THE QUEENSBOROUGH COMPANY

2022 ANNUAL REPORT

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Featured: Artistic rendering of the original First National Bank & Trust building located in downtown Louisville, GA

TO OUR OWNERS

March 29, 2023

This past year we saw change and progress for our bank. A full year ago, prior to the rapid rise in interest rates, I told you that we expected moderate asset growth coupled with a noticeable decline in earnings. Well, as normal when I try to predict the future, I was wrong. Our assets declined a bit as our earnings increased with higher interest rates. In addition to higher earnings, we have experienced a marked decrease in problem assets to near zero as well as solid growth in new loans. Plus, our plans to expand into new markets are coming to fruition.

Let me first address the recent turmoil you see in today's banking market and point out to you the differences between your bank and the banks in the news. As you know, Queensborough is a community bank serving the basic financial needs of Augusta, Savannah and the rural counties in between. These economies, and therefore your bank, are not involved in crypto-currency, tech startups or the venture capitalists that created the turmoil to begin with. We focus on the deposits and loans of small businesses that serve our area. The vast majority of our deposits are FDIC insured and virtually all of our loans are to financially capable customers. We are a diversified, sound, profitable, well-capitalized, conservatively managed community bank. And we plan to stay that way. No specialty finance, no high-tech hocus-pocus, no national lending platform, just plain banking.

That focus on just plain banking resulted in another record year for profits for 2022 topping out at $19,217,000. The change in interest rates was beneficial to us at the start of the rate cycle; however, I expect our deposit rates to increase rapidly this year and so we may very well see a decline in profits despite a robust year of loan growth. We are excited to open a new branch this year in Hinesville, Georgia. I expect that Melissa Deal, our very capable and experienced market leader there will soon be recognized as a leader for the bank as well.

The rising interest rates are designed to slow the national economy and no doubt that will happen. However, we expect the Augusta and Savannah markets will continue to grow beyond the national trend. Your bank is in prime position to take advantage of that growth and we will do all we can to penetrate these markets as we have in the past. If you have the chance, please congratulate your bankers on another year of controlling risks while pushing the bank forward.

You may very well have questions about today's environment as it affects Queensborough National Bank. Please do not hesitate to call me as I am always willing to discuss banking in general and Queensborough in particular.

Sincerely,

William F. Easterlin III

William F. Easterlin, III *President and Chief Executive Officer*
bill@qnbtrust.bank | 478.494.0614

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Introduction

Year In Review

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A GREAT PLACE TO WORK

A GROUNDBREAKING YEAR

Queensborough National Bank and Trust has earned the official international certification of Great Place to Work and is celebrating Certification Nation Day on May 17, 2022.

“We are thrilled to receive this designation and hope it will help us recruit and retain talent in today’s competitive environment,” said Sheryl Reed, Queensborough’s EVP, Chief Human Resource Officer.

Great Place to Work Certification is the most definitive “employer-of-choice” recognition that companies aspire to achieve. It is the only recognition based entirely on what employees report about their workplace experience – specifically, how consistently they experience a high-trust workplace. Great Place to Work Certification is recognized worldwide by employees and employers alike and is the global benchmark for identifying and recognizing outstanding employee experience.

“WE ARE THRILLED TO RECEIVE THIS DESIGNATION AND HOPE IT WILL HELP US RECRUIT AND RETAIN TALENT IN TODAY’S COMPETITIVE ENVIRONMENT.”

Sheryl Reed
EVP, Chief Human Resource Officer

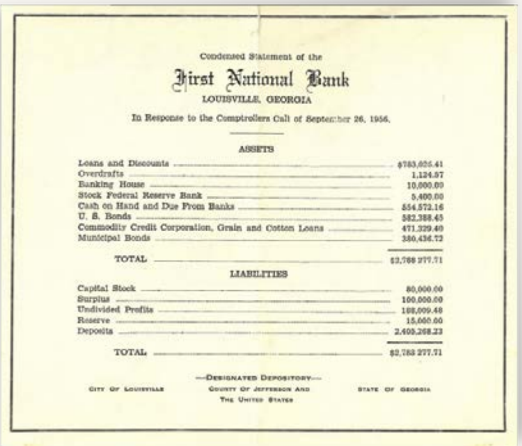
120 YEARS *of* COMMUNITY BANKING

QUEENSBOROUGH'S 120-YEAR TIMELINE

In May of 1902, local businessmen founded Queensborough under the name "First National Bank of Louisville". Since then, the bank has grown from one location in Louisville, GA to 27 locations from Augusta to Savannah, including the recently opened branch in Pooler, GA. Originally founded with just a few employees, the bank now employs over 370 teammates across the state.

1902

Under the name "First National Bank of Louisville", our bank operated in downtown Louisville, Georgia, a rural town located about an hour southwest of Augusta. Banking hours were from 10:00am to 4:00pm and our loan portfolio consisted largely of agricultural notes with collateral noted in the bank minutes as "six chickens" or "two cows."



Condensed Statement of the

First National Bank

LOUISVILLE, GEORGIA

In Response to the Comptrollers Call of September 26, 1956.

ASSETS

Loans and Discounts	$783,025.41
Overdrafts	1,124.57
Banking House	10,000.00
Stock Federal Reserve Bank	5,400.00
Cash on Hand and Due From Banks	554,572.16
U. S. Bonds	582,388.45
Commodity Credit Corporation, Grain and Cotton Loans	471,329.40
Municipal Bonds	380,436.72
TOTAL	$2,788 277.71

LIABILITIES

Capital Stock	80,000.00
Surplus	100,000.00
Undivided Profits	188,009.48
Reserve	15,000.00
Deposits	2,400,268.23
TOTAL	$2,783 277.71

—DESIGNATED DEPOSITORY—

CITY OF LOUISVILLE — COUNTY OF JEFFERSON AND THE UNITED STATES — STATE OF GEORGIA

1954

By the mid-50's, the bank's deposits had grown to $2.5 million, which meant we were able to meet community financing needs as well as new industries like Louisville Fertilizer & Gin Company, Jefferson Shirt Company, J.P. Stevens, ThermoKing Corporation, Van Tran Electric Corporation and Delila Manufacturing Company.

Page 12A — Wednesday, Dec. 6, 1989, The True Citizen

The Waynesboro Bank opens for business

Officers and employees of the newly opened The Waynesboro Bank located at the corner of Liberty and Eighth streets are:

O.R. (Ronald) Jackson, left, Executive Vice President and Henderson Upchurch, right, Vice President and Manager open The Waynesboro Bank for business.

Abbot Easterlin, left, and Larry Hodges, right, discuss land development survey

Services:

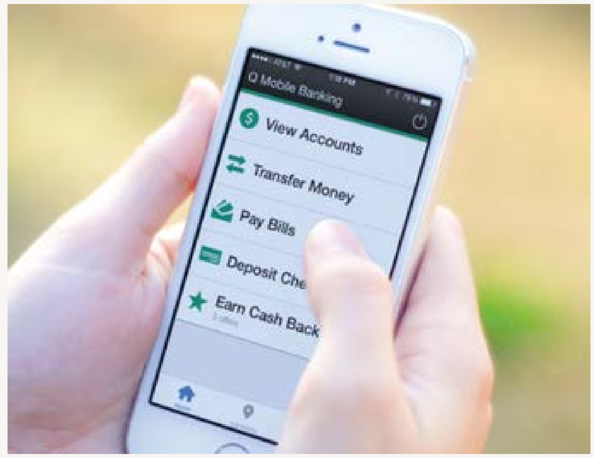
1986

The bank launched an intentional growth strategy with the acquisition of Bank of Midville and Bank of Wadley. In the following 10 years, branches would open in Waynesboro, Wrens, Millen, Sandersville, Tennille, Statesboro and Sylvania.

Photo courtesy of the Jefferson County Historical Society

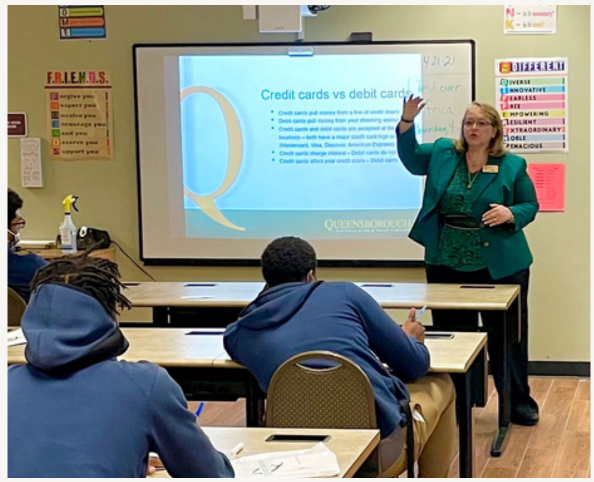
1997

With Y2K approaching, the bank had a big year in tech advances, launching online banking, debit cards and telephone banking.



2006

In an effort to distinguish the bank from competitors, the bank changed its name to “Queensborough National Bank & Trust”, a nod to the area’s history. The Queensborough Township was one of Georgia’s earliest settlements and today represents parts of both Jefferson and Burke counties.



2014

IQ University Financial Literacy Platform launched this year. This program fulfills the bank’s mission to help educate our communities about financial well-being. This continues to be a large part of our outreach.

2020

During the COVID-19 pandemic, our team adjusted to the “new norm” and focused on how we could help our customers. That help came in the form of the Paycheck Protection Program. In 2020 and 2021, our team successfully processed 2,727 loans and were able to get $199 million into the hands of small business owners who needed it. From restaurants and retail to veterinary clinics and construction companies, our team worked early mornings and late into the evenings all while working through the effects of a worldwide pandemic.

2021

We were proud to be named Best Small Bank in Georgia by Newsweek, a ranking of the financial institutions that work to meet the needs of customers during unprecedented times.

QNBT*NOW* Interactive Teller Machines (ITMs) rolled out across the footprint during this year. ITM customers interact with tellers via live video streaming to make deposits of cash or checks, cash checks, make loan and credit card payments, withdraw funds and transfer funds, all from the comfort of their car.

2022

Queensborough was recognized as a certified Great Place to Work.

GEORGIA 500

BILL EASTERLIN NAMED AMONG TOP LEADERS IN GEORGIA

Queensborough National Bank and Trust President and CEO Bill Easterlin has been featured in the premiere edition of Georgia 500 – The State's Most Influential Leaders. Easterlin represents the Banking, Finance & Insurance category.

Easterlin assumed the role of President in 1994, becoming the fourth-generation President and CEO of Queensborough National Bank and Trust Company, a community bank founded by his great grandfather in 1902. Since then, the bank has grown from 106 million in assets to nearly 2 billion.

"IT IS A TESTAMENT NOT TO ME, BUT OF OUR INCREDIBLY DEDICATED TEAM, OUR CUSTOMERS WHO TRUST US TO HANDLE THEIR NEEDS AND THE COMMUNITIES IN WHICH WE HAVE THE PRIVILEGE OF SERVING."

Bill Easterlin
President & CEO

GEORGIA'S BEST

QUEENSBOROUGH NAMED BEST OF GEORGIA® WINNER

Queensborough has been recognized as a 2022 Best of Georgia® winner in Georgia Business Journal's annual readers' poll.

Best of Georgia winners and nominees are chosen by a combination of readers' votes and editors' input, and are vetted through several ranking sites, Better Business Bureau complaint reports, and voting pattern analysis reports.

IN THE COMMUNITY

United Way

United Way of the CSRA

$22,473 was donated to **UNITED WAY OF THE CSRA**.

Our staff hosted six Manna Trucks (mobile food pantries) for **GOLDEN HARVEST FOOD BANK.**

Six branches offered free **COMMUNITY SHRED EVENTS.**

Team Q rode and raised $13,717 for **PACELINE** to fight cancer.

WASHINGTON COUNTY YOUTH ADVISORY BOARD formed for the 2022-2023 school year.

Q employees rang the bell for **THE SALVATION ARMY**.

Kevin Unruh was awarded the 2022 Qmmunity Bank Scholarship.

Employees showed support for **CHILD ENRICHMENT**.

BOARD *of* DIRECTORS

QUEENSBOROUGH NATIONAL BANK & TRUST COMPANY

J. Thomas Battle
L.J. Bowles, III
Gretchen B. Caughman, PhD
Clare Carswell Easterlin
W. Abbot Easterlin
William F. Easterlin, III
Thomas W. Jones, CPA
Charles Troy Jordan
D. Phil Polhill, CPA
Charles E. Smith, Jr.
Paul G. Trotter, DDS
Dr. Jermaine Whirl

THE QUEENSBOROUGH COMPANY

Louisa Abbot
J. Thomas Battle
L. J. Bowles, III
Gretchen B. Caughman, PhD
W. Abbot Easterlin
William F. Easterlin, III
Thomas W. Jones, CPA
Charles Troy Jordan
D. Phil Polhill, CPA
Charles E. Smith, Jr.
Paul G. Trotter, DDS

COASTAL ADVISORY BOARD

Troy R. Baird
Rebecca Benton
Amy Brock
Wallace "Miller" Glover, Jr.
Timothy "Brett" Goodwin, Jr.
Laura A. Judge
Joseph C. Marchese
Mathew M. McCoy
Paul Mosely, Sr.
Kathryn A. Murph
Scott Rasplicka
Derek White
Gary R. Wiggin
Holly S. Young

HONORARY DIRECTORS

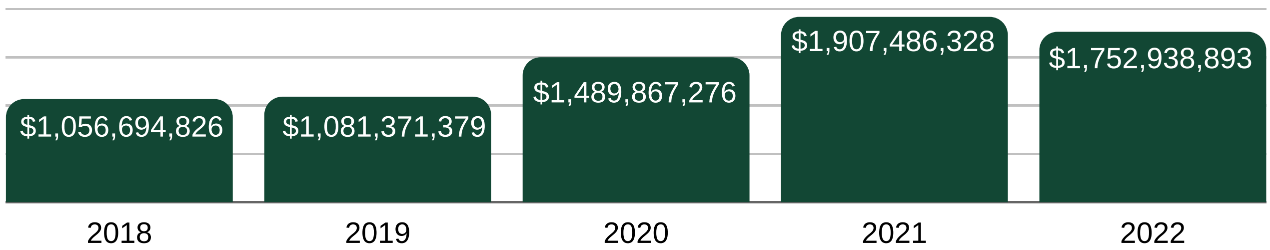
John Roy Clifton, Jr.
Joseph B. Culvern
J. Dudley Gunn
William C. McMaster, Jr.
Sam S. Pennington
Dr. James B. Polhill, IV
R. Joseph Pollock
Edith W. Pundt
R. Hubert Reeves, III
E.C. Smith, III
W. Jeffrey Weichsel

EXECUTIVE MANAGEMENT

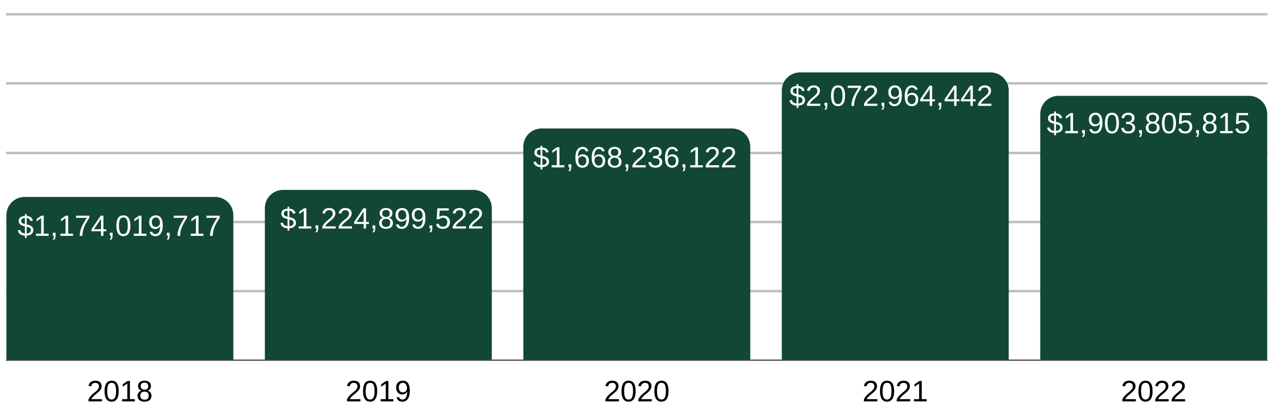
William F. Easterlin, III *President, Chief Executive Officer*
D. Phil Polhill, CPA *Chief Financial Officer*
Kimberly S. Kirk *Chief Operations Officer*
Richard H. Peacock *Chief Credit Officer*
Sheryl R. Reed, SPHR, SHRM-SCP *Chief Human Resource Officer*
William R. Thompson *Chief Lending Officer*
Julie W. Evans *Corporate Secretary*

VISUAL REPRESENTATIONS

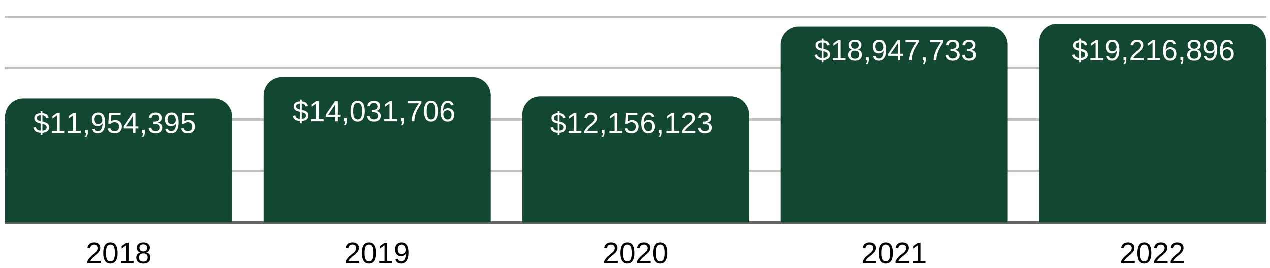
TOTAL DEPOSITS



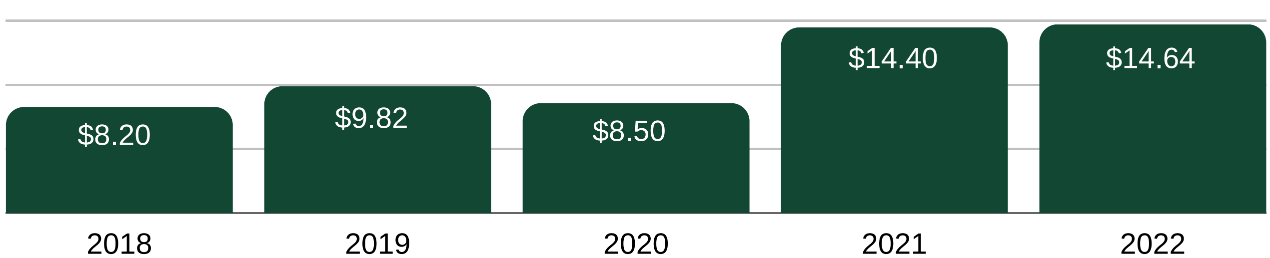
TOTAL ASSETS



NET INCOME



NET INCOME PER SHARE OF COMMON STOCK



elliott davis

Independent Auditor's Report

Board of Directors
The Queensborough Company
Louisville, Georgia

Opinion
We have audited the consolidated financial statements of The Queensborough Company and its Subsidiary (the "Company"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, 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, 2022, and 2021, and the results of its operations and its cash flows for each of the years ended, in accordance with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with auditing standards generally accepted in the United States of America (GAAS), the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013, and our report dated March 22, 2023 expressed an unmodified opinion on the effectiveness of the Company's internal control over financial reporting.

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.

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.
- 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.

Elliott Davis, LLC

Columbia, South Carolina
March 22, 2023

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2022 AND 2021

Assets	2022	2021
Cash and due from banks	$ 38,470,636	47,372,509
Interest-bearing deposits with banks	87,332,898	323,893,192
Cash and cash equivalents	125,803,534	371,265,701
Investment securities available for sale	253,548,623	413,528,133
Investments securities held to maturity (fair value of $321,319,144 and $237,384,388, respectively)	373,857,831	239,784,636
Other investments	2,724,063	2,424,690
Loans held for sale	7,788,032	14,012,841
Loans, less allowance for loan losses of $10,829,928 and $13,575,106, respectively	1,051,107,354	957,392,277
Premises and equipment, net	36,639,303	35,583,199
Goodwill and core deposit intangible	3,394,838	3,469,642
Other real estate	340,229	706,702
Cash surrender value of life insurance	20,550,877	20,072,523
Accrued interest receivable and other assets	28,051,131	14,724,098
Total assets	$ 1,903,805,815	2,072,964,442
Liabilities and Shareholders' Equity		
Deposits:		
Noninterest-bearing	$ 729,459,828	854,994,580
NOW and money market accounts	730,778,923	745,670,484
Savings	99,766,823	91,166,702
Time deposits, $250,000 or more	50,602,756	47,412,627
Other time deposits	142,330,563	168,241,935
Total deposits	1,752,938,893	1,907,486,328
Subordinated debentures	23,608,300	23,466,964
Junior subordinated debentures	12,372,000	12,372,000
Accrued interest payable and other liabilities	11,939,938	9,630,965
Total liabilities	1,800,859,131	1,952,956,257
Commitments and Contingencies		
Shareholders' equity:		
Common stock, $1 par value; 10,000,000 shares authorized; 1,312,784 and 1,312,784 shares issued and outstanding at December 31, 2022 and 2021 respectively	1,312,784	1,312,784
Additional paid-in capital	8,621,562	8,621,562
Retained earnings	130,894,363	114,303,036
Accumulated other comprehensive loss	(37,882,025)	(4,229,197)
Total shareholders' equity	102,946,684	120,008,185
Total liabilities and shareholders' equity	$ 1,903,805,815	2,072,964,442

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF EARNINGS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Interest income:		
Interest and fees on loans	$ 50,734,297	49,254,369
Interest on investment securities:		
Taxable	11,797,318	7,719,272
Tax exempt	276,661	279,777
Other investments	161,949	133,830
Interest on federal funds sold and interest-bearing deposits with banks	2,800,238	134,878
Total interest income	65,770,463	57,522,126
Interest expense:		
Deposits:		
NOW and money market accounts	3,076,956	1,130,365
Savings	94,901	25,332
Time	1,401,420	1,740,183
Borrowed funds	4,848	139,397
Subordinated debentures	1,440,000	1,440,000
Junior subordinated debentures	495,467	293,767
Total interest expense	6,513,592	4,769,044
Net interest income	59,256,871	52,753,082
Recovery for loan losses	(2,500,000)	(1,000,000)
Net interest income after recovery of loan losses	61,756,871	53,753,082
Other income:		
Service charges on deposit accounts	8,548,999	7,840,761
Mortgage banking income	5,843,301	11,811,776
Net (loss) gain on sale of securities	(1,993,953)	98,130
Net gains on sale of other real estate	25,116	172,006
Investment management fees	1,361,422	1,023,805
Other	2,265,688	1,754,282
Total other income	16,050,573	22,700,760
Other expenses:		
Salaries and employee benefits	33,254,155	32,784,173
Occupancy and equipment	3,836,965	3,512,179
Federal deposit insurance assessment	1,087,258	1,004,833
Loan expense	711,096	1,179,965
Data processing	2,305,767	2,283,908
Other	11,749,291	11,094,336
Total other expenses	52,944,532	51,859,394
Earnings before income taxes	24,862,912	24,594,448
Income tax expense	5,646,016	5,646,715
Net earnings	$ 19,216,896	18,947,733
Net earnings per share:		
Basic	$ 14.64	14.40
Diluted	$ 14.58	14.36

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Net earnings	$ 19,216,896	18,947,733
Other comprehensive income, net of income taxes:		
Unrealized losses on investment securities available for sale:		
Holding losses arising during period	(37,028,583)	(9,927,908)
Realized (losses) gains on investment securities available-for-sale	1,993,953	(98,130)
Unrealized losses arising during the period on securities available-for-sale transferred to held-to-maturity	(11,050,531)	-
Reclassification adjustment for amortization of unrealized losses on Securities available-for-sale transferred to held-to-maturity	767,590	-
Net losses on securities	(45,317,571)	(10,026,038)
Net effect of taxes	11,664,743	2,653,573
Total other comprehensive loss, net of tax	(33,652,828)	(7,372,465)
Comprehensive (loss) income	$ (14,435,932)	11,575,268

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

		Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2020	$	1,322,485	9,573,625	97,652,674	3,143,268	111,692,052
Common dividends		-	-	(2,297,371)	-	(2,297,371)
Exercise of warrants for 5,048 shares		5,048	272,104	-	-	277,152
Common stock redeemed, 14,749 shares		(14,749)	(1,224,167)	-	-	(1,238,916)
Other comprehensive loss, net		-	-	-	(7,372,465)	(7,372,465)
Net earnings				18,947,733	-	18,947,733
Balance, December 31, 2021	$	1,312,784	8,621,562	114,303,036	(4,229,197)	120,008,185
Common dividends		-	-	(2,625,569)	-	(2,625,569)
Other comprehensive loss, net		-	-	-	(33,652,828)	(33,652,828)
Net earnings		-	-	19,216,896	-	19,216,896
Balance, December 31, 2022	$	1,312,784	8,621,562	130,894,363	(37,882,025)	102,946,684

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

		2022	2021
Cash flows from operating activities:			
Net earnings	$	19,216,896	18,947,733
Adjustments to reconcile net earnings to net (used) cash provided by operating activities:			
Discount accretion and premium amortization, net		2,785,822	3,576,316
Depreciation		1,626,824	1,466,731
Earnings on BOLI		(478,354)	(456,765)
Amortization of intangible assets		74,804	86,952
Provision for deferred income tax expense		893,728	1,159,188
(Recovery) of loan losses		(2,500,000)	(1,000,000)
Loss (gain) on sale of securities		1,993,953	(98,130)
(Gain) loss on sale of fixed assets		(31,737)	195,222
Net gain on sales of other real estate		(25,116)	(172,006)
Write down of other real estate owned		55,055	180,612
Change in:			
Mortgage banking income		6,224,809	33,741,626
Accrued interest receivable and other assets		(1,662,290)	4,780,066
Accrued interest payable and other liabilities		1,415,245	(1,348,200)
Net cash provided by operating activities		29,589,639	61,059,345
Cash flows from investing activities:			
Proceeds from pay downs, calls and maturities of securities available for sale		55,447,716	101,879,040
Proceeds from pay downs, calls and maturities of securities held to maturity		27,922,190	26,657,446
Purchases of securities available for sale		(17,506,452)	(254,334,245)
Purchases of securities held to maturity		(107,419,016)	(128,391,769)
Proceeds from sale of securities available for sale		17,364,531	35,934,772
(Purchases) sales of other investments		(299,373)	839,100
Net (increase) decrease in loans		(91,240,543)	3,496,159
Purchases of premises and equipment		(2,877,810)	(5,256,475)
Sales of premises and equipment		226,619	109,000
Proceeds from sale of other real estate		362,000	9,236,102
Net cash used in investing activities		(118,020,138)	(207,830,870)
Cash flows from financing activities:			
Net (decrease) increase in deposits		(154,547,435)	417,619,052
Redeem and retire common stock		-	(1,238,916)
Amortization of debt issuance costs		141,336	141,336
Repayment from borrowings		-	(20,000,000)
Exercise of warrants		-	277,152
Cash dividends paid		(2,625,569)	(2,297,372)
Net cash (used) in provided by financing activities		(157,031,668)	394,501,252
Net change in cash and cash equivalents		(245,462,167)	247,729,727
Cash and cash equivalents at beginning of year		371,265,701	123,535,974
Cash and cash equivalents at end of year	$	125,803,534	371,265,701
Supplemental schedule of non-cash financing and investing activities:			
Change in unrealized loss on securities available for sale, net of tax	$	(35,034,630)	(7,372,465)
Loans transferred to other real estate		25,466	50,341
Transfer of investment securities available-for-sale to held-to-maturity		66,574,505	-
Unrealized loss during the period on available-for-sale securities transferred to held-to-maturity		10,282,941	-
Supplemental disclosure of cash flow information:			
Cash paid for interest		6,466,381	5,142,218
Cash paid for income taxes		4,960,000	5,625,000

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of The Queensborough Company ("Queensborough") and its wholly owned subsidiary, Queensborough National Bank and Trust Company (the "Bank") (collectively the "Company"). The accounts of Queensborough National Bank and Trust Company include the accounts of the Bank and its wholly owned subsidiary, Queensborough Insurance Agency, Inc. All significant intercompany balances and transactions have been eliminated in consolidation.

The Company's primary market is comprised of Jefferson, Bulloch, Burke, Candler, Chatham, Columbia, Effingham, Emanuel, Jenkins, McDuffie, Richmond, Screven, Washington and contiguous counties of east central and southeast Georgia. Queensborough National Bank and Trust has its home office in Louisville, Georgia with branch banks in Augusta, Evans, Garden City, Grovetown, Hephzibah, Martinez, Metter, Midville, Millen, Pooler, Rincon, Sandersville, Savannah, Statesboro, Swainsboro, Sylvania, Thomson, Wadley, Waynesboro and Wrens, Georgia. Loan production offices are located in Aiken and Columbia, South Carolina.

The Bank commenced business in 1902 upon receipt of its banking charter from the Office of the Comptroller of the Currency (the "OCC"). The Bank is primarily regulated by the OCC and undergoes periodic examinations by this regulatory agency. The Company is regulated by the Federal Reserve Bank and is also subject to periodic examinations. The Bank provides a full range of commercial and consumer banking services throughout its Georgia trade area.

The accounting principles followed by the Company, and the methods of applying these principles, conform with accounting principles generally accepted in the United States of America ("GAAP") and with general practices in the banking industry. In preparing the financial statements in conformity with GAAP, management is required to make estimates and assumptions that affect the reported amounts in the financial statements. Actual results could differ significantly from these estimates. Material estimates common to the banking industry that are particularly susceptible to significant change in the near term include, but are not limited to, the determination of the allowance for loan losses, the valuation of fair value of investments, the valuation of collateral dependent impaired loans, the valuation of real estate acquired in connection with or in lieu of foreclosure on loans and valuation allowances associated with the realization of deferred tax assets which are based on future taxable income.

Cash and Cash Equivalents

Cash equivalents include due from banks, interest-bearing deposits with banks, time deposits with banks and federal funds sold. Generally, federal funds are sold for one to three day periods and interest-bearing deposits have maturities less than 90 days.

Investment Securities

The Company may classify its securities in one of three categories: trading, available for sale or held to maturity. Trading securities are bought and held principally for the purpose of selling them in the near term. Held to maturity securities are those securities for which the Company has the ability and intent to hold the securities until maturity. All other securities not included in trading or held to maturity are classified as available for sale. At December 31, 2022 and 2021, there were no trading securities.

(1) Summary of Significant Accounting Policies, continued

Investment Securities, continued

Available for sale securities are recorded at fair value. Held to maturity securities are recorded at cost, adjusted for the amortization or accretion of premiums or discounts. Unrealized holding gains and losses, net of the related tax effect, on securities available for sale are excluded from earnings and are reported as a separate component of shareholders' equity until realized. Transfers of securities between categories are recorded at fair value at the date of transfer.

Management evaluates investment securities for other-than-temporary impairment on an annual basis. A decline in the market value of any investment below cost that is deemed other-than-temporary is charged to earnings for the decline in value deemed to be credit related and a new cost basis in the security is established. The decline in value attributed to non-credit related factors is recognized in other comprehensive income.

Premiums and discounts are amortized or accreted over the life of the related securities as adjustments to the yield. Realized gains and losses for securities classified as available for sale and held to maturity are included in earnings and are derived using the specific identification method for determining the cost of securities sold.

Other Investments

Other investments include equity investments in the Federal Home Loan Bank ("FHLB"), the Federal Reserve Bank and other equity securities with no readily determinable market value. These investments are carried at cost, which approximates market value.

Loans, Interest Income and Allowance for Loan Losses

Loans are stated at principal amount outstanding, net of unearned interest and charge offs. Interest on other loans is calculated by using the simple interest method on daily balances of the principal amount outstanding.

Accrual of interest is discontinued on a loan when management believes, after considering economic and business conditions and collection efforts that the borrower's financial condition is such that collection of interest is doubtful. Payments on nonaccrual loans are generally recorded as reductions against the principal balance outstanding. When a borrower has demonstrated the capacity to service the debt for a reasonable period of time, management may elect to resume the accrual of interest on the loan.

A loan is considered impaired when, based on current information and events, it is probable that all amounts due according to the contractual terms of the loan agreement will not be collected. Impaired loans are measured based on the present value of expected future cash flows discounted at the loan's effective interest rate, or at the loan's observable market price, or at the fair value of the collateral of the loan if the loan is collateral dependent. Impaired loans below the threshold for individual evaluation for impairment are reserved for using a general allocation. Interest income on accruing impaired loans is accrued according to the contractual terms of the loan agreement, while interest payments on nonaccrual impaired loans are applied to principal.

The allowance for loan losses is established through a provision for loan losses. Loans are charged against the allowance for loan losses when management believes that the collectability of the principal is unlikely. The allowance represents an amount which, in management's judgment, will be adequate to absorb probable losses on existing loans that may become uncollectable.

(1) Summary of Significant Accounting Policies, continued

Loans and Interest Income, continued

Management's judgment in determining the adequacy of the allowance is based on evaluations of the collectability of loans. These evaluations take into consideration such factors as changes in the nature and volume of the loan portfolio, current economic conditions that may affect the borrower's ability to pay, overall portfolio quality and review of specific problem loans. In determining the adequacy of the allowance for loan losses, management estimates the probable losses in the existing portfolio through consideration of factors including, but not limited to, past loan loss experience, estimated losses in significant credits, current national and local economic conditions, including unemployment rates, and the ability and experience of lending management and collections personnel. The allowance is composed of general and specific allocations of the allowance for loan losses. General allocations are determined by applying loss percentages to segments of the portfolio. The loss percentages are based on each segment's most recent eight quarter historical loss experience and adjustment factors for conditions in the Company's internal and external environment. All loans considered to be impaired are evaluated on an individual basis. The combination of these results are compared quarterly to the recorded allowance for loan losses and material differences are adjusted by increasing or decreasing the provision for loan losses. Management uses an external loan reviewer to challenge and corroborate the loan grading system and provide additional analysis in determining the adequacy of the allowance for loan losses and the future provisions for estimated loan losses.

Management believes the allowance for loan losses is adequate. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in economic conditions. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowance for loan losses. Such agencies may require the Bank to recognize additions to the allowance based on judgments different than those of management.

A loan is also considered impaired if its terms are modified in a troubled debt restructuring. For accruing impaired loans, cash receipts are typically applied to principal and interest receivable in accordance with the terms of the restructured loan agreement. Interest income is recognized on these loans using the accrual method of accounting.

Loans Held for Sale and Mortgage Banking Income

The Company originates mortgage loans on behalf of third parties. Such loans are originated pursuant to commitments from third parties to acquire the loans that are in place prior to extension of a commitment to make the loan. These loans are carried at the lower of aggregate cost or market value. The amount by which cost exceeds market value is accounted for as a valuation allowance. Changes, if any, in the valuation allowance are included in the determination of net earnings in the period in which the change occurs. As of December 31, 2022 and 2021, the Company has recorded no valuation allowance related to its mortgage loans held for sale as their cost approximates market value. The Company receives revenue from the charges and fees generated in making these loans to borrowers. Gains and losses from the sale of loans are determined using the specific identification method.

Premises and Equipment

Bank premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Significant additions and improvements are capitalized. Maintenance and repairs are charged to expense. The range of estimated useful lives for premises and equipment are:

Buildings and improvement	10-40 years
Furniture and fixtures	5-30 years

Goodwill and Core Deposit Intangible

Goodwill represents the excess of the purchase price over the fair value of the net identifiable assets acquired in a business combination. Goodwill is not amortized but tested for impairment on an annual basis, or more often, if events or circumstances indicate there may be an impairment. Goodwill impairment exists when a reporting unit's carrying value of goodwill exceeds its implied fair value, which is determined through initially a qualitative assessment, and following that a quantitative assessment if required.

(1) Summary of Significant Accounting Policies, continued

Goodwill and Core Deposit Intangible, continued

If the fair value of the reporting unit exceeds its carrying value, no further testing is required. If the carrying value exceeds the fair value, further analysis is required to determine whether an impairment charge must be recorded based upon the implied fair value of goodwill and, if so, the amount of such charge. The Company performs its Goodwill testing at least on an annual basis unless it's determined that conditions exists to indicate impairment.

For the Company's annual goodwill impairment evaluation, management bypassed the qualitative assessment for each respective reporting unit and performed Step 1 of the goodwill impairment test. Step 1 of the goodwill impairment test requires a comparison of the fair value of the reporting unit with its carrying amount, including goodwill. Accordingly, management determined the fair value of the reporting unit and compared the fair value to the reporting unit's carrying amount. Management determined that the reporting unit's fair value exceeded its carrying amount and therefore goodwill was not impaired. No events occurred since the last annual goodwill impairment assessment as of December 31, 2022 that would necessitate an interim goodwill impairment assessment.

The core deposit intangible represents the value of the acquired core deposit base related to branch acquisitions. Core deposit intangibles are amortized over the estimated useful life of the deposit base, generally on a straight-line basis.

The remaining useful lives of core deposit intangibles are evaluated periodically to determine whether events and circumstances warrant revision of the remaining period of amortization. Core deposit intangible amortization expense is included in other noninterest expense.

Other Real Estate

Other real estate represents properties acquired through or in lieu of loan foreclosure and is initially recorded at fair value less estimated costs to sell. Any write-down to fair value at the time of transfer to other real estate is charged to the allowance for loan losses. Write-downs for a decline in fair value less estimated costs to sell subsequent to acquisition are charged to earnings. Costs of improvements are capitalized, whereas costs relating to holding other real estate are expensed.

Cash Surrender Value of Life Insurance

Life insurance contracts represent single premium life insurance contracts on the lives of certain officers of the Company. The Company is the beneficiary of these policies. These contracts are reported at their cash surrender value and changes in the cash surrender value are included in other noninterest income.

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Additionally, the recognition of future tax benefits, such as net operating loss and tax credit carryforwards, is required to the extent that the realization of such benefits is more likely than not to occur. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

In the event the future tax consequences of differences between the financial reporting bases and the tax bases of the assets and liabilities result in deferred tax assets, an evaluation of the probability of being able to realize the future benefits indicated by such asset is required. A valuation allowance is provided for the portion of the deferred tax asset when it is more likely than not that some portion or all of the deferred tax asset will not be realized. In assessing the realizability of the deferred tax assets, management considers the scheduled reversals of deferred tax liabilities, projected future taxable income and tax planning strategies.

The Company currently evaluates income tax positions judged to be uncertain. GAAP requires that a loss contingency reserve be accrued if it is probable that the tax position will be challenged, it is probable that the future resolution of the challenge will confirm that a loss has been incurred, and the amount of such loss can be reasonably estimated.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

(1) Summary of Significant Accounting Policies, continued

Accumulated Other Comprehensive Income (Loss)

At December 31, 2022 and 2021, accumulated other comprehensive gain (loss) consisted of net unrealized gain (losses) on investment securities available for sale.

Net Earnings per Share

Net earnings per share is based on the weighted average number of common shares outstanding during the period, while the effects of potential common shares outstanding during the period are included in diluted earnings per share. The average market price during the year is used to compute equivalent shares.

The reconciliations of the amounts used in the computation of both "basic earnings per common share" and "diluted earnings per common share" for the years ended December 31, 2022 and 2021 are as follows

For the year ended December 31, 2022	Net Earnings	Weighted Average Common Shares	Weighted Average Per Share Amount
Net earnings	$ 19,216,896		
Net earnings available to common shareholders for basic earnings per common share	19,216,896	1,312,784	$14.64
Effect of dilutive securities – warrants	-	5,023	
Diluted earnings per common share	$ 19,216,896	1,317,807	$14.58
For the year ended December 31, 2021			
Net earnings	$ 18,947,733		
Net earnings available to common shareholders for basic earnings per common share	18,947,733	1,315,742	$14.40
Effect of dilutive securities – warrants	-	3,528	
Diluted earnings per common share	$ 18,947,733	1,321,852	$14.36

Advertising Expenses

Advertising and public relations costs are generally expensed as incurred. External costs incurred in producing media advertising are expensed the first time the advertising takes place. External costs relating to direct mailing costs are expensed in the period in which the direct mailings are sent. Advertising and public relations costs of $909,269 and $1,196,790, were included in the Company's results of operations for 2022 and 2021, respectively.

Off-Balance-Sheet Financial Instruments

In the ordinary course of business, the Company enters into off-balance sheet financial instruments consisting of commitments to extend credit and letters of credit. These financial instruments are recorded in the financial statements when they become payable by the customer.

(1) Summary of Significant Accounting Policies, continued

Revenue Recognition

The Company records revenue from contracts with customers in accordance with Accounting Standards Codification Topic 606, "Revenue from Contracts with Customers" ("Topic 606"). Under Topic 606, the Company must identify the contract with a customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract, and recognize revenue when (or as) the Company satisfies a performance obligation. Significant revenue has not been recognized in the current reporting period that results from performance obligations satisfied in previous periods.

The Company's primary sources of revenue are derived from interest and dividends earned on loans, investment securities, and other financial instruments that are not within the scope of Topic 606. The Company has evaluated the nature of its contracts with customers and determined that further disaggregation of revenue from contracts with customers into more granular categories beyond what is presented in the Consolidated Statements of Earnings was not necessary. The Company generally fully satisfies its performance obligations on its contracts with customers as services are rendered and the transaction prices are typically fixed; charged either on a periodic basis or based on activity. The Company's accounting policies did not change materially since the principles of revenue recognition from the Accounting Standards Update are largely consistent with existing guidance and current practices applied by our business.

Recently issued accounting pronouncements

The following is a summary of recent authoritative pronouncements.

On January 1, 2022, the Company adopted Accounting Standards Update (ASU) No. 2016-02, "Leases (Topic 842)", which requires the Company to recognize most leases on the balance sheet. The Company adopted the standard under a modified retrospective approach as of the date of adoption. Adoption of the leasing standard resulted in no recognition of operating right-of-use assets and operating lease liabilities at adoption as it was determined by management to have no material impact on the Company's financial statements.

In June 2016, the FASB issued guidance to change the accounting for credit losses and modify the impairment model for certain debt securities. The guidance requires a financial asset (including trade receivables) measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the income statement will reflect the measurement of credit losses that have taken place during the period. The amendments will be effective for the Company for fiscal years beginning after December 15, 2022 including interim periods within those fiscal years. Early adoption is permitted for all organizations for periods beginning after December 15, 2018. ASU 2016-13 does not specify a method for measuring expected credit losses and allows an entity to apply methods that reasonably reflect its expectations of the credit loss estimate based on the entity's size, complexity and risk profile. For the Company, the standard will apply to loans, unfunded loan commitments and debit securities. A team led by the Chief Financial Officer was established to implement the new standard in 2023. The Company has completed initial current expected credit loss models and interpretations. The Company will continue to refine and test the model, estimation techniques, operational processes and controls to be used in preparing CECL loss estimates and related financial statement disclosures. The Company estimates the decrease in ACL from ALLL to be in the range of $700,000 to $1,000,000 and the increase in unfunded commitments to be in the range of $300,000 to $700,000.

In November 2019, the FASB issued guidance to defer the effective dates for private companies, not-for-profit organizations, and certain smaller reporting companies applying standards on current expected credit losses (CECL) and leases. The new effective dates will be; CECL: fiscal years beginning after December 15, 2022 including interim periods within those fiscal years; Leases: fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Effective January 1, 2023 the Company is applying standards on current expected credit losses (CECL) and leases.

(1) Summary of Significant Accounting Policies, continued

Recently issued accounting pronouncements, continued

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies are not expected to have a material impact on the Company's financial position, results of operations or cash flows.

Risks and uncertainties:

In the normal course of its business, the Company encounters two significant types of risks: economic and regulatory. There are three main components of economic risk: interest rate risk, credit risk and market risk.

The Company is subject to interest rate risk to the degree that its interest-bearing liabilities mature or reprice at different speeds, or on a different basis, than its interest-earning assets. Credit risk is the risk of default on the Company's loan portfolio that results from a borrower's inability or unwillingness to make contractually required payments. Market risk reflects changes in the value of collateral underlying loans receivable and the valuation of real estate held by the Company.

The Company is subject to the regulations of various governmental agencies. These regulations can and do change significantly from period to period. The Company also undergoes periodic examinations by the regulatory agencies, which may subject it to further changes with respect to asset valuations, amounts of required loss allowances and operating restrictions from the regulators' judgments based on information available to them at the time of their examination.

Reclassifications

Certain captions and amounts in the 2021 consolidated financial statements were reclassified to conform with the 2022 presentation. These reclassifications had no effect on the results of operations or shareholders' equity.

(2) Investment Securities

Investment securities at December 31, 2022 and 2021 are as follows:

Securities Available for Sale December 31, 2022	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
State, county and municipals	$ 9,560,088	8,390	1,721,665	7,846,813
Mortgage-backed securities	244,441,584	-	36,734,800	207,706,784
U. S. Government Agencies	15,407,135	2,345	1,714,382	13,695,098
U. S. Treasury notes	8,517,002	-	875,094	7,641,908
Collateralized loan obligations	16,052,565	305,455	-	16,358,020
Trust preferred securities	300,000	-	-	300,000
Total	$ 294,278,374	316,190	41,045,941	253,548,623
December 31, 2021				
State, county and municipals	$ 9,778,512	121,497	164,279	9,735,730
Mortgage-backed securities	364,020,694	1,743,421	6,755,642	359,008,473
U. S. Government Agencies	17,280,896	-	278,917	17,001,979
U. S. Treasury notes	27,843,152	-	361,201	27,481,951
Trust preferred securities	300,000	-	-	300,000
Total	$ 419,223,254	1,864,918	7,560,039	413,528,133

(2) Investment Securities, continued

Securities Held to Maturity

December 31, 2022		Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
State, county and municipals	$	36,346,612	-	8,528,703	27,817,909
Mortgage-backed securities		216,604,550	143	36,291,819	180,312,874
U. S. Government Agencies		11,263,463	-	1,448,362	9,815,101
U. S. Treasury notes		34,216,933	-	3,076,847	31,140,086
Collateralized loan obligations		38,091,138	955,820	76,601	38,970,357
Subordinated debentures		37,335,135	-	4,072,318	33,262,817
Total	$	373,857,831	955,963	53,494,650	321,319,144
December 31, 2021					
State, county and municipals	$	37,816,783	54,458	746,044	37,125,197
Mortgage-backed securities		113,276,738	915,436	2,052,392	112,139,782
U. S. Government Agencies		11,262,976	-	278,895	10,984,081
U. S. Treasury notes		34,257,990	42,445	127,328	34,173,107
Collateralized loan obligations		15,031,846	-	-	15,031,846
Subordinated debentures		28,138,303	77,577	285,505	27,930,375
Total	$	239,784,636	1,089,916	3,490,164	237,384,388

Management evaluates securities for other-than-temporary impairment on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

Details concerning investment securities with unrealized losses as of December 31, 2022 and 2021 are as follows:

		Less than 12 Months		12 Months or More		Total	
December 31, 2022		Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
State, county and municipals	$	2,587,442	29,753	32,434,835	10,220,615	35,022,277	10,250,368
Mortgage-backed securities		98,879,131	7,730,907	297,090,577	65,295,712	395,969,708	73,026,619
U. S. Government Agencies		3,314,112	10,382	18,111,101	3,152,362	21,425,213	3,162,744
Subordinated debentures		15,236,424	1,598,711	17,527,392	2,472,608	32,763,816	4,072,318
Collateralized loan obligations		4,416,702	76,601	-	-	4,416,702	76,601
U. S. Treasury notes		-	-	38,781,994	3,951,941	38,781,994	3,951,941
	$	124,433,811	9,446,354	403,945,899	85,093,238	528,379,710	94,540,591

		Less than 12 Months		12 Months or More		Total	
December 31, 2021		Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
State, county and municipals	$	28,237,691	633,055	7,368,860	277,268	35,606,551	910,323
Mortgage-backed securities		277,627,537	4,736,489	99,171,418	4,071,545	376,798,955	8,808,034
U. S. Government Agencies		12,039,810	160,692	15,865,856	397,120	27,905,666	557,812
Subordinated debentures		18,464,495	285,505	-	-	18,464,495	285,505
U. S. Treasury notes		49,651,316	488,529	-	-	49,651,316	488,529
	$	386,020,849	6,304,270	122,406,134	4,745,933	508,426,983	11,050,203

(2) Investment Securities, continued

The market value of investment securities is based on quoted market values and is significantly affected by the interest rate environment. At December 31, 2022, 43 of 45 securities issued as state, county and municipal securities contained unrealized losses. At December 31, 2022, 212 of 214 securities issued as mortgage-backed securities contained unrealized losses. At December, 31, 2022, five of six securities issued as U.S. government agencies contained unrealized losses. At December 31, 2022, 35 of 37 securities issued as subordinated debentures contained unrealized losses. At December 31, 2022, four of four securities issued as United States treasury notes contained unrealized losses. These unrealized losses are considered temporary because of acceptable investment grades on each security and the repayment sources of principal and interest are government backed. The Company has the intent and ability to hold all securities at an unrealized loss position for the foreseeable future and no declines are deemed to be other-than-temporary.

The amortized cost and estimated fair value of investment securities at December 31, 2022, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities of mortgage-backed securities because the mortgages underlying the securities have the right to call or prepay obligations with or without call or prepayment penalties. Therefore, these securities are not included in the maturity categories in the following summary:

	Investment Securities Held to Maturity		Investment Securities Available for Sale	
Investment Securities with Maturities:	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Within 1 year	$ 1,032,201	1,030,772	-	-
1 to 5 years	46,546,870	41,889,037	15,297,800	13,523,074
5 to 10 years	48,821,772	42,850,769	19,896,671	17,970,059
Over 10 years	60,852,438	55,235,692	14,642,319	14,348,706
Mortgage-backed securities	216,604,550	180,312,874	244,441,584	207,706,784
	$ 373,857,831	321,319,144	294,278,374	253,548,623

Proceeds from sales of securities available for sale for 2022 were $17,364,531. Gross losses of $1,993,953 were realized on those sales. Proceeds from sales of securities available for sale for 2021 were $35,934,772. Gross gains of $176,703 along with gross losses of $78,573 were realized on those sales.

Securities with market values of approximately $308,509,000 and $375,350,000 at December 31, 2022 and 2021, respectively, were pledged to secure public deposits as required by law and for other purposes.

(3) Loans and Allowance for Loan Losses

Major classifications of loans at December 31, 2022 and 2021 are summarized as follows:

	2022	2021
Commercial, financial and agricultural	$ 135,724,654	155,089,225
Real estate – construction	161,106,256	133,875,559
Real estate – commercial	542,078,530	496,335,233
Real estate – residential	201,825,079	163,887,389
Installment loans to individuals and others	21,202,763	21,779,977
Total loans	1,061,937,282	970,967,383
Less allowance for loan losses	(10,829,928)	(13,575,106)
	$ 1,051,107,354	957,392,277

(3) Loans and Allowance for Loan Losses, continued

The Company grants loans and extensions of credit to individuals and a variety of businesses and corporations located in its general trade area of Jefferson, Bulloch, Burke, Candler, Chatham, Columbia, Effingham, Emanuel, Jenkins, McDuffie, Richmond, Screven and Washington County, Georgia and contiguous counties of east central and southeast Georgia. Although the Company has a diversified loan portfolio, a substantial portion of the loan portfolio is collateralized by improved and unimproved real estate and is dependent upon the real estate market.

Portfolio segments utilized by the Company are identified above. Relevant risk characteristics for these portfolio segments generally include debt service coverage, loan-to-value ratios and financial performance on non-consumer loans and credit scores, debt-to-income, collateral type and loan-to-value ratios for consumer loans.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law which established the Paycheck Protection Program (PPP). Under the program, the Small Business Administration (SBA) will forgive loans, in whole or in part, made by approved lenders to eligible borrowers for permitted purposes in accordance with the requirements of the program. These loans carry a fixed rate of 1.00% and a term of two or five years, if not forgiven, in whole or in part. The loans are 100% guaranteed by the SBA and as long as the borrower submits its loan forgiveness application within ten months of completion of the covered period, the borrower is not required to make any payments until the forgiveness amount is remitted to the lender by the SBA. The Company includes the PPP loans under the Commercial, Financial, and Agricultural classification in these disclosures. The Company received a processing fee ranging from 1% to 5% based on the size of the loan from the SBA. The fees are deferred and amortized over the life of the loans in accordance with ASC 310-20. The Company received approximately $10,164,000 of processing fees and has recognized approximately $992,000 and $4,950,000 during the years ended December 31, 2022 and 2021, respectively. The Company provided $48,855,555 in funding to 974 customers through the PPP during 2021. Because these loans are 100% guaranteed by the SBA and did not undergo the Company's typical underwriting process, they are not graded and do not have an associated reserve. The SBA began accepting PPP forgiveness applications on August 10, 2020. Borrowers must submit the application within ten months of the completion of the covered period. Once the borrower has submitted the application, the Company has 60 days to review, issue a lender decision, and submit to the SBA. Once the application is submitted, the SBA has 90 days to review and remit the appropriate forgiveness amount to the Company plus any interest accrued through the date of the payment. As of December 31, 2022, the Company received $200,057,338 from the SBA for the forgiveness of 2,742 PPP loans. As of December 31, 2022 and 2021, PPP loans of $239,891 and $33,955,379, respectively, remain outstanding.

(3) Loans and Allowance for Loan Losses, continued

The following tables present the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and based on impairment method as of December 31, 2022 and 2021:

December 31, 2022		Commercial, financial and agricultural	Real estate-construction	Real estate-commercial	Real estate-residential	Installment loans to individuals and others	Total
Balance, beginning of year	$	1,608,186	546,349	10,152,967	633,537	634,067	13,575,106
Recovery		(36,135)	423,732	(3,264,752)	(63,011)	440,166	(2,500,000)
Loans charged off		(40,421)	-	-	(856)	(491,749)	(533,026)
Recoveries		58,356	32,813	128,399	49,241	19,039	287,848
Balance, end of year	$	1,589,986	1,002,894	7,016,614	618,911	601,523	10,829,928
Ending balance, individually evaluated for impairment	$	45,000	-	600,000	-	-	645,000
Ending balance, collectively evaluated for impairment	$	1,544,986	1,002,894	6,416,614	618,911	601,523	10,184,928
Loans:							
Individually evaluated for impairment	$	2,996,046	-	11,230,308	1,918,742	-	16,145,096
Collectively evaluated for impairment	$	132,728,608	161,106,256	530,848,222	199,906,337	21,202,763	1,045,792,186
December 31, 2021							
Balance, beginning of year	$	1,783,929	309,987	11,071,125	841,778	663,605	14,670,424
Recovery		(128,664)	207,145	(874,197)	(447,657)	243,373	(1,000,000)
Loans charged off		(113,108)	-	(56,961)	(13,758)	(307,797)	(491,624)
Recoveries		66,029	29,217	13,000	253,174	34,886	396,306
Balance, end of year	$	1,608,186	546,349	10,152,967	633,537	634,067	13,575,106
Ending balance, individually evaluated for impairment	$	45,000	-	1,220,000	-	-	1,265,000
Ending balance, collectively evaluated for impairment	$	1,563,186	546,349	8,932,967	633,537	634,067	12,310,106
Loans:							
Individually evaluated for impairment	$	2,076,826	-	21,181,099	1,046,063	-	24,303,988
Collectively evaluated for impairment	$	153,012,399	133,875,559	475,154,134	162,841,326	21,779,977	946,663,395

Management individually evaluates loans for impairment that are on nonaccrual status with a total relationship balance greater than $500,000. Additionally, all troubled debt restructurings are individually evaluated for impairment. Impaired loans are measured based on the present value of expected future cash flows discounted at the loan's effective interest rate, at the loan's observable market price, or the fair value of the collateral if the loan is collateral dependent. Interest payments received on impaired loans are applied as a reduction of the outstanding principal balance.

(3) Loans and Allowance for Loan Losses, continued

The following tables present impaired loans as of December 31, 2022 and 2021:

December 31, 2022	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Impaired loans with related allowance:					
Commercial, financial and agricultural	$ 1,531,374	1,645,706	45,000	1,786,041	-
Real estate-commercial	3,046,141	3,821,732	600,000	4,143,868	209,257
Real estate-residential	432,539	504,827	-	453,338	13,079
Impaired loans without related allowance:					
Commercial, financial and agricultural	1,464,672	1,658,973	-	1,536,022	3,483
Real estate-commercial	8,184,167	8,313,187	-	8,234,849	352,045
Real estate-residential	1,486,203	1,714,758	-	1,508,684	27,247
Total:					
Commercial, financial and agricultural	2,996,046	3,304,679	45,000	3,322,063	3,483
Real estate-commercial	11,230,308	12,134,919	600,000	12,378,717	561,302
Real estate-residential	1,918,742	2,219,585	-	1,962,022	40,326
	$ 16,145,096	17,659,183	645,000	17,662,802	605,111
December 31, 2021					
Impaired loans with related allowance:					
Commercial, financial and agricultural	$ 1,256,216	1,305,611	45,000	1,164,352	-
Real estate-commercial	11,402,869	12,310,481	1,220,000	11,313,932	-
Real estate-residential	207,434	259,034	-	210,668	-
Impaired loans without related allowance:					
Commercial, financial and agricultural	820,610	1,006,849	-	864,171	2,190
Real estate-commercial	9,778,230	10,677,927	-	9,994,000	468,776
Real estate-residential	838,629	1,409,594	-	891,027	23,973
Total:					
Commercial, financial and agricultural	2,076,826	2,312,460	45,000	2,028,523	2,190
Real estate-commercial	21,181,099	22,988,408	1,220,000	21,307,932	468,776
Real estate-residential	1,046,063	1,668,628	-	1,101,695	23,973
	$ 24,303,988	26,969,496	1,265,000	24,438,150	494,939

(3) Loans and Allowance for Loan Losses, continued

The following tables present the aging of the recorded investment in past due loans and nonaccrual loans as of December 31, 2022 and 2021 by class of loans:

December 31, 2022		30–89 Days Past Due	> 90 Days Past Due	Total Past Due	Current	Total	Non-Accrual	Recorded Investment > 90 days and Accruing
Commercial, financial and agricultural	$	403,639	3,077,948	3,481,587	132,243,067	135,724,654	2,758,715	319,233
Real estate-construction		-	554	554	161,105,702	161,106,256	-	554
Real estate-commercial		1,466,095	1,345,443	2,811,538	539,266,992	542,078,530	1,176,897	168,546
Real estate-residential		944,426	658,236	1,602,662	200,222,417	201,825,079	434,522	223,714
Installment loans to individuals and others		92,532	50,129	142,661	21,060,102	21,202,763	-	50,129
	$	2,906,692	5,132,310	8,039,002	1,053,898,280	1,061,937,282	4,370,134	762,176
December 31, 2021								
Commercial, financial and agricultural	$	719,794	3,565,095	4,284,889	150,804,336	155,089,225	2,040,826	1,965,753
Real estate-construction		26,458	-	26,458	133,849,101	133,875,559	-	-
Real estate-commercial		642,414	10,370,625	11,013,039	485,322,194	496,335,233	11,712,495	1,273,514
Real estate-residential		808,615	359,315	1,167,930	162,719,459	163,887,389	647,871	351,311
Installment loans to individuals and others		158,415	30,892	189,307	21,590,670	21,779,977	-	30,891
	$	2,355,696	14,325,927	16,681,623	954,285,760	970,967,383	14,401,192	3,621,469

Of the loans 90 days past due and accruing approximately $7,000 and $1,986,000, respectively for years ended 2022 and 2021 were 90% guaranteed by government entities. With regards to the loans not government guaranteed past due 90 days and accruing the Company is well-secured and repayment, principal and interest, will be received in full.

The tables below present information on troubled debt restructurings as of December 31, 2022 and 2021:

December 31, 2022		Performing	Nonperforming
Commercial, financial and agricultural	$	-	906,698
Real estate-commercial		-	2,438,845
Real estate-residential		224,456	208,084
	$	224,456	3,553,627
December 31, 2021			
Commercial, financial and agricultural	$	-	906,698
Real estate-commercial		-	4,616,093
Real estate-residential		266,703	207,434
	$	266,703	5,730,225

The Company has allocated approximately $45,000 of specific allowances to customers whose loan terms have been modified in a troubled debt restructuring as of December 31, 2022 and 2021, respectively. During 2022 and 2021, there were no troubled debt restructurings modified within the previous twelve months that subsequently defaulted. No new TDR's were identified during 2022 and 2021. The Company has not committed to lend additional amounts to customers with outstanding loans that are classified as troubled debt restructurings.

(3) Loans and Allowance for Loan Losses, continued

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information and current economic trends, among other factors. The Company analyzes loans individually by classifying the loans as to credit risk. This analysis is performed on a continuous basis. The Company uses the following definitions for its risk ratings:

Other Assets Especially Mentioned

Weaknesses exist that could cause future impairment, including the deterioration of financial ratios, past due status and questionable management capabilities. Collateral values generally afford adequate coverage, but may not be immediately marketable.

Substandard

Specific and well-defined weaknesses exist that may include poor liquidity and deterioration of financial ratios. The loan may be past due and related deposit accounts may be experiencing overdrafts. Immediate corrective action is necessary.

Doubtful

Specific weaknesses characterized as Substandard that are severe enough to make collection in full unlikely. There is no reliable secondary source of full repayment.

Loss

Loans categorized as Loss have the same characteristics as Doubtful; however, probability of loss is certain. Loans classified as such are generally charged-off.

Loans not meeting the criteria above, and that are analyzed individually as part of the above described process, are considered to be pass rated loans. As of December 31, 2022, there were no 1-4 family loans in process of foreclosure. As of December 31, 2022 and 2021, and based on the most recent analysis performed, the risk category of loans by class of loans is as follows:

December 31, 2022		Pass	Special Mention	Substandard	Doubtful/ Loss	Total
Commercial, financial and agricultural	$	133,188,976	237,331	2,298,347	-	135,724,654
Real estate-construction		161,106,256	-	-	-	161,106,256
Real estate-commercial		530,848,223	2,313,525	8,916,782	-	542,078,530
Real estate-residential		200,130,792	1,139,673	554,614	-	201,825,079
Installment loans to individuals and others		21,202,763	-	-	-	21,202,763
	$	1,046,477,010	3,690,529	11,769,743	-	1,061,937,282
December 31, 2021						
Commercial, financial and agricultural	$	153,303,340	-	1,785,885	-	155,089,225
Real estate-construction		133,875,559	-	-	-	133,875,559
Real estate-commercial		475,154,134	9,377,216	11,803,883	-	496,335,233
Real estate-residential		162,841,325	266,703	779,361	-	163,887,389
Installment loans to individuals and others		21,779,977	-	-	-	21,779,977
	$	946,954,335	9,643,919	14,369,129	-	970,967,383

(4) Premises and Equipment

Major classifications of premises and equipment are summarized as follows:

	2022	2021
Land	$ 9,857,840	9,814,335
Buildings and improvements	31,730,816	30,347,458
Furniture and fixtures	16,173,983	15,073,256
	57,762,639	55,235,049
Less accumulated depreciation	(21,123,336)	(19,651,850)
	$ 36,639,303	35,583,199

Depreciation expense amounted to $1,626,825 and $1,466,731 in 2022 and 2021, respectively.

(5) Goodwill and Core Deposit Intangible

The following table presents information about our intangible assets at December 31:

	2022		2021	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Indefinite lived intangible asset:				
Goodwill	$ 3,388,930	$ -	$ 3,388,930	$ -
Finite lived intangible asset:				
Core deposit intangibles	$ 608,290	$ 602,382	$ 608,290	$ 527,578

Based on the core deposit intangibles as of December 31, 2022, the following table presents the expected aggregate amortization expense for each of the succeeding year ending December 31:

	Amount
2023	$ 5,908
Total	$ 5,908

Amortization expense of $74,804 and $86,952 related to the core deposit intangibles was recognized in 2022 and 2021, respectively.

As of December 31, 2022 and 2021, goodwill totaled $3,388,930. Goodwill is reviewed for impairment annually in accordance with generally accepted accounting principles. The Company's evaluation considers various components, to include economic conditions, industry considerations, financial performance as well as other information. The evaluations were completed as of December 31, 2022 and 2021, management determined that no impairment existed on the goodwill.

(6) Deposits

Maturities of time deposits at December 31, 2022 are as follows:

Year ending December 31,		
2023	$	122,821,916
2024		31,676,680
2025		19,677,043
2026		8,191,961
2027		10,476,796
Thereafter		91,523
	$	192,932,919

Brokered deposits totaled $6,473,000 as of December 31, 2022. The Company had no brokered deposits as of December 31, 2021. As of December 31, 2022 and 2021, the Company has one depositor whose deposits total more than five percent of total deposits.

(7) Borrowings and Unused Lines of Credit

The Company is a shareholder of the FHLB and as such has access to borrowings from the FHLB. As of December 31, 2022, the Company had no outstanding loan advances from the FHLB. During 2021 the Company repaid advances totaling $20,000,000 from the FHLB. A prepayment penalty of $49,768 was paid to the FHLB in 2021 for the early payoff of a $10,000,000 loan advance. The advances were collateralized by a blanket floating lien agreement on all unencumbered first mortgage residential and commercial real estate loans. Loans qualifying as collateral had a discounted value of approximately $103,771,000 and $68,826,000, respectively at December 31, 2022 and 2021.

The Company has federal funds accommodations of $44,000,000 at December 31, 2022 with other financial institutions where the Company may borrow funds on a short-term basis at the market rate in effect at the time of borrowing. There were no federal funds purchased outstanding as of December 31, 2022 or 2021.

On October 9, 2020, the Company entered into a subordinated debt agreement that totaled $24,000,000. The debt bears an interest rate at a fixed-to floating rate of 6.00% per annum payable semi-annually in arrears on April 15th and October 15th. The Company may not prepay the debt for five years after issuance and the debt matures on October 15, 2030. The subordinated debt has been structured to fully count as Tier 2 regulatory capital on a consolidated basis. The subordinated debt balance as of December 31, 2022 and 2021 was $23,608,300 and $23,466,964, respectively.

Issuance costs associated with the debt are netted against the debt outstanding. The costs are being amortized over five years. The unamortized balance of issuance costs at December 31, 2022 and 2021 totaled $391,700 and $533,036 respectively.

(8) Junior Subordinated Debentures

In February 2004 and May 2007, Queensborough formed wholly owned Delaware statutory business trusts, Queensborough Capital Trust II ("Trust II") and Queensborough Capital Trust III ("Trust III"), respectively (collectively, the "Trusts"). The Trusts each issued $6 million of guaranteed preferred beneficial interests in Queensborough's junior subordinated deferrable interest debentures that qualify as Tier I Capital under Federal Reserve Board guidelines. Queensborough owns all of the common securities of the Trusts. The debentures relating to Trust II pay interest at a floating rate, equal to three-month LIBOR plus 2.85%. The debentures relating to Trust III pay interest at a floating rate equal to three-month LIBOR plus 1.65%.

The proceeds received by the Company from the sale of the junior subordinated debentures were used to infuse capital into the Bank to improve its capital position and for other general corporate purposes. The debentures represent the sole asset of each of the Trusts. The Trusts are not included in these consolidated financial statements.

The trust preferred securities accrue and pay quarterly distributions based on the liquidation value of $50,000 per capital security at the respective floating or fixed interest rate, which at December 31, 2022 was 6.93% for Trust II and 6.42% for Trust III. The Company has guaranteed distributions and other payments due on the trust preferred securities to the extent the Trusts have funds with which to make the distributions and other payments. The net combined effect of all the documents entered into in connection with the trust preferred securities is that the Company is liable to make the distributions and other payments required on the trust preferred securities.

The trust preferred securities are mandatorily redeemable upon maturity of the debentures on April 7, 2034 for Trust II and June 15, 2037 for Trust III, or upon earlier redemption as provided in the indentures. The Company has the right to redeem the debentures purchased by the Trusts, in whole or in part, at a redemption price equal to the principal amount and any accrued but unpaid interest.

(9) Income Taxes

The components of income tax expense in the consolidated statements of operations are as follows:

		2022	2021
Current income tax expense	$	4,752,288	4,486,817
Deferred income tax expense		893,728	1,159,898
Total income tax expense	$	5,646,016	5,646,715

The differences between the provision for income taxes and the amount computed by applying the statutory federal income tax rate of 21% in 2022 and 2021, respectively, to earnings before income taxes are as follows:

		2022	2021
Pretax income at statutory rate	$	5,221,212	5,164,834
Add (deduct):			
Tax-exempt interest income		(177,740)	(178,341)
Non-deductible expenses		44,722	37,965
State taxes and credits, net of federal benefit		550,885	492,003
Other		6,937	130,254
	$	5,646,016	5,646,715

(9) Income Taxes, continued

The following summarizes the components of the net deferred tax asset. The deferred tax asset is included as a component of other assets at December 31, 2022 and 2021.

	2022	2021
Deferred income tax assets:		
Allowance for loan losses	$ 2,765,964	3,467,082
Other than temporary impairment loss on securities available for sale	46,968	48,526
Stock benefit plan	169,841	254,228
Net unrealized loss on debt securities	13,130,667	1,465,924
Other real estate owned	14,061	-
Total gross deferred income tax assets	16,127,501	5,235,760
Deferred income tax liabilities:		
Premises and equipment	(2,708,211)	(2,596,323)
Intangible asset	(397,965)	(389,127)
Total gross deferred income tax liabilities	3,118,805	(2,985,450)
Net deferred income tax asset	$ 13,021,325	2,250,310

Deferred tax assets represent the future benefit of deductible differences and, if it is more likely than not that a tax asset will not be realized, a valuation allowance is required to reduce the recorded deferred tax assets to net realizable value. After review of all positive and negative factors and potential tax planning strategies, as of December 31, 2022 and 2021, management has determined that a valuation allowance is not necessary. Management has determined that it is more likely than not that the net deferred tax asset at December 31, 2022 will be realized. The Company has analyzed the tax positions taken or expected to be taken in its tax returns and concluded it has no liability related to uncertain tax positions in accordance with applicable regulations.

(10) Related Party Transactions

The Company has entered into transactions with certain directors, executive officers and their affiliates. The following summary reflects related party loan activity during the years ended December 31, 2022 and 2021:

	2022	2021
Beginning balance	$ 12,369,258	9,771,813
New loans	13,432,595	12,428,017
Repayments	(13,792,333)	(9,830,572)
Ending balance	$ 12,009,520	12,369,258

The Company had deposits from related parties totaling approximately $11,625,000 and $21,600,000 as of December 31, 2022 and 2021, respectively.

The Bank leases office space from a company that has several common shareholders with the Company under an annual lease arrangement. Rent expense for 2022 and 2021, which is deemed to approximate the normal market rate, was approximately $91,000 and $93,000, respectively. The lease is renewed annually and is approved by the Board of Directors of the Company for each annual renewal.

(11) Commitments

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. Those instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the consolidated balance sheets. The contractual amounts of those instruments reflect the extent of involvement the Company has in particular classes of financial instruments.

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

In most cases, the Company does require collateral to support financial instruments with credit risk.

	Contractual Amount	
	2022	2021
Financial instruments whose contract amounts represent credit risk:		
Commitments to extend credit	$ 282,078,000	249,388,000
Standby letters of credit	$ 5,141,000	4,091,000

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 may 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 Company, upon extension of credit is based on management's credit evaluation. Collateral held varies but may include unimproved and improved real estate, certificates of deposit or personal property.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company holds collateral supporting these commitments for which collateral is deemed necessary.

(12) Stock Options, Warrants, and Repurchase

In 1998, the Company adopted The Queensborough Company Stock Incentive Plan, which provides that certain officers, key employees, directors and consultants of the Company may be granted stock options to purchase shares of common stock of the Company. The plan limits the total number of shares which may be awarded to 120,000. The options are granted at the market value of the shares on the date of grant, vest over four years and are exercisable within ten years of grant. At December 31, 2022, options for 107,700 shares remain available for future grants.

There were no options granted, forfeited or exercised in 2022 or 2021. As of December 31, 2022 and 2021, there were no stock options outstanding.

In 2011, the Company sold and issued 56,113 shares of common stock to certain directors, officers, and stockholders in its effort to raise capital. Along with the common shares sold and issued, the Company granted warrants for the purchase of the same amount of shares at 60% of book value determined at the time of exercise. During 2021, 4,048 warrants were exercised at a price of $50.68 per share. The unused warrants expired April 2021.

In 2017, the Company completed a private placement of its common stock. 62,830 shares were sold and issued at an average price of $55.64 per share for a total of $3,496,000. Along with the common shares there were two warrants issued for every ten shares purchased. The warrants allow the holder to purchase additional common shares of the Company at a price of $72.00 per share through February 1, 2027, at which date the warrants will expire if not exercised. A total of 12,566 warrants were issued. During 2022 no warrants were exercised. During 2021, 1,000 warrants were exercised at a price of $72.00. As of December 31, 2022 and 2021, there were 10,166 warrants outstanding.

On February 17, 2021, the Company announced a stock repurchase program approved by its Board of Directors, whereby the Company will purchase and retire up to 15,000 shares of its common stock. Subsequently, the Company notified all common stockholders of its intent to repurchase up to 15,000 shares and prescribed the manner and method for shareholders to participate in the program. The Company repurchased 14,749 shares under the program at $84.00 per share for a total of $1,238,916 in 2021.

(13) Benefit Plan

The Company has a 401(k) profit sharing plan which is available to employees subject to certain age and service requirements. The plan covers substantially all employees and allows for employee pre-tax and post-tax contributions. Contributions to the plan by the Company are determined under a matching formula. The Company, at its discretion, may contribute additional amounts. For the years ended December 31, 2022 and 2021, contributions of $855,513 and $798,876, respectively, were expensed to salaries and employee benefits.

(14) Fair Value of Financial Instruments

The Company utilizes fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Securities available for sale are recorded at fair value on a recurring basis. Additionally, from time to time, the Company may be required to record at fair value other assets on a nonrecurring basis, such as loans held for sale, impaired loans, real estate acquired in lieu of foreclosure and certain other assets. These nonrecurring fair value adjustments typically involve application of the lower of cost or market accounting or write-downs of individual assets.

Fair Value Hierarchy

The Company groups assets and liabilities at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 – Valuation is based upon 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 generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

Following is a description of valuation methodologies used for assets and liabilities which are either recorded or disclosed at fair value.

Investment Securities

Investment securities available for sale are recorded at fair value on a recurring basis. For securities available for sale as well as securities held to maturity, fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques, such as the present value of future cash flows adjusted for the security's credit rating, prepayment assumptions and other factors such as credit loss assumptions. Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange, and U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter market funds. Level 2 securities include mortgage-backed securities issued by government sponsored enterprises and state, county and municipal bonds. Securities classified as Level 3 include asset-backed securities in less liquid markets and trust preferred securities.

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 allocation is established within the allowance for loan losses. Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement are considered impaired. Once a loan is identified as individually impaired, management measures the fair value of impaired loans in a relationship with a balance greater than $500,000 by using one of three methods, including collateral value, market value of similar debt and discounted cash flows. Impaired loan relationships below the threshold for individual evaluation for impairment are reserved for using general allocation. Those impaired loans individually evaluated not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceeds the recorded investment in such loans. Impaired loans where an allowance is established based on the fair value of collateral require classification in the fair value hierarchy. When the fair value of the collateral is based on an observable market price, the Company records the impaired loan as nonrecurring Level 2. When the fair value is based on an appraised value, the Company records the impaired loan as nonrecurring Level 3.

(14) Fair Value of Financial Instruments, continued

Loans Held for Sale

Loans held for sale, generally consisting of first-lien residential mortgages recently originated and intended for sale in the secondary market, are carried at the lower of cost or estimated fair value. The estimated fair value of loans held for sale is approximated by the carrying value, given the short-term nature of the loans and similarity to what secondary markets are currently offering for portfolios of loans with similar characteristics. The Company records loans held for sale as recurring Level 2.

Other Real Estate

Other real estate properties are adjusted to fair value upon transfer of the loans to other real estate. Subsequently, other real estate assets are carried at fair value. Fair value is based upon independent market prices, appraised values of the collateral or management's estimation of the value of the collateral. When the fair value of the collateral is based on an observable market price, the Company records the other real estate as nonrecurring Level 2. When the fair value is based on an appraised value or management's estimation of the value of the collateral, the Company records the other real estate asset as nonrecurring Level 3.

Assets Recorded at Fair Value on a Recurring Basis

The table below presents the recorded amount of assets measured at fair value on a recurring basis as of December 31, 2022 and 2021, respectively.

Balance at December 31, 2022		Level 1	Level 2	Level 3	Total
State, county and municipals	$	-	7,846,813	-	7,846,813
Mortgage-backed securities		-	207,706,784	-	207,706,784
U. S. Government agencies		-	13,695,098	-	13,695,098
U. S. Treasury notes		-	7,641,908	-	7,641,908
Trust preferred securities		-	-	300,000	300,000
Collateralized loan obligations		-	16,358,020		16,358,020
Loans held for sale		-	7,788,032	-	7,788,032
Total	$	-	261,036,655	300,000	261,336,655
Balance at December 31, 2021					
State, county and municipals	$	-	9,735,730	-	9,735,730
Mortgage-backed securities		-	359,008,473	-	359,008,473
U. S. Government agencies		-	17,001,979	-	17,001,979
U. S. Treasury notes			27,481,951		27,481,951
Trust preferred securities		-	-	300,000	300,000
Loans held for sale		-	14,012,841	-	14,012,841
Total		-	427,240,974	300,000	427,540,974

(14) Fair Value of Financial Instruments, continued

The following table presents the changes in Level 3 assets measured at fair value on a recurring basis during the years ended December 31:

Level 3 Fair Value Measurements		Trust Preferred Securities 2022	Trust Preferred Securities 2021
Balance at beginning of year	$	300,000	300,000
(Sales)/purchases		-	-
Net changes in gain/(loss) realized and unrealized		-	-
Transfers out of Level 3 to other investments		-	-
Balance at end of year	$	300,000	300,000

Assets Recorded at Fair Value on a Nonrecurring Basis

The Company may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis. These include assets that are measured at the lower of cost or market that were recognized at fair value below cost at the end of the period. Assets measured at fair value on a nonrecurring basis are included in the table below as of December 31, 2022 and 2021, respectively.

Balance at December 31, 2022		Level 1	Level 2	Level 3	Total
Other real estate owned	$	-	-	340,229	340,229
Impaired loans, net		-	-	15,500,096	15,500,096
Total assets at fair value	$	-	-	15,840,325	15,840,325
Balance at December 31, 2021					
Other real estate owned	$	-	-	706,702	706,702
Impaired loans, net		-	-	23,038,988	23,038,988
Total assets at fair value	$	-	-	23,745,690	23,745,690

For Level 3 assets and liabilities measured at fair value on a recurring or non-recurring basis as of December 31, 2022 and December 31, 2021, the significant unobservable inputs used in the fair value measurements were as follows:

		Fair Value as of December 31, 2022	Valuation Technique	Significant Observable Inputs	Significant Unobservable Inputs
Impaired loans, net of specific reserve	$	15,840,096	Appraisal Value	Appraisals and/or sales of comparable properties	Appraisals discounted 15% to 20% for sales commissions and other holding cost
Other real estate owned	$	340,229	Appraisal Value/Comparison Sales/Other estimates	Appraisals and/or sales of comparable properties	Appraisals discounted 15% to 20% for sales commissions and other holding cost

		Fair Value as of December 31, 2021	Valuation Technique	Significant Observable Inputs	Significant Unobservable Inputs
Impaired loans, net of specific reserve	$	23,038,988	Appraisal Value	Appraisals and/or sales of comparable properties	Appraisals discounted 15% to 20% for sales commissions and other holding cost
Other real estate owned	$	706,702	Appraisal Value/Comparison Sales/Other estimates	Appraisals and/or sales of comparable properties	Appraisals discounted 15% to 20% for sales commissions and other holding cost

(15) Regulatory Matters

The Company and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary action by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. These capital requirements were modified in 2013 with the Basel III capital rules, which establish a new comprehensive capital framework for U.S. banking organizations. The Company and the Bank became subject to the new rules on January 1, 2015, with a phase-in period for many new provisions. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative measures for their assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weighting and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios (set forth in the table below) of Common Equity Tier 1, Tier I and total capital (as defined in the regulations) to risk-weighted assets (as defined) and of Tier I capital to average assets (as defined). It is management's opinion, as of December 31, 2022, that the Company and the Bank meet all applicable capital adequacy requirements.

The Basel III capital rule requires banking organizations to maintain a minimum CET1 ratio of 4.5%, a Tier 1 capital ratio of 6.0%, and a total capital ratio of 8.0% to be considered "adequately capitalized." The Basel III capital rule also includes a capital conservation buffer requirement above the minimum risk-based capital ratio requirements that banking organizations must meet in order to avoid limitations on capital distributions (including dividends and repurchases of any Tier 1 capital instrument, including common and qualifying preferred stock) and certain discretionary incentive compensation payments. The multi-year phase-in of the capital conservation buffer requirement began on January 1, 2016, and, for 2017, banking organizations are required to maintain a CET1 capital ratio of at least 5.125%, a Tier 1 capital ratio of at least 6.625%, and a total capital ratio of at least 8.625% to avoid limitations on capital distributions and certain discretionary incentive compensation payments. When fully phased-in on January 1, 2019, banking organizations must maintain a CET1 capital ratio of at least 7.0%, a Tier 1 capital ratio of at least 8.5%, and a total capital ratio of at least 10.5% to avoid limitations on capital distributions and certain discretionary incentive compensation payments.

As of December 31, 2022, the most recent notification from the OCC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or event since that notification which management believes have changed the bank's category.

(15) Regulatory Matters, continued

The Company's and the Bank's actual capital amounts and ratios are presented in the table below (dollars in thousands).

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2022:						
Total Capital (to Risk-weighted Assets)						
Consolidated	184,775	14.46%	102,232	8.00%	N/A	N/A
Bank	181,552	14.23%	102,051	8.00%	127,564	10.00%
Tier I Capital (to Risk-weighted Assets)						
Consolidated	149,945	11.73%	76,674	6.00%	N/A	N/A
Bank	170,772	13.38%	76,539	6.00%	102,051	8.00%
Common Equity Tier 1 capital (to risk-weighted assets)						
Consolidated	137,945	10.79%	57,505	4.50%	N/A	N/A
Bank	170,722	13.38%	57,404	4.50%	82,917	6.50%
Tier I Leverage (to Average Assets)						
Consolidated	149,945	7.56%	79,346	4.00%	N/A	N/A
Bank	170,722	8.61%	79,298	4.00%	99,123	5.00%
As of December 31, 2021:						
Total Capital (to Risk-weighted Assets)						
Consolidated	171,497	15.06%	91,075	8.00%	N/A	N/A
Bank	167,785	14.76%	90,918	8.00%	113,647	10.00%
Tier I Capital (to Risk-weighted Assets)						
Consolidated	133,267	11.71%	68,306	6.00%	N/A	N/A
Bank	154,210	13.57%	68,188	6.00%	90,918	8.00%
Common Equity Tier 1 capital (to risk-weighted assets)						
Consolidated	121,267	10.65%	51,229	4.50%	N/A	N/A
Bank	154,210	13.57%	51,141	4.50%	73,871	6.50%
Tier I Leverage (to Average Assets)						
Consolidated	133,267	6.87%	77,538	4.00%	N/A	N/A
Bank	154,210	7.97%	77,392	4.00%	96,739	5.00%

Dividends paid by the Bank are the primary source of funds available to the Company. Banking regulations limit the amount of dividends that may be paid without prior approval of the regulatory authorities. These restrictions are based on the level of regulatory classified assets, the prior years' net earnings and the ratio of equity capital to total assets.

(16) Commitments and Contingencies

In the ordinary course of business, the Company may, from time to time, become a party to legal claims and disputes. At December 31, 2022, management, after consultation with legal counsel, is not aware of any pending or threatened litigation or unasserted claims or assessments that could result in losses, if any, would be material to the financial statements.

(17) Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet date but before financial statements are issued. Recognized subsequent events are events or transactions 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. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after that date. The Company has disclosed deposit concentrations in Note 6. In relation to current economic events, management has monitored deposit concentrations through the date the financial statements were issued noting no significant changes to concentrations. In addition, there has been no significant deposit deterioration through the date the financial statements were issued. The Company has disclosed its investment portfolio position in Note 2. There has been no significant deterioration in the investment portfolio through the date the financial statements were issued. Management has reviewed events occurring through March 22, 2023 the date the financial statements were available to be issued and no subsequent events occurred requiring disclosure.

(18) The Queensborough Company (Parent Company Only) Financial Information

Balance Sheets

December 31, 2022 and 2021

	2022	2021
Assets		
Cash	$ 5,021,864	2,350,213
Investment in Bank	135,204,281	152,434,315
Other assets	1,748,447	3,713,842
Total assets	$ 141,974,592	158,498,370
Liabilities and Shareholders' Equity		
Other liabilities	$ 422,039	353,849
Dividends payable	2,625,568	2,297,372
Senior subordinated debentures	23,608,300	23,466,964
Junior subordinated debentures	12,372,000	12,372,000
Total liabilities	39,027,908	38,490,185
Total shareholders' equity	102,946,684	120,008,185
Total liabilities and shareholders' equity	$ 141,974,592	158,498,370

(18) The Queensborough Company (Parent Company Only) Financial Information, continued

Statements of Earnings

For the Years Ended December 31, 2022 and 2021

	2022	2021
Dividends from Bank	$ 4,400,000	2,200,000
Total income	4,400,000	2,200,000
Interest expense	2,076,803	1,875,103
Other expense	110,152	116,095
Total expenses	2,186,955	1,991,198
Income before income tax benefit and equity in undistributed earnings of Bank	2,256,669	208,802
Income tax benefit	537,433	500,597
Income before equity in undistributed earnings of Bank	2,794,102	709,399
Equity in undistributed earnings of Bank	16,422,794	18,238,334
Net earnings	$ 19,216,896	18,947,733

Statements of Cash Flows

For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Net earnings	$ 19,216,896	18,947,733
Adjustments to reconcile net earnings to net cash used by operating activities:		
Equity in earnings of Bank	(16,422,794)	(18,238,334)
Change in other	2,503,117	(1,647,314)
Net cash provided (used) by operating activities	5,297,219	(937,915)
Cash flows from financing activities:		
Dividends paid	(2,625,568)	(2,297,372)
Exercise of warrants	-	277,152
Redemption and retirement of common stock	-	(1,238,916)
Net cash used by financing activities	(2,625,568)	(3,259,136)
Net change in cash	2,671,651	(4,197,051)
Cash at beginning of year	2,350,213	6,547,264
Cash at end of year	$ 5,021,864	2,350,213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