) financial centers formerly owned by Carter Bank and Trust pursuant to the terms and conditions of the Agreement dated January 13, 2021, between the Company and Carter Bank and Trust. The three financial centers acquired are located in the Virginia communities of Harrisonburg, Bridgewater, and Staunton.

The accounting and reporting policies of the Company and its' subsidiary conform to the U.S. generally accepted accounting principles and to accepted practice within the banking industry. A summary of significant accounting policies is as follows:

Classes of Commons Stock –The Company has three classes of common stock as follows: Common Stock, Class A Common Stock and Class B Common Stock. Common Stock has full voting rights on any and all matters that come before a vote of the Company's shareholders.

Class A Common Stock shareholders receive a 5% premium over the dividend paid on Common Stock, and Class A shareholders are only allowed to vote if shareholders are being asked to approve a merger, consolidation, conversion or sale of assets outside the normal course of business. Class A Common Stock will have a liquidation preference over Common Stock and Class B Common Stock.

Class B Common Stock shareholders receive a 10% premium over the dividend paid on Common Stock, and Class B shareholders are only allowed to vote if shareholders are being asked to approve a merger, consolidation, conversion or sale of assets outside the normal course of business. Class B Common Stock will have a liquidation preference over Common Stock, but after Class A Common Stock.

Consolidation Policy – The consolidated financial statements include Allegheny Bancshares, Inc. and Pendleton Community Bank. All significant intercompany balances and transactions have been eliminated.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses and the valuation of real estate in connection with foreclosures or in satisfaction of loans. In connection with the determination for the allowances for loan loss and foreclosed real estate, management obtains independent appraisals for significant properties.

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

While management uses available information to recognize loan losses, future additions to the allowance may be necessary based on changes in local economic conditions. In addition, regulatory agencies, as a part of their routine examination process, periodically review the Company's allowance for loan losses. Such agencies may require the Company to recognize additions to the allowance based on their judgments about information available to them at the time of their examinations. Because of these factors, it is reasonably possible that the allowance for loan losses may change materially in the near term.

Cash and Cash Equivalents – Cash and cash equivalents as used in the consolidated balance sheets and consolidated cash flow statements is defined as cash on hand and noninterest bearing funds at correspondent institutions. The Company may be required by the Federal Reserve to maintain a reserve balance based upon a percentage of deposits. The Company can meet this requirement through cash on hand, balances held with its correspondent bank, and cash held on reserve with Federal Reserve Bank. As of December 31, 2021 and 2020, no balance was required to be on reserve with the Federal Reserve Bank.

Investment Securities – Investment securities which the Company intends to hold for indefinite periods of time, including investment securities used as part of the Company's asset/liability management strategy, are classified as available for sale. These investment securities are carried at fair value.

Interest and dividends on securities and amortization of premiums and accretion of discounts on securities are reported as interest income using the effective interest method. Gains and losses on the sale of investment securities are determined using the specific identification method.

Declines in the fair value of available-for-sale securities below their cost that are determined to be other than temporary are reflected in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers (1) the intent of the Bank to sell the security, (2) whether it is more likely than not that the Bank will be required to sell the security before recovery of its amortized cost basis, and (3) whether the Bank expects to recover the security's entire amortized cost basis regardless of the Bank's intent to sell the security. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Loans Held for Sale – The Bank participated in a Mortgage Purchase Program with Northpointe Bank (Northpointe), a Michigan banking corporation. Pursuant to the terms of a participation agreement, the Bank purchased participation interests in loans made by Northpointe related to fully underwritten and pre-sold mortgage loans originated by various prescreened mortgage loan originators located throughout the United States. A maximum threshold was in place at the time the loans were purchased. The Bank utilized this program as a higher yielding alternative to federal funds sold or investment securities. These loans were residential real estate secured loans that were on a part of our portfolio for approximately two weeks. The Bank held these loans during the period of time between loan closing and when the loan paid off by the permanent secondary market purchaser. As a result of a capital raise by Northpointe in early 2021, the Bank's threshold was reduced due to Northpointe holding the loans and not participating the loans out. As of December 31, 2021, the Bank does not hold any of these loans.

Loans Held for Investment – Loans are intended to be held until maturity and are shown on the consolidated balance sheets net of the allowance for loan losses. Interest is computed by using an effective interest method which generally results in level rates of return on principal. Interest income generally is not recognized on loans classified as nonaccrual loans. Payments received on such loans are applied as a reduction of the loan principal balance. Interest income on other impaired loans is recognized only to the extent of interest payments received. Loans will remain in nonaccrual status unless the loans are brought current per the loan contract and financial conditions have improved to a point that the likelihood of further loss is remote.

In the normal course of business, to meet the credit needs of its customers, the Company has made commitments to extend credit. These commitments represent a credit risk, which is not recognized in the Company's consolidated balance sheets. The Company uses the same credit policies in making commitments as it does for other loans. Commitments to extend credit are generally made for a period of one year or less and interest rates are determined when funds are disbursed. Collateral and other security for the loans are determined on a case-by-case basis. Since some of the commitments are expected to expire without being drawn upon, the contract or notional amounts do not necessarily represent future cash requirements. See Note 21 for lending commitments as of December 31, 2021 and 2020.

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

The accrual of interest on all loans is discontinued when in management's opinion the borrower may be unable to meet payments as they become due. These loans are considered nonaccrual loans, and all interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income.

With the passage of the Paycheck Protection Program ("PPP"), administered by the Small Business Administration ("SBA"), the Company actively participated in assisting its customers through the program. Most of the PPP loans the Company made have a two-year term and earn interest at 1%. Guidance issued by the SBA during the second wave of funding provided terms of up to five years. If borrowers request a change from 2 years to 5 years, the Company likely granted the request. The Company believes that the majority of these loans will ultimately be forgiven by the SBA in accordance with the terms of the program. As of December 31, 2021, the Bank holds $12,453,215 in PPP loans representing 284 loans. As of December 31, 2020, the bank held $30,539,367 in PPP loans representing 334 loans. PPP loans are held on the bank's balance sheet in the other commercial loan segment. It is the Company's understanding that loans funded through the PPP program are fully guaranteed by the U.S. government. Should those circumstances change, the Company could be required to establish additional allowance for loan loss through provision for loan loss charged to earnings.

Allowance for Loan Losses – The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the non-collectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

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

During these evaluations, particular characteristics associated with a segment of the loan portfolio are also considered. These characteristics are detailed below:

- Commercial loans not secured by real estate, carry risks associated with the successful operation of a business, and the repayments of these loans depend on the profitability and cash flows of the business. Additional risk relates to the value of collateral where depreciation occurs and the valuation is less precise.
- Loans secured by commercial real estate also carry risks associated with the success of the business and the ability to generate a positive cash flow sufficient to service debts. Real estate security diminishes risks only to the extent that a market exists for the subject collateral.
- Consumer loans carry risks associated with the continued creditworthiness of the borrower and the value of the collateral, such as automobiles which may depreciate more rapidly than other assets. In addition, these loans may be unsecured. Consumer loans are more likely than real estate loans to be immediately affected in an adverse manner by job loss, divorce, illness, or personal bankruptcy.
- Real estate secured construction loans carry risks that a project will not be completed as scheduled and budgeted and that the value of the collateral may, at any point, be less than the principal amount of the loan. Additional risks may occur if the general contractor is unable to finish the project as planned due to financial pressures unrelated to the project.
- Residential real estate loans carry risks associated with the continued creditworthiness of the borrower and changes in the value of the collateral.
- Nonprofit and tax-exempt loans are predominately loans made either to municipalities, or to emergency service organizations such as rescue squads or fire departments. These organizations rely on tax collections in the case of municipalities and often contributions for the rescue organizations. These loans are typically secured by equipment and sometimes real estate. The inherent risk is economic downturn that can hurt contributions or tax receipts.

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

The primary tool used in managing and controlling problem loans is a watch list report. The report is a listing of all loans or commitments that are either demonstrating signs of becoming problematic or currently considered problem loans. Changes to the report must have the concurrence of the Chief Credit Officer and the Chief Executive Officer.

Occurrence of any of the following criteria is a basis for adding a loan to the watch list report.

- Loans classified as substandard, doubtful or loss by bank examiners, external auditors or loan review based upon financial trends.
- Loans on nonaccrual status.
- Loans more than 90 days delinquent.
- Loans judgmentally selected by executive management or the Board of Directors, due to unexpected changes or events which could have a potentially adverse effect on the borrower's ability to repay.

When a loan is added to the watch list report, the Chief Credit Officer and the Chief Executive Officer will assess the need for updated valuations. Upon receipt of current value updates, if necessary, these individuals along with the Chief Financial Officer will estimate the need for a specific loss to be allocated in the Bank's allowance for loan losses.

The following guidance has been given as an aid to loan officers in detecting problem loans.

- Financial Statement Analysis – As customer financial statements are received, they should be immediately analyzed to see if there are any significant changes in financial position or operating results.
- Delayed Financial Statements – If we are having problems getting financial statements from a customer, a problem may be developing.
- Delinquent Principal or Interest – Delinquencies are often the first indication of a problem. We carefully review each loan as soon as it becomes past due.
- Marital Difficulties – Marital difficulties often cause businesses financial stress and are a major cause of problem loans.
- Lack of Cooperation – It is in the borrower's best interest to cooperate with the Bank. We suspect a problem if the customer becomes uncooperative.
- Other Red Flags – The following are additional red flags which could mean a problem situation is developing: more than two extension payments within the past 12 months, illness or death of a principal or key employee, overdrafts, unexpected renewals or unanticipated new borrowing, deteriorating financial ratios, irresponsible behavior on the part of a borrower or cancellation of insurance.

The allowance consists of specific and general components. The specific component relates to loans that are classified as either doubtful or substandard or loans exceeding 90 days past due that exceed $50,000. For such loans, that are also classified as impaired, an allowance is established when the collateral value less estimated costs to sell, or observable market price (or discounted cash flows) of the impaired loan is lower than that carrying value of that loan. The general component covers non-classified loans and is based on historical loss experience adjusted for qualitative factors including current economic conditions and volume and mix of the existing loan portfolio.

The Bank utilizes a risk grading matrix to assign a risk grade to each of its loans. Credits are graded on a scale of 1 to 8. A description of the general characteristics of the 8 risk grades is as follows:

<u>Risk Grades 1 through 4 (Pass):</u> There are five different risk grades considered to be "Pass" grades. The first four grades are considered those performing credits that presently are considered lesser risk to the Bank. Credits in the Risk Grade 1 category are virtually risk-free and are well-collateralized by deposit accounts held by the Bank. The repayment program is well-defined and achievable and repayment sources are numerous. Risk Grade 2 is reserved for loans secured by readily marketable collateral, or loans within guidelines to borrowers with liquid financial statements with excellent sources of repayment, no significant identifiable risk of collection, and conformity in all respects to Bank policy guidelines, underwriting standards, and Federal and State regulations. A Risk Grade of 3 is reserved for the Bank's loans that are considered average credit risk, meet all the loan policy guidelines, and with no apparent weakness. These loans have no significant identifiable risk of collection. Generally, loans assigned this grade have documented historical cash flow that meets or exceeds required minimum Bank guidelines or that can be supplemented with verifiable cash flow from other sources as well as adequate secondary sources to liquidate debt.

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Finally, debts with a Risk Grade of 4 are loans considered to be slightly more than average credit risk. They meet the credit guidelines; however, they have certain characteristics which call into question the borrower's financial well-being. It may be elevated debt to income ratio, high loan to value ratio, balance sheet weakness or a cash flow weakness that is deemed to be temporary in nature. These are credits that may require more frequent monitoring.

Risk Grade 5 – Special Mention: The fifth and lowest pass grade is given to this level of risk. These loans have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in the deterioration of the repayment prospects for the asset or in the Bank's credit position at some future date. These loans are not adversely classified and do not expose the Bank to a sufficient risk to warrant adverse classification. Failure to properly monitor such loans or to correct deficiencies could result in greater credit risk in the future.

Risk Grade 6 – Substandard: A substandard loan is inadequately protected by the current sound net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans classified as substandard must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt; they are characterized by the possibility that the institution may sustain some loss if the deficiencies are not corrected. Loans in this category are characterized by deterioration in the quality exhibited by any number of well-defined weaknesses requiring corrective action.

Such loans are no longer considered to be adequately protected due to the borrower's declining net worth, lack of earnings capacity, declining collateral margins, and/or unperfected collateral positions. A possibility of loss of a portion of the loan balance cannot be ruled out. The repayment ability of the borrower is marginal or weak, and the loan may have exhibited excessive overdue status or extensions and renewals.

Risk Grade 7 – Doubtful: Loans classified Doubtful have all the weaknesses inherent in loans classified Substandard, plus the added characteristic that the weaknesses make collection or liquidation in full on the basis of current existing facts, conditions, and values highly questionable and improbable. However, these loans are not yet rated as a loss because certain events may occur which would salvage the debt.

The ability of the borrower to service the debt is extremely weak, overdue status is constant, the debt has been placed on non-accrual status, and no definite repayment schedule exists. Doubtful is a temporary grade where a loss is expected but is presently not quantified with any degree of accuracy. Once the loss position is determined, the amount is charged off.

Risk Grade 8 – Loss: Loans classified Loss are considered uncollectible and of such little value that their continuance as bankable assets are not warranted.

All classes of loans are considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for commercial real estate, residential real estate, and construction loans by either the fair value of the collateral less estimated costs to sell, or present value of expected future cash flows discounted at the loan's effective interest rate.

Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Bank does not separately identify individual consumer loans for impairment disclosures, unless such loans are in excess of $100,000.

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

In connection with the evaluation of the collectability of all classes of loans which are greater than 90 days past due as to principal or interest for nonaccrual status, any amounts not deemed well secured or otherwise collectible shall be recommended for charge-off at that time. Additionally, charge-off consideration shall be given to loans evaluated in connection with the Bank's loan review policy and procedures and loans identified for repossession or foreclosure. In any event, it shall be the policy of the Bank to charge-off amounts deemed uncollectible in the periods when identified. All charge-off amounts are approved by the Board of Directors.

Troubled Debt Restructuring – In situations where, for economic or legal reasons related to a borrower's financial condition, management may grant a concession to the borrower that it would not otherwise consider. The related loan is classified as a troubled debt restructuring ("TDR"). Management strives to identify borrowers in financial difficulty early and work with them to modify their loan to more affordable terms before their loan reaches nonaccrual status. These modified terms may include rate reductions, principal forgiveness, payment forbearance and other actions intended to minimize the economic loss and to avoid foreclosure or repossession of the collateral. In cases where borrowers are granted new terms that provide for a reduction of either interest or principal, management measures any impairment on the restructuring as noted above for impaired loans.

In accordance with regulatory guidance and provisions in the CARES Act which provided relief during the COVID-19 pandemic and was extended by the Consolidated Appropriations Act, the Company provided short-term concessions to borrowers who requested assistance. As of December 31, 2021, no loans remain deferred under the CARES Act provisions.

Transfers of Financial Assets – Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Bank – put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or the ability to unilaterally cause the holder to return specific assets.

Other Real Estate Owned – Asset acquired through, or in lieu of, loan foreclosures are held for sale and are initially recorded at fair value, less estimated costs to sell at the date of foreclosure, establishing a new cost basis. Physical possession of residential real estate collateralizing a consumer mortgage loan occurs when legal title is obtained upon completion of a foreclosure or when the borrower conveys all interest in the property to satisfy the loan through completion of a deed in lieu of foreclosure or through a similar loan agreement. Subsequent to foreclosure, management periodically performs valuations, and the assets are carried at the lower of carrying amount or fair value less estimated costs to sell. Revenue and expenses from operations and changes in valuation allowance are included in other operating expenses.

Bank Premises and Equipment – Land is carried at cost. Bank premises and equipment are stated at cost less accumulated depreciation. Depreciation is charged to income over the estimated useful lives of the assets principally on a straight-line method.

For buildings and improvements, the estimated useful lives are between 10 and 50 years, the estimated lives for furniture and equipment are 5 to 10 years.

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

Goodwill – The Company follows FASB ASC 350-20*, Intangibles-Goodwill and Other* which gives the Company the option to qualitatively determine whether they can bypass the two-step goodwill impairment test. The Company continues to perform the two-step process under ASC 350-20. Provisions within this statement require at least annual impairment review or more often if certain impairment conditions exist. The Goodwill resulted from a financial center acquisition in 2009, the acquisition of the Mount Hope Bankshares in 2019, and a 3 financial center acquisition in 2021.

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Income Taxes – Deferred income tax assets and liabilities are determined using the balance sheet method. Under this method, the net deferred tax asset or liability is determined based on the tax effects of the temporary differences between the book and tax bases of the various balance sheet assets and liabilities and gives current recognition to changes in tax rates and laws.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefits that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying consolidated balance sheet along with any associated interest and penalties that would be payable to the taxing authorities upon examination. Interest and penalties associated with the unrecognized tax benefits are classified as additional income taxes in the Consolidated Statements of Income. As of December 31, 2021 and 2020, the Company has not identified and recorded any uncertain tax positions.

Net Income per Share – Basic earnings per common share represent income available to common shareholders divided by the weighted-average number of common shares outstanding during the period. Diluted earnings per common share reflect additional common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance. The Company had no potential common shares during the calendar years 2021 and 2020. Earnings per common share is computed using the two-class method. The Class A Common shares carry a 5% dividend preference over common shares, and Class B shares carry a 10% dividend preference over Common shares.

Fair Value of Financial Instruments – Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully discussed in Note 19. Fair value estimates involve uncertainties and matters of significant judgment. Changes in assumption or in market conditions significantly affect the estimates.

Advertising – The Bank follows the policy of charging the costs of advertising to expense as incurred. Total advertising expense incurred for 2021 and 2020 was $445,758 and $311,334, respectively.

Mergers and Acquisitions **–** Business combinations are accounted for under ASC 805, "Business Combinations", using the acquisition method of accounting. The acquisition method of accounting requires an acquirer to recognize the assets acquired and the liabilities assumed at the acquisition date measured at their fair values as of that date. To determine the fair values, the Company relies on third party valuations, such as appraisals, or internal valuations based on discounted cash flow analysis or other valuation techniques. Under the acquisition method of accounting, the Company identifies the acquirer and the closing date and applies applicable recognition principles and conditions. Acquisition –related costs are expenses the Company incurs to effect a business combination. Those costs include advisory, legal, accounting, valuation, and other professional or consulting fees. Some other examples of costs to the Company include systems conversions, integration planning consultants, and advertising costs. The Company accounts for acquisition-related costs as expenses in the periods in which the costs are incurred and the services are received. These acquisition related costs have been and will be included within the Consolidated Statements of Income classified within the noninterest expense caption.

Comprehensive Income (Loss) – Accounting principles generally require that recognized revenue, expenses, gains, and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available for sale securities, are reported as a separate component of the equity section of the consolidated balance sheet, such items, along with net income, are components of comprehensive income (loss).

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Recent Accounting Pronouncements

During February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, "Leases (Topic 842)." Among other things, in the amendments in ASU 2016-02, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: (1) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (2) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. The ASU was initially effective for non-public business entities' financial statements issued for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. In June 2020, the FASB issued ASU 2020-05. Under ASU 2020-05, private companies may apply the new leases standard for fiscal years beginning after December 15, 2020, and to interim periods within fiscal years beginning after December 15, 2022. Earlier application is permitted. The Company is currently assessing the impact that ASU 2016-02 will have on its consolidated financial statements.

During June 2016, the FASB issued ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." The amendments in this ASU, among other things, require the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. The FASB has issued multiple updates to ASU 2016-13 as codified in Topic 326, including ASU's 2019-04, 2019-05, 2019-10, 2019-11, 2020-02, and 2020-03. The ASU is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early application is permitted. The Company is currently assessing the impact that ASU 2016-13 will have on its consolidated financial statements.

During January 2017, the FASB issued ASU 2017-04, "Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment." The amendments in this ASU simplify how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. Instead, under the amendments in this ASU, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount, and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The amendments in this ASU are effective for annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2021. Early adoption is permitted for interim or annual goodwill impairment tests. The Company does not expect the adoption of ASU 2017-04 to have a material impact on its consolidated financial statements.

During December 2019, the FASB issued ASU 2019-12, "Income Taxes (Topic 740) – Simplifying the Accounting for Income Taxes." The ASU is expected to reduce cost and complexity related to the accounting for income taxes by removing specific exceptions to general principles in Topic 740 (eliminating the need for an organization to analyze whether certain exceptions apply in a given period) and improving financial statement preparers' application of certain income tax-related guidance. This ASU is part of the FASB's simplification initiative to make narrow-scope simplifications and improvements to accounting standards through a series of short-term projects. The amendments are effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early adoption is permitted. The Company does not expect the adoption of ASU 2019-12 to have a material impact on its consolidated financial statements.

In March 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-04 "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial ***Note*** Reporting." These amendments provide temporary optional guidance to ease the potential burden in accounting for reference rate reform. The ASU provides optional expedients and exceptions for applying generally accepted accounting principles to contract modifications and hedging relationships, subject to meeting certain criteria, that reference LIBOR or another reference rate expected to be discontinued. It is intended to help stakeholders during the

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

global market-wide reference rate transition period. The guidance is effective for all entities as of March 12, 2020 through December 31, 2022. Subsequently, in January 2021, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2021-01 "Reference Rate Reform (Topic 848): Scope." This ASU clarifies that certain optional expedients and exceptions in Topic 848 for contract modifications and hedge accounting apply to derivatives that are affected by the discounting transition. The ASU also amends the expedients and exceptions in Topic 848 to capture the incremental consequences of the scope clarification and to tailor the existing guidance to derivative instruments affected by the discounting transition. An entity may elect to apply ASU No. 2021-01 on contract modifications that change the interest rate used for margining, discounting, or contract price alignment retrospectively as of any date from the beginning of the interim period that includes March 12, 2020, or prospectively to new modifications from any date within the interim period that includes or is subsequent to January 7, 2021, up to the date that financial statements are available to be issued. An entity may elect to apply ASU No. 2021-01 to eligible hedging relationships existing as of the beginning of the interim period that includes March 12, 2020, and to new eligible hedging relationships entered into after the beginning of the interim period that includes March 12, 2020. The Company is assessing ASU 2020-04 and its impact on the Company's transition away from LIBOR for its loan and other financial instruments.

In October 2021, the FASB issued ASU 2021-08, "Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers". The ASU requires entities to apply Topic 606 to recognize and measure contract assets and contract liabilities in a business combination. The amendments improve comparability after the business combination by providing consistent recognition and measurement guidance for revenue contracts with customers acquired in a business combination and revenue contracts with customers not acquired in a business combination. The ASU is effective for fiscal years, including interim periods within those fiscal years, beginning after December 15, 2023. Entities should apply the amendments prospectively and early adoption is permitted. The Company does not expect the adoption of ASU 2021-08 to have a material impact on its consolidated financial statements.

In November 2021, the FASB issued ASU 2021-09, "Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities." The ASU allows lessees that are not public business entities to make the risk-free rate election by class of underlying asset, rather than at the entity-wide level. It also requires that, when the rate implicit in the lease is readily determinable for any individual lease, a lessee uses that rate (rather than a risk-free rate or an incremental borrowing rate), regardless of whether it has made the risk-free rate election. An entity that has not yet adopted Topic 842 as of November 11, 2021, should apply ASU No. 2021-09 to all new and existing leases when the entity first applies Topic 842. An entity that has adopted Topic 842 as of November 11, 2021, should apply ASU No. 2021-09 for financial statements issued for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Earlier application is permitted as of the beginning of the fiscal year of adoption. The Company does not expect the adoption of ASU 2021-09 to have a material impact on its consolidated financial statements.

Subsequent Events:

The Company evaluated subsequent events that have occurred after the balance sheet date, but before the financial statements are issued. There are two types of subsequent events (1) recognized, or those that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements, and (2) non recognized, or those that provide evidence about conditions that did not exist at the date of the balance sheet but arose after that date.

Subsequent events have been considered through March 1, 2022; the date financial statements were available to be issued. Based on the evaluation, the Company identified no subsequent events.

NOTE 2 BUSINESS COMBINATION – CARTER BANK & TRUST ACQUISITION:

On May 21, 2021, the Bank purchased three financial centers from Carter Bank & Trust (CBT) located in Harrisonburg, Bridgewater, and Staunton, Virginia. Pursuant to the transaction, the Bank acquired $2.3 million, at fair value, in loans and $65.6 million in deposits, at fair value, as well as the financial center premises and equipment. In connection with its purchase of the financial centers from Carter, the Bank received a cash payment from Carter of $60.2 Million which was net of a premium paid on deposits of $224,940. This acquisition provides the Bank with the opportunity to enhance its footprint in Virginia by extending its branch network across the Shenandoah Valley.

The Company has accounted for the branch purchases under the acquisition method of accounting in accordance with FASB ASC topic 805. "Business Combinations" whereby the acquired assets and liabilities were recorded by the Bank at their estimated fair values as of their acquisition date.

The acquired assets and assumed liabilities of the Carter financial centers were measured at fair value. Management made significant estimates and exercised significant judgement in accounting for the acquisition of the financial centers. Management evaluated expected cash flows, prepayment speeds and estimated loss factors to measure fair values for loans. Deposits were valued based upon interest rates, original and remaining terms and maturities, as well as current rates for similar funds in the same markets. Premises were based on recent appraised values, whereas equipment was acquired based on the remaining book value from Carter, which approximated fair value.

The statement of the net assets acquired and the resulting goodwill recorded is present in the following tables. As explained in the notes that accompany the following table, the purchased assets, assumed liabilities and identifiable assets were recorded at the acquisition date fair value.

STATEMENT OF NET ASSETS ACQUIRED
THREE BRANCH ACQUISITION FROM CARTER BANK & TRUST

	Acquired Balances as Recorded by Carter Bank & Trust	Fair Value Adjustments	Acquired Balances as Recorded by Pendleton Community Bank
Cash and due from Banks	$ 60,181,031	$ ---	$ 60,181,031
Loans	2,239,873	70,522	2,310,395
Less: Allowance for credit losses	---	---	---
Loan, net	2,239,873	70,522	2,310,395
Premises and Equipment, net	2,327,541	(2,050)	2,325,491
Core deposit intangible	---	440,000	440,000
Other Assets	7,573	---	7,573
Total Assets	$ 64,756,018	$ 508,472	$ 65,264,490
Deposits:			
Noninterest bearing	$ 7,119,051	$ ---	$ 7,119,051
Interest-bearing	57,592,911	920,710	58,513,621
Total Deposits	64,711,962	920,710	65,632,672
Other liabilities	44,056	---	44,056
Total Liabilities	$ 64,756,018	$ 920,710	$ 65,676,728
Net assets acquired	$ ---	$ 412,238	$ 412,238

NOTE 2 BUSINESS COMBINATION – CARTER BANK & TRUST ACQUISITION (CONTINUED):

The following table summarizes the acquired assets and assumed liabilities in the purchase as of the acquisition date, and the resulting goodwill of $637,178 resulting from the transaction:

STATEMENT OF GOODWILL RECORDED AS A RESULT OF THE THREE BRANCH ACQUISITION

Assets acquired at fair value:	
Cash and cash equivalents	$ 60,181,031
Loans	2,310,395
Premises and equipment, net	2,325,491
Core deposit intangible	440,000
Other Assets	7,573
Total fair value of assets acquired	$ 65,264,490
Liabilities assumed at fair value:	
Deposits	$ 65,632,672
Other liabilities	44,056
Total fair value of liabilities assumed	$ 65,676,728
Net assets acquired at fair value:	$ 412,238
Transaction consideration paid to Carter Bank & Trust	$ 224,940
Amount of goodwill resulting from the acquisition	$ 637,178

The total amount of goodwill arising from this transaction of $637,178 is expected to be deductible for tax purposes pursuant to section 197 of the Internal Revenue Code.

NOTE 3 INVESTMENT SECURITIES:

The amortized cost and fair values of securities are as follows (in thousands):

December 31, 2021	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available for sale:				
U.S. Treasury Securities	$ 7,251	$ ---	$ 41	$ 7,210
Mortgage-backed obligations of federal agencies	27,925	485	183	28,227
Corporate Securities	12,645	---	203	12,442
Government sponsored enterprises	14,415	18	168	14,265
SBA guaranteed loan pool certificates	2,490	21	3	2,508
Obligations of states and political subdivisions	51,205	1,671	269	52,607
Total	$ 115,931	$ 2,195	$ 867	$ 117,259

December 31, 2020	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available for sale:				
U.S. Treasury securities	$ ---	$ ---	$ ---	$ ---
Mortgage-backed obligations of federal agencies	18,549	886	18	19,417
Corporate Securities	---	---	---	---
Government sponsored enterprises	1,750	36	---	1,786
SBA guaranteed loan pool certificates	3,305	1	10	3,296
Obligations of states and political subdivisions	38,053	1,969	24	39,998
Total	$ 61,657	$ 2,892	$ 52	$ 64,497

For the years ended December 31, 2021 and 2020, proceeds from sales, calls and maturities of securities available for sale totaled $12,013,769 and $26,866,290, respectively. Gross gains on sale of investment securities totaled $33,523 in 2021 and $21,398 in 2020. Gross losses on sale of securities totaled $15,133 in 2021 and $43,934 in 2020. For the years ended December 31, 2021 and 2020, the Company had redemptions of equity securities of $10,900 and $9,600, respectively.

The following table shows the gross unrealized losses and fair value of the Company's investment securities with unrealized losses that are deemed to be temporarily impaired (in thousands), aggregated by investment category and length of time that individual securities have been in a continuous, unrealized loss position as of December 31. The unrealized losses on the Company's investment securities were caused primarily by increase in interest rates, but the Company feels that no material impairment of value is due to deteriorating financial condition of the issuers. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost of the investment. Because the Company has the ability and believes it is more likely than not that it will hold those investments until a recovery of fair value, which may be maturity, the Company feels that unrealized losses are temporary. The Company has 72 investments that have unrealized losses as of December 31, 2021 and it considers them to be temporarily impaired.

NOTE 3 INVESTMENT SECURITIES (CONTINUED):

	Less than 12 Months		12 Months or Greater	
December 31, 2020	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
Description of Securities:				
Mortgage-backed obligations of federal agencies	$ 1,972	$ 13	$ 627	$ 5
SBA guaranteed loan pool certificates	1,911	3	930	7
Obligations of states and political subdivisions	2,315	24	---	---
Total	$ 6,198	$ 40	$ 1,557	$ 12

	Less than 12 Months		12 Months or Greater	
December 31, 2019	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
Description of Securities:				
U.S. Treasury securities	$ ---	$ ---	$ ---	$ ---
Mortgage-backed obligations of federal agencies	10,264	87	719	6
Government sponsored enterprises	---	---	500	---
SBA guaranteed loan pool certificates	4,050	38	---	---
Obligations of states and political subdivisions	8,309	34	---	---
Total	$ 22,623	$ 159	$ 1,219	$ 6

A maturity schedule of securities in thousands as of December 31, 2020, by contractual maturity, is shown below. Actual maturities may differ because borrowers may have the right to call or prepay obligations.

Securities Available for Sale:	**Amortized Cost**	**Fair Value**
In one year or less	$ 1,295	$ 1,308
After one year through five years	7,096	7,360
After five years through ten years	23,579	24,856
Over ten years	29,687	30,973
	$ 61,657	$ 64,497

The carrying value of securities pledged by the Company to secure deposits, repurchase agreements and for other purposes amounted to $43,253,786 and $36,411,549 as of December 31, 2020 and 2019, respectively.

NOTE 4 RESTRICTED EQUITY SECURITIES:

Restricted equity securities are considered restricted due to lack of marketability. They consist of stock in the Federal Home Loan Bank (FHLB), stock in Federal Agricultural Mortgage Corporation (Farmer Mac) and stock in ICBA Reinsurance Company, LTD. Investment in the FHLB stock is determined by the level of the Bank's participation with FHLB's various products and is collateral against outstanding borrowings from that institution. The FHLB stock is carried at cost of $254,800 as of December 31, 2020. The Farmer Mac stock and the ICBA Reinsurance Company stock is the level of stock required to participate in their programs. The Farmer Mac stock is carried at its cost of $14,000 and the ICBA Reinsurance Company stock is carried at its cost of $2,495 as of December 31, 2020. Management evaluates these restricted securities for other-than-temporary impairment on an annual basis, and more often when conditions warrant.

NOTE 5 LOANS RECEIVABLE:

Loans receivable outstanding as of December 31, 2020 and 2019 are summarized in the table below (in thousands):

	2020	**2019**
Real Estate:		
Commercial:		
Construction and land development	$ 21,007	$ 29,411
Agriculture	25,274	27,420
Other commercial	64,317	48,525
Residential:		
Construction	6,470	9,883
Consumer residential	158,245	138,028
Non-Real Estate:		
Commercial and industrial	66,356	40,049
Consumer	17,291	18,778
Nonprofit and tax-exempt loans	14,762	16,129
Total Loans	373,722	328,223
Less Allowance for Loan Losses	3,174	2,990
Loans Receivable	$ 370,548	$ 325,233

Demand deposit accounts that are overdrawn have been reclassified as a loan since they represent an amount owed to the Bank. Overdrawn deposit accounts included in the loan balance are $172,153 and $295,047 as of December 31, 2020 and 2019, respectively, and are included in the non-real estate consumer loan balance above.

Substantially all of our 1-4 family mortgages, as well as our multi-family residential mortgages, are covered under a blanket lien with the Federal Home Loan Bank for borrowings.

Loans on a nonaccrual basis were $312,583 and $2,859,063 as of December 31, 2020 and 2019 (0.08% and 0.87% of total loans), respectively. Accruing loans which are contractually past due 90 days or more as to principal or interest totaled $456,000 and $1,396,401 as of December 31, 2020 and 2019 (0.12% and 0.43% of total loans, respectively). Past due status is determined based on the contractual terms of the loan agreement.

NOTE 5 LOANS RECEIVABLE (CONTINUED):

The past due and nonaccrual status of loans as of year-end were as follows (in thousands):

December 31, 2021	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	Nonaccrual Loans	Recorded investment >90 Days and Accruing
Real Estate:								
Commercial:								
Construction and Land Development	$ ---	$ ---	$ ---	$ ---	$ 25,011	$ 25,011	$ ---	$ ---
Agriculture	308	7	---	315	25,821	26,136	---	---
Other commercial	68	15	---	83	68,919	69,002	---	---
Residential:								
Construction	---	---	---	---	10,929	10,929	---	---
Consumer residential	568	67	13	647	145,759	146,406	---	13
Non-Real Estate:								
Commercial and industrial	697	249	29	975	54,627	55,302	---	29
Consumer	24	2	---	26	24,721	24,747	---	---
Nonprofit and tax-exempt loans	---	---	---	---	14,855	14,855	---	---
Total	$ 1,664	$ 339	$ 42	$ 2,045	$ 370,343	$ 372,388	$ ---	$ 42

December 31, 2020	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	Nonaccrual Loans	Recorded investment >90 Days and Accruing
Real Estate:								
Commercial:								
Construction and Land Development	$ 3	$ 105	$ ---	$ 108	$ 20,899	$ 21,007	$ ---	$ ---
Agriculture	---	---	---	---	25,274	25,274	---	---
Other commercial	---	191	---	191	64,126	64,317	---	---
Residential:								
Construction	---	---	---	---	6,470	6,470	---	---
Consumer residential	747	429	280	1,456	156,789	158,245	25	256
Non-Real Estate:								
Commercial and industrial	283	9	420	712	65,644	66,356	288	132
Consumer	79	6	68	153	17,138	17,291	---	68
Nonprofit and tax-exempt loans	49	144	---	193	14,569	14,762	---	---
Total	$ 1,161	$ 884	$ 768	$ 2,813	$ 370,909	$ 373,722	$ 313	$ 456

NOTE 5 LOANS RECEIVABLE (CONTINUED):

Impaired loans, which include TDRs of $2,306,882 and $7,738,557 as of December 31, 2021 and 2020 respectively, were as follows (in thousands):

December 31, 2021	Recorded Investment in Loans	Unpaid Principal Balance	Related Allowance	Average Balance Total Loans	Interest Income Recognized
With no related allowance:					
Commercial:					
Construction and Land Development	$ 62	$ 62	$ ---	$ 51	$ 1
Agriculture	---	---	---	---	---
Other Commercial	1,519	1,519	---	1,532	85
Residential:					
Construction	---	---	---	---	---
Consumer Residential	581	581	---	601	34
Non-Real Estate:					
Commercial and Industrial	298	298	---	323	16
Consumer	---	---	---	---	---
Non-profit and Tax-exempt Loans	---	---	---	---	---
Total	$ 2,460	$ 2,460	$ ---	$ 2,507	$ 136

December 31, 2020	Recorded Investment in Loans	Unpaid Principal Balance	Related Allowance	Average Balance Total Loans	Interest Income Recognized
With no related allowance:					
Commercial:					
Construction and Land Development	$ 544	$ 544	$ ---	$ 551	$ 32
Agriculture	314	314	---	318	19
Other Commercial	2,916	2,916	---	3,013	199
Residential:					
Construction	---	---	---	---	---
Consumer Residential	1,188	1,188	---	1,265	67
Non-Real Estate:					
Commercial and Industrial	344	344	---	370	19
Consumer	---	---	---	---	---
Non-profit and Tax-exempt Loans	---	---	---	---	---
Total	$ 5,306	$ 5,306	$ ---	$ 5,517	$ 336

NOTE 5 LOANS RECEIVABLE (CONTINUED):

December 31, 2021	Recorded Investment in Loans	Unpaid Principal Balance	Related Allowance	Average Balance Total Loans	Interest Income Recognized
With an allowance recorded:					
Commercial:					
Construction and Land Development	$ ---	$ ---	$ ---	$ ---	$ ---
Agriculture	---	---	---	---	---
Other Commercial	---	---	---	---	---
Residential:					
Construction	---	---	---	---	---
Consumer Residential	425	425	62	429	21
Non-Real Estate:					
Commercial and Industrial	491	491	169	503	29
Consumer	70	70	70	72	6
Non-profit and Tax-exempt Loans	---	---	---	---	---
Total	$ 986	$ 986	$ 301	$ 1,004	$ 56

December 31, 2020	Recorded Investment in Loans	Unpaid Principal Balance	Related Allowance	Average Balance Total Loans	Interest Income Recognized
With an allowance recorded:					
Commercial:					
Construction and Land Development	$ ---	$ ---	$ ---	$ ---	$ ---
Agriculture	---	---	---	---	---
Other Commercial	1,388	1,388	290	1,397	80
Residential:					
Construction	---	---	---	---	---
Consumer Residential	581	581	263	586	33
Non-Real Estate:					
Commercial and Industrial	903	903	368	1,068	15
Consumer	131	131	87	134	7
Non-profit and Tax-exempt Loans	---	---	---	---	---
Total	$ 3,003	$ 3,003	$ 1,008	$ 3,185	$ 135

The recorded investment is defined as the principal balance, less principal payments on nonaccrual loans and charge-offs.

Troubled Debt Restructurings

Included in certain loan categories in the impaired loans table above are troubled debt restructurings ("TDRs") that were classified as impaired. TDRs as of December 31, 2021 are comprised of 9 loans totaling $2,306,882. A restructured loan is considered in default when it becomes 90 days past due. All TDRs were performing in accordance with their restructured terms, are not in default, and are not on nonaccrual status. This compares with 26 loans totaling $7,738,557 in restructured loans as of December 31, 2020. The amount of the valuation allowance related to total TDRs was $92,973 and $344,841 as of December 31, 2021 and December 31, 2020, respectively. There were no charge-offs of restructured loans during 2021 or 2020.

NOTE 5 LOANS RECEIVABLE (CONTINUED):

The 9 loans totaling $2,306,882 in TDRs as of December 31, 2021, are represented by three commercial real estate loans, three consumer real estate loans, two commercial and industrial loans and one consumer loan.

During the years 2021 and 2020, no previously restructured loans went into default.

During 2020 the bank did not restructure any loans that were considered to be troubled debt restructurings.

During 2021 the bank restructured 2 loans that were considered to be troubled debt restructurings. These loans totaled $166,389 as of December 31, 2021. These modifications included rate adjustments, revisions to the amortization schedule, and capitalizing interest, or any combination thereof. The following table presents by class of loan, information related to loans modified in a TDR during 2021 in thousands:

Class of Loan	Number of Contracts	For the Year Ended December 31, 2021 Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial Real Estate:			
Construction and land development	---	$ ---	$ ---
Agriculture	---	---	---
Other commercial	1	50	50
Residential Real Estate:			
Construction	---	---	---
Consumer Residential	---	---	---
Non-Real Estate:			
Commercial and industrial	1	122	122
Consumer	---	---	---
Nonprofit and tax-exempt entities	---	---	---
Total	2	$ 172	$ 172

Management considers troubled debt restructurings and subsequent defaults in restructured loans in the determination of the adequacy of the Company's allowance for loan losses. When identified as a TDR, a loan is evaluated for potential loss based on the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price, or the estimated fair value of the collateral, less any selling costs if the loan is collateral dependent. Loans identified as TDRs frequently are on non-accrual status at the time of the restructuring and, in some cases, partial charge-offs may have already been taken against the loan and a specific allowance may have already been established for the loan. As a result of any modification as a TDR, the specific reserve associated with the loan may be increased. Additionally, loans modified in a TDR are closely monitored for delinquency as an early indicator of possible future defaults. If loans modified in a TDR subsequently default, the Company evaluates the loan for possible further impairment. As a result, any specific allowance may be increased, adjustments may be made in the allocation of the total allowance balance, or partial charge-offs may be taken to further write-down the carrying value of the loan. Management exercises significant judgment in developing estimates for potential losses associated with TDRs.

NOTE 6 ALLOWANCE FOR LOAN LOSSES:

The following table presents, as of December 31, 2021 and 2020, the total allowance for loan losses, the allowance by impairment methodology (individually evaluated for impairment or collectively evaluated for impairment) the total loans and loans by impairment methodology (individually evaluated for impairment or collectively evaluated for impairment) in thousands:

December 31, 2021

	Real Estate Secured					Non-Real Estate				
	Commercial			Residential						
	Construction & Land Development	Agricultural	Other Commercial	Construction	Consumer Residential	Commercial & Industrial	Consumer	Non-Profit & Tax Exempt	Unallocated	Total
Beginning Balance	$ 390	$ 144	$ 605	$ 38	$ 1,063	$ 530	$ 180	$ 68	$ 156	$ 3,174
Charge-offs	---	---	(327)	---	(24)	(239)	(222)	---	---	(812)
Recoveries	---	---	---	---	1	---	92	---	---	93
Provision	(14)	13	275	30	(63)	176	295	18	(105)	625
Ending Balance	$ 376	$ 157	$ 553	$ 68	$ 977	$ 467	$ 345	$ 86	$ 51	$ 3,080
Ending Balance individually valued for impairment	---	---	---	---	62	169	70	---	---	301
Ending balance collectively evaluated for impairment	376	157	553	68	915	298	275	86	51	2,779
Loans:										
Ending Balance individually evaluated for impairment	62	---	1,519	---	1,006	789	70	---	---	3,446
Ending balance collectively evaluated for impairment	24,949	26,136	67,483	10,929	145,400	54,513	24,677	14,855	---	368,942
Total Loans	$ 25,011	$ 26,136	$ 69,002	$ 10,929	$146,406	$ 55,302	$24,747	$14,855	$ ---	$372,388

NOTE 6 ALLOWANCE FOR LOAN LOSSES (CONTINUED):

December 31, 2020

	Real Estate Secured					Non-Real Estate				
	Commercial			Residential						
	Construction & Land Development	Agricultural	Other Commercial	Construction	Consumer Residential	Commercial & Industrial	Consumer	Non-Profit & Tax Exempt	Unallocated	Total
Beginning Balance	$ 919	$ 13	$ 907	$ 46	$ 615	$ 88	$ 275	$ 28	$ 99	$ 2,990
Charge-offs	(404)	---	---	---	(39)	(152)	(179)	---	---	(774)
Recoveries	2	20	---	---	---	---	76	---	---	98
Provision	(127)	111	(302)	(8)	487	594	8	40	57	860
Ending Balance	$ 390	$ 144	$ 605	$ 38	$ 1,063	$ 530	$ 180	$ 68	$ 156	$ 3,174
Ending Balance individually valued for impairment	---	---	290	---	263	368	87	---	---	1,008
Ending balance collectively evaluated for impairment	390	144	315	38	800	162	93	68	156	2,166
Loans:										
Ending Balance individually evaluated for impairment	544	314	4,304	---	1,769	1,247	131	---	---	8,309
Ending balance collectively evaluated for impairment	20,463	24,960	60,013	6,470	156,476	65,109	17,160	14,762	---	365,413
Total Loans	$ 21,007	$ 25,274	$ 64,317	$ 6,470	$158,245	$ 66,356	$17,291	$14,762	$ ---	$373,722

NOTE 6 ALLOWANCE FOR LOAN LOSSES (CONTINUED):

Loans by credit quality indicators as of December 31, 2021 were as follows (in thousands):

	Pass	Special Mention	Substandard	Doubtful	Total
Commercial Real Estate:					
Construction and land development	$ 23,917	$ 1,032	$ 62	$ ---	$ 25,011
Agriculture	25,547	589	---	---	26,136
Other commercial	63,168	4,083	1,751	---	69,002
Residential Real Estate:					
Construction	10,633	296	---	---	10,929
Consumer Residential	141,907	3,833	666	---	146,406
Non-Real Estate:					
Commercial and industrial	54,151	362	788	1	55,302
Consumer	24,285	391	71	---	24,747
Non-Profit and Tax-Exempt Entities	14,855	---	---	---	14,855
Total	$ 358,463	$ 10,586	$ 3,338	$ 1	$ 372,388

Loans by credit quality indicators as of December 31, 2020 were as follows (in thousands):

	Pass	Special Mention	Substandard	Doubtful	Total
Commercial Real Estate:					
Construction and land development	$ 19,941	$ 1,066	$ ---	$ --	$ 21,007
Agriculture	24,496	778	---	---	25,274
Other commercial	56,613	4,565	3,139	---	64,317
Residential Real Estate:					
Construction	6,470	---	---	---	6,470
Consumer Residential	152,692	4,441	1,112	---	158,245
Non-Real Estate:					
Commercial and industrial	65,070	169	1,115	2	66,356
Consumer	16,594	696	1	---	17,291
Non-Profit and Tax-Exempt Entities	14,762	---	---	---	14,762
Total	$ 356,638	$ 11,715	$ 5,367	$ 2	$ 373,722

ALLEGHENY BANCSHARES, INC.

NOTE 7 OTHER REAL ESTATE OWNED:

Changes in other real estate owned for 2021 were as follows (in thousands):

	Other Real Estate Owned	Valuation Allowance	Net
Balance at the beginning of the year	$ 1,181	$ ----	$ 1,181
Additions	127	---	127
Loss on sales and write-downs, net	---	---	---
Sales	(673)	---	(673)
Balance at the end of the year	$ 635	$ ---	$ 635

Changes in other real estate owned for 2020 were as follows (in thousands):

	Other Real Estate Owned	Valuation Allowance	Net
Balance at the beginning of the year	$ 895	$ (208)	$ 687
Additions	821	---	821
Loss on sales and write-downs, net	(20)	---	(20)
Sales	(515)	208	(307)
Balance at the end of the year	$ 1,181	$ ---	$ 1,181

The major classifications of other real estate owned in the consolidated balance sheets as of December 31, 2021 and December 31, 2020 were as follows (in thousands):

	2021	2020
Commercial Real Estate:		
Construction and land development	$ 508	$ 815
Other commercial	---	---
Residential Real Estate:		
Residential	127	366
	$ 635	$ 1,181

At December 31, 2021, there were no residential loans in the process of foreclosure.

NOTE 8 BANK PREMISES AND EQUIPMENT:

Bank premises and equipment as of December 31, 2021 and December 31, 2020 are summarized as follows (in thousands):

	2021	2020
Bank buildings and improvements	$ 11,457	$ 8,870
Furniture and equipment	5,591	5,058
Total Cost	17,048	13,928
Less accumulated depreciation	7,383	6,791
Bank premises and equipment	$ 9,665	$ 7,137

Depreciation expense on these premises and equipment totaled $666,441 and $675,040 for the years ended December 31, 2021 and 2020, respectively.

NOTE 9 GOODWILL AND OTHER INTANGIBLES:

The Company follows FASB ASC 350-20 *Goodwill and Other Intangible Assets,* which prescribes the accounting for goodwill and intangible assets subsequent to initial recognition. Provisions within ASC 350-20 require the Company to discontinue any amortization of goodwill and intangible assets with indefinite lives and require at least annual impairment review or more often if certain impairment conditions exist. With the purchase in 2009 of two Citizens National Bank branches there was $1,086,732 of goodwill recorded. The acquisition of Bank of Mount Hope in 2019 recorded an additional $3,393,091 of Goodwill. As shown in Note 2, the acquisition of three branches from Carter Bank & Trust resulted in additional Goodwill in the amount of $637,178. Goodwill was evaluated for impairment as of December 31, 2021, and it was determined that no impairment existed.

Core deposit intangibles of $293,000 were recorded as a result of the purchase of branches from Citizens Nation Bank and are fully amortized. Core deposit intangibles of $1,180,00 resulting from the Bank of Mount Hope acquisition in October of 2019 is being amortized over 10 years. Additional core deposit intangibles were recorded in the amount of $440,000 with the acquisition of the three Carter Bank & Trust branches and is being amortized over 10 years.

The changes in the carrying amount of goodwill and intangibles for the twelve months ended December 31, 2021, are as follows (dollars in thousands):

	Goodwill	Intangibles
Balance December 31, 2020	$ 4,480	$ 1,033
Additions	637	440
Amortization	---	(145)
Impairment	---	---
Balance, December 31, 2021	$ 5,117	$ 1,328

Goodwill and intangible assets as of December 31, 2021 and December 31, 2020 are as follows (in thousands):

December 31, 2021	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Core deposit intangibles	$ 1,913	$ (585)	$ 1,328
Goodwill	5,117	---	5,117
December 31, 2020			
Core deposit intangibles	$ 1,473	$ (440)	$ 1,033
Goodwill	4,480	---	4,480

Amortization expense of core deposit intangibles for the years ended December 31, 2021 and 2020 were $145,000 and $118,000, respectively. As of December 31, 2021, the estimated future amortization expense of core deposit intangibles is as follows (in thousands):

Year	Amount
2022	$ 162
2023	162
2024	162
2025	162
2026	162
Thereafter	518
Total	$ 1,328

NOTE 10 BANK OWNED LIFE INSURANCE:

The Bank purchased split-dollar life insurance on select employees. The cash surrender value of these life insurance policies was $11,858,505 and $9,129,541 at December 31, 2021 and 2020, respectively, and has been recorded as an asset on the consolidated balance sheet. The Bank purchased an additional $2,500,000 during 2021 and is the owner of all policies. The employee can name a beneficiary; however, upon realization of the death benefit, the bank recoups its investment (cash surrender value), with a set amount of the death benefit paid to the employee's beneficiary. Earnings recorded on the investment as of December 31, 2021 and 2020 were $228,964 and $202,630, respectively.

NOTE 11 TIME DEPOSITS:

As of December 31, 2021, the scheduled maturities of time deposits are as follows (in thousands):

Year	Amount
2022	$ 77,675
2023	29,481
2024	13,663
2025	9,551
2026	7,510
Thereafter	565
Total	$ 138,445

NOTE 12 SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE:

Securities sold under agreements to repurchase generally mature within one day from the transaction date, unless classified as a term repurchase agreement. Securities sold under agreements to repurchase are reflected at the amount of cash received in connection with the transaction. The Company may be required to provide additional collateral based on the fair value of the underlying securities. The Company has a total of $2,269,489 and $2,378,433, as of December 31, 2021 and 2020, respectively, in market value of securities pledged to secure these agreements. The weighted average interest rate on these agreements was 0.10% during 2021 and 0.37% during 2020. The highest month end balance during 2021 was $2,067,614. For 2020, the highest month end balance was $2,537,243.

NOTE 13 LINES OF CREDIT:

The Bank has lines of credit with correspondent banks totaling $29,000,000. As of December 31, 2021, and 2020, the Bank had no outstanding balances on these lines. These lines of credit are unsecured. The lenders may withdraw these lines at their discretion and without notice.

NOTE 14 LONG-TERM DEBT:

The Company has borrowings from the Federal Home Loan Bank of Pittsburgh (FHLB). The interest rates on all of the notes payable as of December 31, 2021 and December 31, 2020 were fixed at the time of the advance and ranged from 4.58% to 5.61%. The FHLB notes are secured by FHLB Stock, as well as investment securities and mortgage loans. The weighted average interest rate is 5.37% as of December 31, 2021. The Company has additional available borrowing capacity from the FHLB of $161,527,000.

The Company borrowed $6,000,000 during 2019 to facilitate the acquisition of the Bank of Mount Hope. This debt is payable to two different banks, interest rate is fixed at 5.75% and will be paid back with quarterly payments of interest only for the first 39 months, and then beginning on April 1, 2023, quarterly principal payments of $400,000 will be due in addition to the interest payments. The Company borrowed an additional $3,500,000 during 2021 to facilitate the acquisition of the three branches of Carter Bank & Trust. The 10-year note with quarterly interest payments is at the rate of 5.00% until May 19, 2026, and thereafter is the 90-day term Secured Overnight Financing rate plus 4.9875% until paid in full. The principal of $3,500,000 is due on or before May 19, 2031. This debt is subordinated to all "Senior Indebtedness" which means obligations to its general creditors or other indebtedness of the company for money borrowed arising from off-balance sheet guarantees and obligations associated with derivative products such as interest rate contracts.

NOTE 14 LONG-TERM DEBT (CONTINUED):

Repayments of long-term debt are due monthly. Interest expense of $534,060 and $442,166 was incurred on these debts in 2021 and 2020, respectively. The maturities of long-term debt as of December 31, 2021 are as follows:

Year	FHLB	Subordinated Debt	Total
2022	$ 180,308	$ ---	$ 180,308
2023	189,360	1,200,000	1,389,360
2024	198,870	1,600,000	1,798,870
2025	137,652	1,600,000	1,737,652
2026	58,500	1,600,000	1,658,500
Thereafter	785,657	3,500,000	4,285,657
Total	$ 1,550,347	$ 9,500,000	$ 11,050,347

NOTE 15 DIVIDEND LIMITATIONS:

The principal source of funds of Allegheny Bancshares, Inc., is dividends paid by its subsidiary bank. The Code of West Virginia imposes certain restrictions on dividends paid by a state bank. A state bank cannot pay dividends (without the consent of state banking authorities) in excess of the total net profits of the current year and the combined retained profits of the previous two years. As of January 1, 2022, the Bank could pay dividends of up to $6,597,564 without permission of the authorities. Dividends paid by the Bank to the Company totaled $1,957,417 in 2021 and $2,516,366 in 2020.

NOTE 16 INCOME TAXES:

The current and deferred components of income tax expense as of December 21, 2021 and December 31, 2020 are as follows (in thousands):

	2021	2020
Current component of income tax expense	$ 1,084	$ 1,123
Deferred income tax (benefit) expense	(95)	(62)
Income tax expense	$ 989	$ 1,061

A reconciliation between the provision for income taxes and the amount computed by multiplying income by the statutory federal income tax rate is as follows (in thousands):

	2021	2020
Income taxes computed at the applicable		
Federal income tax rate	$ 1,196	$ 1,183
Increase (decrease) resulting from:		
Tax exempt interest income	(303)	(305)
Non-deductible interest expense	4	8
State tax expense, net of federal taxes	175	171
Non-deductible expenses associated with merger	17	---
Other	(100)	4
Income tax expense	$ 989	$ 1,061

NOTE 16 INCOME TAXES (CONTINUED):

The net deferred tax asset arising from temporary differences in thousands as of December 31 is summarized as follows:

	2021	2020
Deferred Tax Asset:		
Provision for loan losses	$ 508	$ 456
Accrued expenses on long term benefits	641	565
Net unamortized CD premium	20	27
Interest on nonaccrual loans	132	155
Deferred loan fees	186	122
Other	19	39
Total Assets	1,506	1,364
Deferred Tax Liabilities:		
Unrealized gain on securities available for sale	278	596
Depreciation	623	576
Intangible amortization	463	471
Other	30	22
Total Liabilities	1,394	1,665
Net Deferred Tax Asset	$ 112	$ (301)

NOTE 17 EMPLOYEE BENEFITS:

Defined Contribution Plan: The Bank has a defined contribution plan with 401(k) provisions that is funded with discretionary contributions by the bank that covers substantially all full-time employees at the bank. There is a one year waiting period prior for admission to the plan. Contributions to the plan are based on a percentage of each employee’s salary plus matching contributions. Investment of employee balances is done through the direction of each employee. Plan contributions by the employer are fully invested in the year of contribution. Contributions by the Company into employees’ accounts in the plan were $427,788 and $326,616 for the years ending December 31, 2021 and 2020, respectively.

Supplemental Retirement Agreement: The Bank entered into supplemental employee retirement plan agreements with select executive officers. The plan is a non-qualified defined benefit plan where participants are 100% vested at either age 70 (CEO) or age 65 (all other participants). The agreements specify fixed payments for 15 years after retirement or certain other events that meet separation of service criteria. At December 31, 2021 and 2020, a liability has been established for the present value of future payments of $1,160,757 and $1,026,313, respectively, using discount rates of 6.25% (CEO) and 4.00% (all other participants). The Company has incurred an employee benefit expense of $134,443 and $15,870 during 2021 and 2020, respectively for this plan. The plan is unfunded; however, life insurance has been acquired on the life of the participants in amounts sufficient to discharge the obligations of this agreement.

Director Deferred Fee Plan: The Bank adopted a Deferred Fee Plan (DFP) for its directors beginning February 13, 2013. This plan allows the directors to defer any or all of their director fees into this DFP where it will earn interest at a rate as set forth in the plan document. Currently this rate is 6%. In addition to the amounts contributed by the directors, the Bank can also contribute each year on behalf of the directors, the total expense for the bank including discretionary contributions and accrued interest on the deferred account balances totaled $85,917 and $84,050 for 2021 and 2020, respectively. Liability recorded under this plan at yearend totaled $1,114,341 and $926,508 for 2021 and 2020, respectively and is included in accrued expenses and other liabilities on the Consolidated Balance Sheet.

NOTE 17 EMPLOYEE BENEFITS (CONTINUED):

Survivor Income Plan: The Bank adopted a Survivor Income Agreement with certain key management employees. The bank will provide death benefits to the employee's beneficiary in the amount ranging from $150,000 to $550,000 for pre-separation of duty death benefit and an amount half of that for post separation of duty death benefit. There is a vesting schedule based upon employee reaching normal retirement age (age 62 or 65, depending upon when the employee entered the plan) combined with ten 10 years of service. Expense to the bank totaled $13,020 and $799 for 2021 and 2020, respectively. Liability recorded under this plan at yearend totaled $205,683 for 2021 and $193,968 for 2020.

NOTE 18 RELATED PARTY TRANSACTIONS:

During the year, officers, directors, principal stockholders, and their affiliates (related parties) were customers of and had transactions with the Company in the ordinary course of business. In management's opinion, these transactions were made on substantially the same terms as those prevailing for other customers for comparable transactions and did not involve more than normal risks.

Deposits of related parties including directors, executive officers, and their related interests of the Company totaled $6,583,034 and $6,756,463 for year end 2021 and 2020, respectively.

Changes to balances of loans and to unused commitments to related parties during the years ended 2021 and 2020 is as follows (in thousands):

	2021	2020
Beginning of Year	$ 10,894	$ 7,607
Additional borrowings	1,548	11,049
Repayments	(3,713)	(7,762)
End of Year	$ 8,729	$ 10,894

NOTE 19 FAIR VALUE:

FASB ASC 820-10, *Fair Value Measurements,* provides a definition of fair value for accounting purposes, establishes a framework for measuring fair value and expands related financial disclosures. Accounting standards specify a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. This statement establishes a hierarchy that prioritizes the use of fair value inputs used in valuation methodologies into the following three levels.

Level 1 – Valuation is based on quoted prices for identical instruments traded in active markets.
Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
Level 3 – Valuation is based upon significant inputs that reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

As of December 31, 2021, and 2020, the Company had no liabilities subject to fair value. The following is a description of valuation methodologies used for assets recorded at fair values.

Securities available for sale: Securities available for sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, when available. If quoted prices are not available, fair values are measured using independent pricing models. Level 1 securities include those traded by dealers or brokers in an active market.

The Company has no Level 1 securities as of December 31, 2021 or 2020. For the Company, our Level 2 securities include securities issued by government sponsored entities, mortgage-backed securities issued by government sponsored entities, municipal bonds, and corporate debt securities. Securities classified as Level 3 include other equities that do not have an active market.

NOTE 19 FAIR VALUE (CONTINUED):

Impaired Loans: The Company does not record loans at fair value on a recurring basis. However, from time to time, a loan is considered impaired and a specific allowance for loan loss is established. Loans for which it is probable that payment of interest and principal will not be made when due in accordance with the contractual terms of the loan agreement are considered impaired. If a loan is considered impaired, an allowance for loan loss is established in accordance with FASB ASC 310-10 *Accounting by Creditors for Impairment of a Loan,* by utilizing market price (if available), or at the fair value of the loans' collateral less selling costs (if the loan is collateral dependent). The fair value is determined by the measurement of the fair value of the underlying collateral less estimated costs to sell.

Typically, the collateral value is determined by applying a discount to an appraisal that was performed at or about the date of the loan. Due to the age of appraisals, the age of the related comparative property sales used for appraisals and the changing market conditions of real estate, the Company considers its impaired loans to be Level 3 assets which are measured on a nonrecurring basis.

Other Real Estate Owned: Certain assets such as other real estate owned (OREO) are measured at the lower of carrying value or fair value less estimated holding costs and cost to sell. We believe that the fair value component in its valuation follows the provisions of FASB ASC 820-10. Due to age of some appraisals, the age of the related comparative property sales used for appraisals and changing real estate market conditions, the Company considers its OREO to be Level 3 assets and is measured on a nonrecurring basis.

The following table presents the recorded amount of assets measured at fair value at December 31 (in thousands):

	Level 1	Level 2	Level 3	Balance 2021
Assets recorded at fair value on a recurring basis:				
U.S. Treasury Securities	$ ---	$ 7,210	$ ---	$ 7,210
Mortgage-backed obligations of federal agencies	---	28,227	---	28,227
Corporate securities	---	12,442	---	12,442
Government sponsored enterprises	---	14,265	---	14,265
SBA guaranteed loan pool certificates	---	2,508	---	2,508
Obligations of states and political subdivisions	---	52,607	---	52,607
Total	$ ---	$ 117,259	$ ---	$ 117,259
Assets recorded at fair value on a nonrecurring basis:				
Impaired loans	$ ---	$ ---	$ 685	$ 685
Other real estate owned	---	---	635	635
Total	$ ---	$ ---	$ 1,320	$ 1,320

	Level 1	Level 2	Level 3	Balance 2020
Assets recorded at fair value on a recurring basis:				
U.S. Treasury Securities	$ ---	$ ---	$ ---	$ ---
Mortgage-backed obligations of federal agencies	---	19,417	---	19,417
Corporate securities	---	---	---	---
Government sponsored enterprises	---	1,786	---	1,786
SBA guaranteed loan pool certificates	---	3,296	---	3,296
Obligations of states and political subdivisions	---	39,998	---	39,998
Total	$ ---	$ 64,497	$ ---	$ 64,497
Assets recorded at fair value on a nonrecurring basis:				
Impaired loans	$ ---	$ ---	$ 1,995	$ 1,995
Other real estate owned	---	---	1,181	1,181
Total	$ ---	$ ---	$ 3,176	$ 3,176

NOTE 19 FAIR VALUE (CONTINUED):

Qualitative Information About Level 3 Fair Value Measurements for December 31, 2021 (in thousands)

	Fair Value	Valuation Technique(s)	Unobservable Input	Range (Weighted Average)
Assets				
Impaired Loans	$ 685	Discounted appraised value	Selling Cost	5%-10% (6%)
			Discount for lack of marketability and age of appraisal	10%-40% (14%)
Other Real Estate Owned	$ 635	Discounted appraised value	Selling Cost	5%-10% (6%)
			Discount for lack of marketability and age of appraisal	10%-60% (39%)

Qualitative Information About Level 3 Fair Value Measurements for December 31, 2020 (in thousands)

	Fair Value	Valuation Technique(s)	Unobservable Input	Range (Weighted Average)
Assets				
Impaired Loans	$ 1,995	Discounted appraised value	Selling Cost	5%-10% (6%)
			Discount for lack of marketability and age of appraisal	10%-40% (14%)
Other Real Estate Owned	$ 1,181	Discounted appraised value	Selling Cost	5%-10% (6%)
			Discount for lack of marketability and age of appraisal	10%-46% (24%)

NOTE 20 REGULATORY MATTERS:

In August 2018, the Federal Reserve updated the Small Bank Holding Company Policy Statement ("the Statement"), in compliance with The Economic Growth, Regulatory Relief and Consumer Protection Act of 2018 ("EGRRCPA"). The Statement, among other things, exempts bank holding companies that fall below a certain asset threshold from reporting consolidated regulatory capital ratios and from minimum regulatory capital requirements. The interim final rule expands the exemption to bank holding companies with consolidated total assets of less than $3 billion. Prior to August 2018, the statement exempted bank holding companies with consolidated total assets of less than $1 billion. As a result of the interim final rule, the Company qualifies as of August 2018 as a small bank holding company and is not subject to regulatory capital requirements on a consolidated basis.

The subsidiary bank continues to be subject to various 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 and the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank 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 regulators about components, risk weightings, and other factors.

NOTE 20 REGULATORY MATTERS (CONTINUED):

The Basel III Capital Rules, a comprehensive capital framework for U.S. banking organizations, became effective on January 1, 2015 (subject to a phase-in period continuing through January 1, 2019 for certain provisions). Basel III Capital Rules established quantitative measures to ensure capital adequacy. The rules set forth minimum amounts and ratios for Common Equity Tier 1 capital ("CET1"), Tier 1 capital and Total capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier 1 capital to adjusted quarterly average assets (as defined). Management believes as of December 31, 2021, the Bank meets all capital adequacy requirements to which it is subject.

The actual and required capital amounts and ratios of the Company as of December 31, 2021 and 2020 are shown in the table below (in thousands):

	Actual		Minimum for Capital Adequacy Purposes		Minimum to be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2021						
Total Capital Risk Weighted Assets	$ 50,205	13.33%	$ 30,131	8.000%	$ 37,663	10.00%
Tier I Capital Risk Weighted Assets	47,125	12.51%	22,602	6.000%	30,136	8.00%
Tier I Common Equity	47,125	12.51%	16,951	4.500%	24,485	6.50%
Tier I Capital Average Assets	47,125	7.55%	24,967	4.000%	31,209	5.00%

	Actual		Minimum for Capital Adequacy Purposes		Minimum to be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2020						
Total Capital Risk Weighted Assets	$ 45,010	13.51%	$ 26,653	8.00%	$ 33,316	10.00%
Tier I Capital Risk Weighted Assets	41,836	12.56%	19,985	6.00%	26,647	8.00%
Tier I Common Equity	41,836	12.56%	14,989	4.50%	21,651	6.50%
Tier I Capital Average Assets	41,836	8.28%	20,211	4.00%	25,263	5.00%

NOTE 21 FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK:

The Company makes commitments to extend credit in the normal course of business and issue standby letters of credit to meet the financing needs of their customers. The amount of the commitments represents the Company's exposure to credit loss that is not included in the consolidated balance sheet.

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

NOTE 21 FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (CONTINUED):

The following commitments were outstanding as of December 31, 2021 and 2020 (in thousands):

	2021	2020
Home equity lines of credit	$ 20,693	$ 17,018
Commitments to fund commercial real estate and construction	12,617	11,675
Other unused commitments	44,116	32,056
Performance standby letters of credit	2,350	292
Total	$ 79,776	$ 61,041

NOTE 22 CONCENTRATIONS:

The Bank operates as a community bank in the areas that it serves. As such, the loan portfolio consists of commercial, residential real estate and consumer loans to individuals and businesses located primarily in the areas surrounding our ten offices. In addition, the collateral for our loans is secured primarily by real estate and personal property located in this same area.

NOTE 23 QUALIFIED AFFORDABLE HOUSING PROJECT:

The Bank invested in a qualified affordable housing project during the year ended December 31, 2021. At December 31, 2021, the balance of the investment in the qualified affordable housing project was $1,500,000. This balance is reflected in the other assets line on the balance sheet. The total unfunded commitment related to the investment in the qualified affordable housing project totaled $1,326,902 at December 31, 2021. The bank expects to fulfill the majority of this commitment during 2023 and 2024. The investment is accounted for utilizing the equity method with amortization expense reflected in noninterest expense on the statement of income.

NOTE 24 PARENT CORPORATION ONLY FINANCIAL STATEMENTS:

ABI PARENT COMPANY

BALANCE SHEET

	December 31,	
	2021	**2020**
ASSETS		
Cash	$ 90,656	$ 64,955
Investment in subsidiary	54,616,046	49,589,531
Other assets	227,549	105,172
Total Assets	$ 54,934,251	$ 49,759,658
LIABILITIES		
Other Liabilities	$ 49,477	$ 27,332
Subordinated Debt	9,500,000	6,000,000
Total Liabilities	$ 9,549,477	$ 6,027,332
STOCKHOLDERS' EQUITY	45,384,774	43,732,326
Total Liabilities and Stockholders' Equity	$ 54,934,251	$ 49,759,658

NOTE 24 PARENT CORPORATION ONLY FINANCIAL STATEMENTS (CONTINUED):

ABI PARENT COMPANY

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	**2020**
INCOME		
Dividends from subsidiary	$ 1,957,417	$ 2,516,366
Total Income	1,957,417	2,516,366
EXPENSES		
Merger expenses	93,167	2,666
Professional fees	43,558	68,176
Annual shareholder meeting	12,086	15,554
Interest expense	447,083	345,000
Other expenses	549	4,273
Total Expenses	596,443	435,669
INCOME BEFORE INCOME TAX BENEFIT AND UNDISTRIBUTED INCOME OF SUBSIDIARY	1,360,974	2,080,697
Income tax benefit	122,376	105,172
UNDISTRIBUTED INCOME OF SUBSIDIARY	3,221,385	2,385,652
NET INCOME	$ 4,704,735	$ 4,571,521
COMPREHENSIVE INCOME	$ 3,509,865	$ 6,259,811

NOTE 24 PARENT CORPORATION ONLY FINANCIAL STATEMENTS (CONTINUED):

ABI PARENT COMPANY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENED DECEMBER 31, 2021 AND 2020

	2021	2020
OPERATING ACTIVITIES		
Net income	$ 4,704,735	$ 4,571,521
Adjustments:		
Undistributed subsidiary income	(3,221,385)	(2,385,652)
Increase (decrease) in other liabilities	22,145	(64,667)
Decrease (increase) in other assets	(122,377)	171,407
Net Cash Provided by Operating Activities	1,383,118	2,292,609
INVESTING ACTIVITIES		
Capital invested in subsidiary bank	(3,000,000)	---
Net (Used in) Investing Activities	(3,000,000)	---
FINANCING ACTIVITIES		
Purchase of treasury stock	---	(695,100)
Proceeds of issuance of subordinated debt	3,500,000	---
Cash dividends paid	(1,857,417)	(1,816,366)
Net Cash Provided by (Used in) Financing Activities	1,642,583	(2,511,466)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	25,701	(218,857)
Cash and equivalents, January 1	64,955	283,812
Cash and equivalents, December 31	$ 90,656	$ 64,955

ALLEGHENY BANCSHARES, INC.
ANNUAL DISCLOSURE STATEMENT

December 31, 2021

This **ANNUAL DISCLOSURE STATEMENT** is being provided by the management of the bank. The information is the representation of management and is correct in all material respects to the best of management's knowledge.

This statement has not been reviewed, or confirmed for accuracy or relevance, by the Federal Deposit Insurance Corporation.

Sincerely,

W.A. "Bill" Loving, Jr., CLBB
President / CEO

Allegheny Bancshares, Inc.
PO Box 487
Franklin, WV 26807
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Fax: 304-358-7997

History of PCB

Those who remember the hard days of the depression will recall that for a time Pendleton County, West Virginia was served by three commercial banks: two in Franklin and one in Circleville. However, in December of 1931 those three institutions closed by federal regulation never to open again.

The residents of Pendleton County were without a bank and forced to travel outside the county for banking service – predominantly to Harrisonburg, Bluegrass, and Monterey in Virginia and Petersburg, Moorefield, and Harman in West Virginia.

Finding the handling of financial affairs difficult without a local bank, some residents of the county invited Farmers and Merchants Bank of Marlinton to move to Franklin.

The shareholders of Farmers and Merchants Bank of Marlinton voted to move the bank's location to Franklin in January of 1937. At that time, Farmers and Merchants Bank had been in business for 12 years opening its doors on October 3, 1925.

Upon moving to Franklin, Farmers and Merchants Bank became Pendleton County Bank and opened for business on March 29, 1937, in the building on Main Street across from E. Bowman & Brothers. This building was constructed in 1924 and was previously occupied by the Farmers Bank of Pendleton. The bank later moved to its present location, the corner of Main and Pine Streets.

Pendleton County Bank served the community for over 60 years with one office before expanding into Hardy County with the addition of the Moorefield financial center in 1999. One year later, the financial center found its permanent location where it is currently housed.

In 2001, Pendleton County Bank revisited its roots by returning to Marlinton and opening a financial center to serve the community. The office would later move finding its permanent home in 2005.

That same year, the shareholders and management team of Pendleton County Bank made the decision to change the financial institution's name to Pendleton Community Bank (PCB). This change reflected the bank's growth beyond Pendleton County and better represented all stakeholders.

PCB decided to further expand its footprint in 2006 and crossed the mountain into Virginia to open a financial center in Harrisonburg on Route 33 and Monte Vista Drive. Many clients from Pendleton County were traveling to Harrisonburg for work or errands, and this financial center helped better serve the bank's customer base.

Expansion continued in 2009 when PCB acquired two branches from Citizens National Bank of Elkins – one in Petersburg and one in Marlinton. Moving into Grant County helped position the financial institution for further growth in northern West Virginia. The Marlinton location was consolidated with the existing PCB financial center.

The Moorefield financial center was well-established in the community, and the decision was made to help build out the Hardy County footprint by adding a loan production office in Wardensville in 2014. The office would later become a full-service financial center in 2019.

PCB continued expanding its Virginia footprint on September 6, 2016, by opening a financial center in Downtown Harrisonburg. The location opened the door for greater commercial activity in the Virginia market.

PCB purchased The Bank of Mount Hope with locations in Mount Hope, Oak Hill and Beckley, West Virginia on September 30th, 2019. The acquisition further strengthened the bank by enlarging PCB's footprint in the southern market and welcomed new team members and customers.

On May 24, 2021, PCB acquired three financial centers in Harrisonburg, Bridgewater, and Staunton, Virginia from Carter Bank & Trust. The expansion was strategically beneficial in that it meets the needs of current customers in Harrisonburg and opens the door for new opportunity in Bridgewater and Staunton.

PCB also opened loan production offices during 2021 in Lewisburg, West Virginia and Staunton, Virginia to position the organization for further growth in both regions following the acquisition of financial centers from the Bank of Mount Hope and Carter Bank & Trust.

Timeline Overview

1925	Farmers and Merchants Bank of Marlinton, West Virginia is founded.
1937	Farmers and Merchants Bank of Marlinton moves to Franklin, West Virginia. Pendleton County Bank is established.
1999	Pendleton County Bank expands its footprint into Hardy County, West Virginia and opens the Moorefield Financial Center.
2001	Pendleton County Bank revisits its roots and opens a financial center in Marlinton, West Virginia.
2005	Pendleton County Bank is renamed Pendleton Community Bank (PCB).
2006	PCB opens its first location in Harrisonburg, Virginia on Route 33 and Monte Vista Drive.
2009	PCB purchases two branches of Citizens National Bank of Elkins – one in Petersburg, West Virginia and the other in Marlinton, West Virginia. The Marlinton location is consolidated with the existing PCB financial center.
2014	PCB establishes a loan production office in Wardensville, West Virginia.
2016	PCB continues expansion in Harrisonburg, Virginia and opens a financial center in the downtown area.
2019	PCB acquires the Bank of Mount Hope and three financial centers in Mount Hope, Oak Hill, and Beckley. The Wardensville loan production office becomes a full-service financial center.
2021	PCB acquires three financial centers from Carter Bank & Trust in Harrisonburg, Bridgewater, and Staunton, Virginia. Loan production offices are opened in Staunton, Virginia and Lewisburg, West Virginia.

ABI

Allegheny Bancshares Inc

2021 Financials