THE QUEENSBOROUGH COMPANY

2021 ANNUAL REPORT

TO OUR OWNERS

March 17, 2022

As reported to you in my dividend letter in January of this year, 2021 was a very good year for The Queensborough Company. We continued our remarkable organic growth with assets increasing by 24% year over year to $2,072,325. Over the last two years Queensborough has grown from $1.2 billion to over $2.0 billion in total assets or 69% in two years. To put that $800 million growth into perspective, our average branch is about $50 million in assets. Thus, we grew the equivalent of 15-16 branches without the expense of new buildings, personnel or overhead costs. For another view, of the roughly 150 banks in the state of Georgia approximately 120 banks are less than $800 million. It is not unusual for a community bank like Queensborough to grow rapidly through mergers or acquisitions, but organic growth like this rarely occurs and is a testament to the dedication and commitment of all of our bankers.

The quick increase in our balance sheet starts with new deposit customers. Our loan customers and outstanding balances, however, have not grown as rapidly as the deposits. And I see that as a good thing. One of the axioms in community banking is that rapid loan growth often leads to unforeseen risks in the loan portfolio. Being wary of potential risks keeps our loans growing at a very modest pace and keeps our risks transparent and manageable. In fact, our loan balances barely changed at all during the year as many of the Paycheck Protection Plan (PPP) loans from last year were repaid.

Earnings for the year, driven by very good credit experience and lower pandemic related costs, increased by more than 50% to $18,948,000. Also, a good portion of the increase in earnings came from large scale mortgage refinancing, which we expect to dissipate in 2022 as this activity will no doubt be negatively affected by the increasing interest rates.

The remaining months of 2022 will bring about more interest rate increases and more uncertainties in our local economy and in the world at large. Hopefully leaders at home and abroad can avoid a wide-scale war in Europe and we can keep the US economy chugging along. Rest assured that no matter the course of events, your management team will be diligent in controlling risks while pushing the bank forward.

As always I am happy to discuss any questions or thoughts you may have about banking in general or The Queensborough Company specifically.

Sincerely,

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

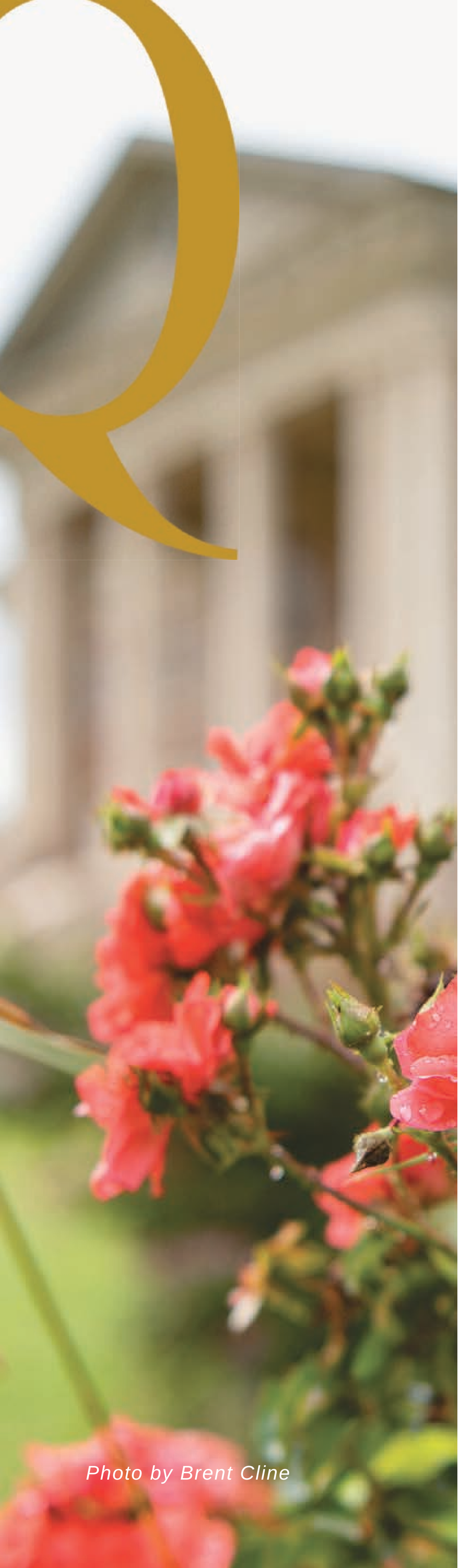

Photo by Brent Cline

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"The number one thing.....they listened."

Sheldon Kelly
Owner, Mailbox Cafe
Customer Since 2015

QNBT*NOW*'S BIG YEAR

CUSTOMER CARE A PRIORITY IN 2021

In 2021, the bank made big advances in customer care. Not only did we roll out 15 QNBTNOW Interactive Teller Machines (ITMs), but our Customer Care Center was busier than ever.

Our dedicated team of QNBT*NOW* tellers processed over 41,000 teller transactions via this new channel, a number that equals 13% of the bank's overall transactions.

In addition to ITM transactions, our QNBT*NOW* Customer Care team responded to over 97,000 calls in 2021. That equates to 404 calls per day!

2022 will see another phase of ITM rollouts and more options for customer care.

ITM Locations

Augusta

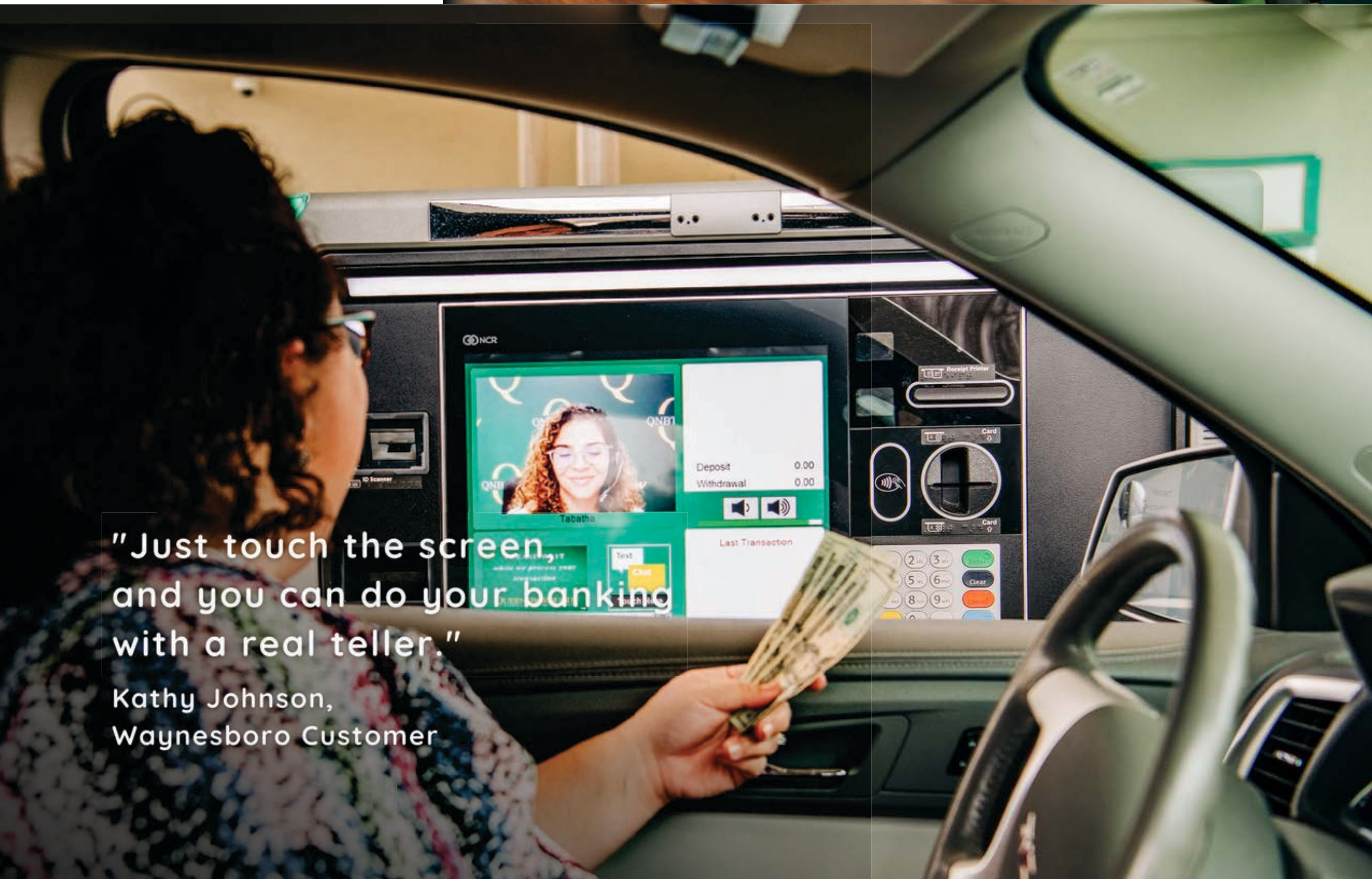
- Fury's Ferry (421 Fury's Ferry Rd.)
- Tobacco Road (2550 Tobacco Rd.)
- West Augusta (3617 Walton Way Ext.)

Coastal

- Pooler (1559 Pooler Pkwy.)
- Garden City (216 Hwy 80 West)

Other

- Louisville Hwy 1 (107 Hwy 1 Bypass)
- Sandersville (202 North Harris St.)
- Wadley (25 North Main St.)
- Waynesboro (721 Liberty St.)



"Just touch the screen, and you can do your banking with a real teller."

Kathy Johnson,
Waynesboro Customer

A FIRST IN POOLER

OUR ONE OF A KIND POOLER BRANCH SEES FIRST CUSTOMERS

On December 28, 2021, we opened our doors and welcomed our first customer in our new Pooler location.

Located at 1559 Pooler Parkway, the branch features an open-concept lobby while incorporating the latest banking technology for enhanced transactions and service. The lobby also includes a large digital display for financial education and community messages.

Because the bank is staffed with universal bankers rather than traditional tellers and customer service representatives, customers are able to complete most transactions, including opening new accounts, with one person. A commercial banker, mortgage and financial advisers are also on staff.

“Expanding into Pooler is a natural progression of our local growth plan. This level of investment is a demonstration of our long-term commitment to the community,” said Mike English, Senior Vice President and Coastal Region Manager. “We already have a number of customers in Pooler, and this is the ideal location from which to serve our customers and attract new business with our style of community banking.”

Real. Convenient. Banking.
The drive-thru of the Pooler location houses two ITMs. These QNBT*NOW* ITMs feature teller assistance via live video stream. In addition to normal ATM functions, customers can make deposits, cash checks and more.

COO KIRK STANDS OUT

KIM KIRK RECEIVED 'STANDOUT' HONOR ON AMERICAN BANKER'S 2021 LIST OF MOST POWERFUL WOMEN

In October, Kim Kirk was honored as part of American Banker's 2021 Most Powerful Women program.

This year's honorees are finding new opportunities amid the pandemic and the recovering economy, creating more pathways for women leaders and supporting their teams and organizations as they demonstrate resilience and develop new ways of working.

"The women on this list are at the forefront of significant changes across the financial services industry and in society more broadly," said Bonnie McGeer, Executive Editor of American Banker and Chair of the Most Powerful Women in Banking and Finance program.

In another year full of disruption and uncertainty, the honorees continue to show exceptional leadership skills as they forge a new landscape for the industry.

"I AM INCREDIBLY HONORED TO BE ONE OF THREE WOMEN RECOGNIZED AS STANDOUTS IN COMMUNITY BANKING."

KIM KIRK,
COO

PANDEMIC YEAR 2

COVID-19 VIRUS BROUGHT NEW CHALLENGES IN 2021

When the pandemic first hit our shores, the question we asked at the time was how do we balance the physical health of our communities with the economic well-being of our bank and our customers.

Eighteen months later, we've learned a lot about operating during an ongoing, global pandemic. We've developed exposure and quarantine protocol, cleaning regimens, and communication strategies for employees and customers. We have managed through three distinct peaks of cases that have had a huge impact on our staffing and local medical providers. We have applauded and rewarded our team members who have worked with us through it all. So far, we've been fortunate that our business and the majority of our customers have weathered what we hope has been the worst of it all.

Now the question we ask ourselves is how do we continue to protect the physical and economic health of the bank while getting back to some semblance of normalcy we are all craving. Since becoming available, we have encouraged all who can to get vaccinated against COVID-19. We've also added an additional week of paid sick leave for all employees in 2022 so that they can stay home when needed and not have to worry about missing a paycheck. As a bank, we are fortunate not to have lost an employee to the virus. Other banks have not been as lucky but we have had employees lose loved ones.

We continue to encourage the vaccine and safe gathering practices. Our board member and Jefferson County Physician's Assistant Abbot Easterlin can speak first hand to the devastation and exhaustion the medical community has experienced. As a community bank, our social responsibility extends beyond financial offerings. Like raising a barn or rearing a child, it will take our village to beat this pandemic.

With a near seventy percent vaccination rate amongst employees, we are slowly and cautiously able to hold in-person gatherings. We ask our employees to remain flexible with scheduling and rescheduling as the case rates climb and fall. Management has been particularly proud of the way nearby teams have supported one another, covering for each other's absences at different branches with ease and positivity. If there is a silver lining to the pandemic, it has shown us that we shine when it comes to Teamwork, one of our core competencies.

We are not at the end yet, though we are hopeful. We continue to meet with key personnel regularly to communicate the latest protocol and strategize on best practices for our employees. We ask our customers for their understanding and encourage them towards our ITM's when possible. We hope and pray that no one else is lost to this virus and that we get to a new normal soon.

"Working for a company that takes so much pride in giving back to the community makes you realize what a truly great company you are working for."

Kimberly Lawlis
Employee Since 2021

QMMUNITY COUNCIL FORMED

BULLOCH COUNTY -STATESBORO, GA

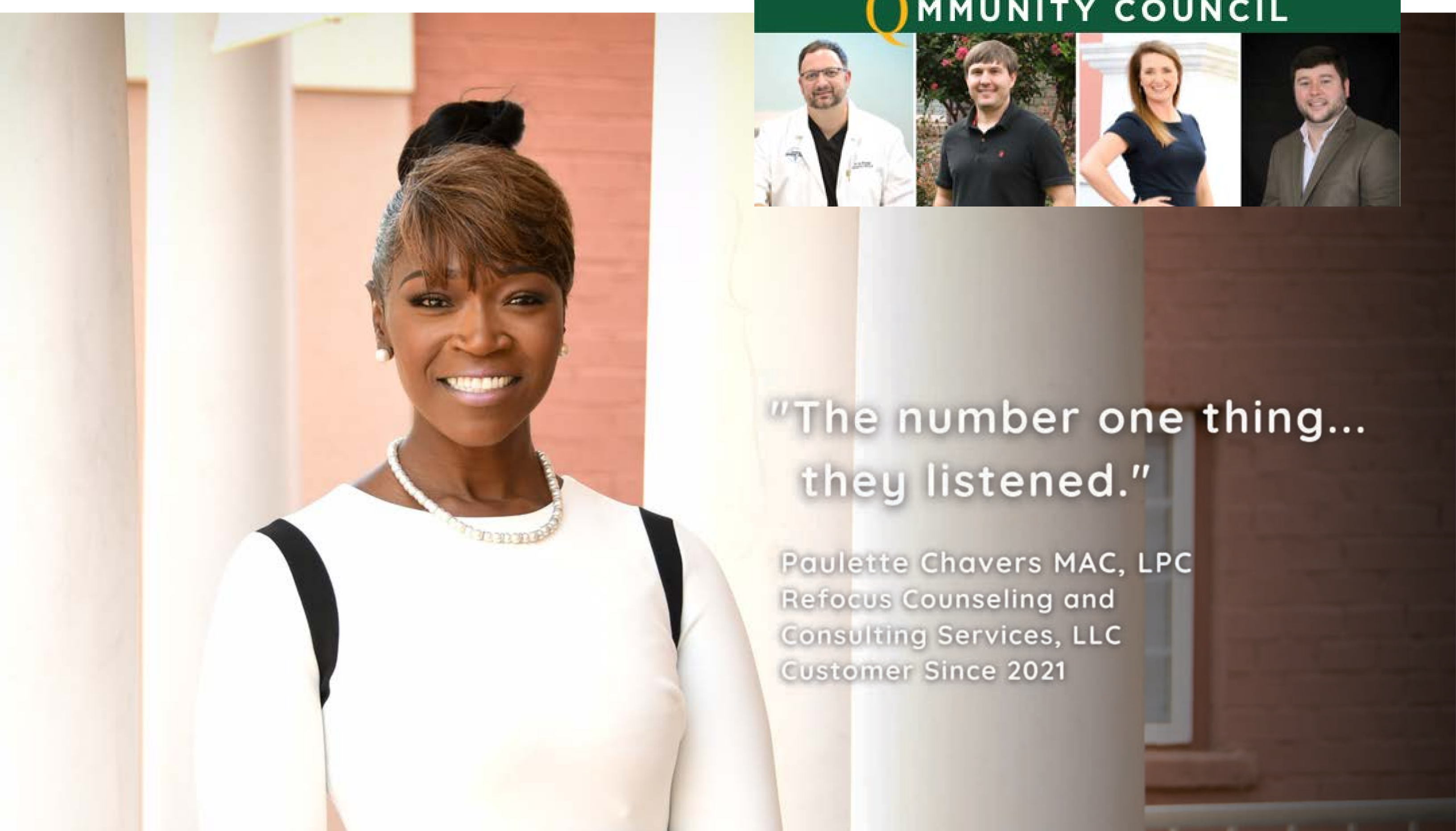
2021 brought the launch of our new Statesboro Qmmunity Council – a group of young professionals dedicated to serving it's community in the Statesboro area.

Led by Queensborough's Commercial Market Manager, Judd Skinner, the newly formed Qmmunity Council aims to bring together a diverse group of local young professionals who are passionate about the Statesboro community. The group will meet regularly to network, build relationships and participate in community outreach projects.

"The Statesboro Qmmunity Council was borne of the desire to give back through partnerships and outreach while also expanding our collective brands. No one person can be all things at all times. However, by surrounding ourselves with diverse and trusted experts, we allow the opportunity for all who call Statesboro home the chance to prosper," says Skinner.

Those named to the council include:

- Jarrod Akins – VP of Operations, Akins General Contractors
- Josh Brannen – Owner, Josh Brannen Farms
- Paulette Chavers – Owner, Refocus Counseling, District 2 City Councilwoman Statesboro
- Win Lee – Insurance Agent, Lee, Hill, & Johnston
- Justin Lewis – President, Lewis Print & Color
- Dr. Ian Munger – ER Physician, Owner of Statesboro Urgent Care
- Paige Navarro—Partner, Hall & Navarro
- Ben Perkins—Accountant, Parrish & Bland



IN THE COMMUNITY

United Way of the CSRA

$21,000 was donated to **UNITED WAY OF THE CSRA**.

Our staff hosted 9 Manna Trucks (Mobile Food Distributions) for **GOLDEN HARVEST FOOD BANK.**

Our Augusta market participated in the **UNITED WAY OF THE CSRA's** Stuff the Bus.

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

Lillian Howard was awarded the 2021 Qmmunity Bank **Scholarship**.

Our team raised $17,441 for **PACELINE** to fight cancer.

Q employees collected books for **RISE AUGUSTA**.

Q employees rang the bell for **THE SALVATION ARMY OF AUGUSTA AND SAVANNAH**.

Employees collected toys for **THE SALVATION ARMY ANGEL TREE.**

"Getting to work, play, give, and serve at a place centered around community is truly an honor, privilege, and absolute blast! Grateful for every day."

Dagan Sharpe
Employee Since 2014

BOARD *of* DIRECTORS

QUEENSBOROUGH NATIONAL BANK & TRUST COMPANY

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
R. Joseph Pollock
Charles E. Smith, Jr.
Paul G. Trotter, DDS

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
R. Joseph Pollock
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
Wiley C. Evans, III
J. Dudley Gunn
Roy M. Hayes
William C. McMaster, Jr.
H.G. Thomas New
Sam S. Pennington
Dr. James B. Polhill, IV
Edith W. Pundt
R. Hubert Reeves, III
E.C. Smith, III
Henderson C. Upchurch
W. Jeffrey Weichsel

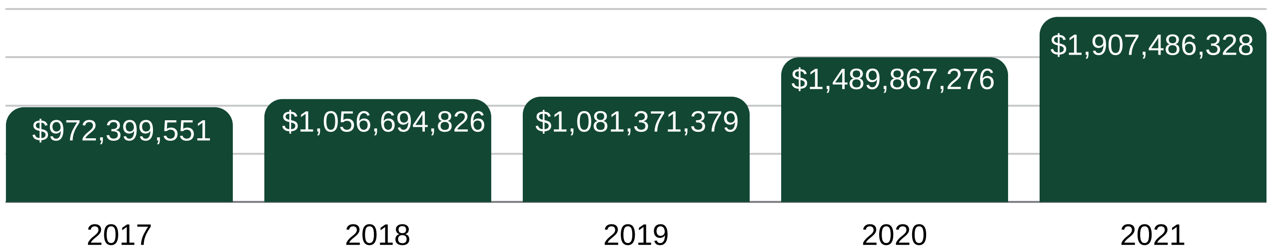
EXECUTIVE MANAGEMENT

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*

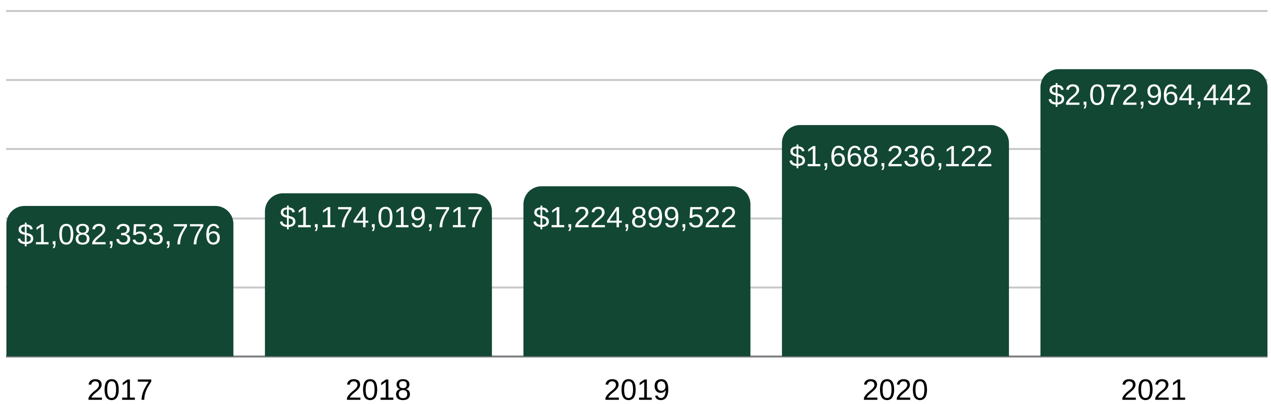
Photo by Anthony Jackson Photography

VISUAL REPRESENTATIONS

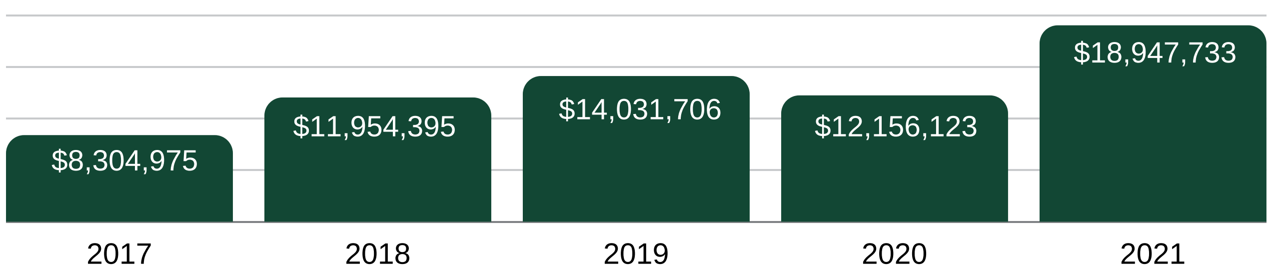
TOTAL DEPOSITS



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, 2021 and 2020, the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the two year period ended December 31, 2021, and the related notes to the consolidated financial statements (collectively, the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021, and 2020, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2021, 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, 2021, 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 21, 2022 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 GAAS. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a

guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Elliott Davis, LLC

Columbia, South Carolina
March 21, 2022

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2021 AND 2020

Assets	2021	2020
Cash and due from banks	$ 47,372,509	40,288,061
Interest-bearing deposits with banks	323,893,192	73,247,913
Federal funds sold	-	10,000,000
Cash and cash equivalents	371,265,701	123,535,974
Investment securities available for sale	413,528,133	309,233,175
Investments securities held to maturity (fair value of $237,384,388 and $141,110,552, respectively)	239,784,636	139,230,933
Other investments	2,424,690	3,263,790
Loans held for sale	14,012,841	47,754,467
Loans, less allowance for loan losses of $13,575,106 and $14,670,424, respectively	957,392,277	961,938,777
Premises and equipment, net	35,583,199	32,097,677
Goodwill and core deposit intangible	3,469,642	3,556,594
Other real estate	706,702	9,901,069
Cash surrender value of life insurance	20,072,523	19,615,758
Accrued interest receivable and other assets	14,724,098	18,107,908
Total assets	$ 2,072,964,442	1,668,236,122
Liabilities and Shareholders' Equity		
Deposits:		
Noninterest-bearing	$ 854,994,580	588,662,627
NOW and money market accounts	745,670,484	606,181,289
Savings	91,166,702	75,941,359
Time deposits, $250,000 or more	47,412,627	59,274,796
Other time deposits	168,241,935	159,807,205
Total deposits	1,907,486,328	1,489,867,276
Federal Home Loan Bank advances	-	20,000,000
Subordinated debentures	23,466,964	23,325,628
Junior subordinated debentures	12,372,000	12,372,000
Accrued interest payable and other liabilities	9,630,965	10,979,166
Total liabilities	1,952,956,257	1,556,544,070
Commitments and Contingencies (See Notes 11 and 17)		
Shareholders' equity:		
Common stock, $1 par value; 10,000,000 shares authorized; 1,312,784 and 1,322,485 shares issued and outstanding at December 31, 2021 and 2020 respectively	1,312,784	1,322,485
Additional paid-in capital	8,621,562	9,573,625
Retained earnings	114,303,036	97,652,674
Accumulated other comprehensive (loss) income	(4,229,197)	3,143,268
Total shareholders' equity	120,008,185	111,692,052
Total liabilities and shareholders' equity	$ 2,072,964,442	1,668,236,122

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF EARNINGS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Interest income:		
Interest and fees on loans	$ 49,254,369	47,154,204
Interest on investment securities:		
Taxable	7,719,272	5,252,657
Tax exempt	279,777	224,722
Other investments	133,830	157,891
Interest on federal funds sold and interest-bearing deposits with banks	134,878	450,986
Total interest income	57,522,126	53,240,460
Interest expense:		
Deposits:		
NOW and money market accounts	1,130,365	1,875,186
Savings	25,332	26,685
Time	1,740,183	3,090,677
Borrowed funds	139,397	283,775
Subordinated debentures	1,440,000	330,740
Junior subordinated debentures	293,767	374,365
Total interest expense	4,769,044	5,981,428
Net interest income	52,753,082	47,259,032
(Recovery) provision for loan losses	(1,000,000)	4,100,000
Net interest income after recovery of loan losses	53,753,082	43,159,032
Other income:		
Service charges on deposit accounts	7,840,761	7,203,401
Mortgage origination fees	11,811,776	11,280,292
Net gain on sale of securities	98,130	35,793
Net gains on sale of other real estate	172,006	22,110
Investment management fees	1,023,805	1,008,361
Other	1,754,282	1,725,276
Total other income	22,700,760	21,275,233
Other expenses:		
Salaries and employee benefits	32,784,173	30,814,095
Occupancy and equipment	3,512,179	3,158,150
Federal deposit insurance assessment	1,004,833	717,876
Loan expense	1,179,965	2,199,567
Data processing	2,283,908	2,055,417
Other	11,094,336	9,894,203
Total other expenses	51,859,394	48,839,308
Earnings before income taxes	24,594,448	15,594,957
Income tax expense	5,646,715	3,438,834
Net earnings	18,947,733	12,156,123
Preferred stock dividends	-	920,107
Net earnings available to common shareholders	$ 18,947,733	11,236,016
Net earnings per share:		
Basic	$ 14.40	8.50
Diluted	$ 14.36	8.46

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Net earnings	$ 18,947,733	12,156,123
Other comprehensive income, net of income taxes:		
Unrealized gains on investment securities available for sale:		
Holding (losses) gains arising during period, net of tax (benefit) expense of ($2,589,457) and $899,961 in 2021 and 2020, respectively	(7,470,595)	2,632,186
Reclassification adjustment for realized gains included in earnings, net of tax expense $34,013 and $8,729 in 2021 and 2020, respectively	98,130	35,793
Total other comprehensive income	(7,372,465)	2,596,393
Comprehensive income	$ 11,575,268	14,752,516

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

		Series A Preferred Stock	Series B Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2019	$	11,750,000	600,000	1,319,587	9,404,049	88,400,375	546,875	112,020,886
Preferred dividends		-	-	-	-	(920,107)	-	(920,107)
Common dividends		-	-	-	-	(1,983,717)	-	(1,983,717)
Exercise of warrants for 2,898 shares		-	-	2,898	169,576	-	-	172,474
Preferred stock redeemed, 12,350,000 shares		(11,750,000)	(600,000)	-	-	-	-	(12,350,000)
Other comprehensive income, net		-	-	-	-	-	2,596,393	2,596,393
Net earnings		-	-			12,156,123	-	12,156,123
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

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

THE QUEENSBOROUGH COMPANY

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

		2021	2020
Cash flows from operating activities:			
Net earnings	$	18,947,733	12,156,123
Adjustments to reconcile net earnings to net (used) cash provided by operating activities:			
Depreciation, amortization and accretion		5,043,047	3,780,330
Amortization of intangible assets		86,952	86,952
Provision for deferred income tax expense (benefit)		1,159,188	(1,019,428)
(Recovery) provision of loan losses		(1,000,000)	4,100,000
Gain on sale of securities		(98,130)	(35,793)
Loss (gain) on sale of fixed assets		195,222	-
Net gain on sales of other real estate		(172,006)	22,110
Write down of other real estate owned		180,612	1,334,477
Change in:			
Loans held for sale		33,741,626	(34,499,740)
Accrued interest receivable and other assets		4,323,301	(4,557,477)
Accrued interest payable and other liabilities		(1,348,200)	4,442,119
Net cash provided by (used) operating activities		61,059,345	(14,190,327)
Cash flows from investing activities:			
Maturities of certificates of deposit with other banks		-	1,960,000
Proceeds from pay downs, calls and maturities of securities available for sale		101,879,040	67,392,928
Proceeds from pay downs, calls and maturities of securities held to maturity		26,657,446	31,791,171
Purchases of securities available for sale		(254,334,245)	(228,574,228)
Purchases of securities held to maturity		(128,391,769)	(94,019,887)
Proceeds from sale of securities available for sale		35,934,772	11,725,457
Sales of other investments		839,100	(469,400)
Net decrease (increase) in loans		5,496,159	(182,879,706)
Purchases of premises and equipment		(5,256,475)	(3,622,842)
Sales of premises and equipment		109,000	-
Proceeds from sale of other real estate		9,236,102	3,605,481
Net cash used in investing activities		(207,830,870)	(393,091,026)
Cash flows from financing activities:			
Net increase in deposits		417,619,052	408,495,897
Redeem and retire preferred stock		-	(12,350,000)
Redeem and retire common stock		(1,238,916)	-
Proceeds from subordinated debt		-	24,000,000
Debt issuance costs		141,336	(674,372)
(Repayment) proceeds from borrowings		(20,000,000)	10,000,000
Exercise of warrants		277,152	172,474
Cash dividends paid		(2,297,372)	(2,903,824)
Net cash provided by financing activities		394,501,252	426,740,175
Net change in cash and cash equivalents		247,729,727	19,458,822
Cash and cash equivalents at beginning of year		123,535,974	104,077,152
Cash and cash equivalents at end of year	$	371,265,701	123,535,974
Supplemental schedule of non-cash financing and investing activities:			
Change in unrealized (loss) gain on securities available for sale, net of tax	$	(7,372,465)	2,596,393
Loans transferred to other real estate		50,341	11,676,421
Supplemental disclosure of cash flow information:			
Cash paid for interest		5,142,218	6,427,668
Cash paid for income taxes		5,625,000	4,475,000

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.

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, 2021 and 2020, 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 Origination Fees

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, 2021 and 2020, 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, 2021 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.

(1) Summary of Significant Accounting Policies, continued

Business Combinations

The Company accounts for business combinations under the acquisition method of accounting in accordance with Accounting Standards Codification ("ASC") 805, Business Combinations. The Company recognizes the full fair value of the assets acquired and liabilities assumed and immediately expenses transaction costs. There is no separate recognition of the acquired allowance for loan losses on the acquirer's balance sheet, as credit-related factors are incorporated directly into the fair value of the net tangible and intangible assets acquired. If the amount of consideration exceeds the fair value of assets purchased less the fair value of liabilities assumed, goodwill is recorded. Alternatively, if the amount by which the fair value of assets purchased exceeds the fair value of liabilities assumed and consideration paid, a gain is recorded. Fair values are subject to refinement for up to one year after the closing date of an acquisition as information relative to closing date fair values becomes available. Results of operations of the acquired business are included in the statement of earnings from the effective date of the acquisition.

Accumulated Other Comprehensive Income (Loss)

At December 31, 2021 and 2020, 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, 2021 and 2020 are as follows

For the year ended December 31, 2021	Net Earnings	Weighted Average Common Shares	Weighted Average Per Share Amount
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
For the year ended December 31, 2020			
Net earnings	$ 12,156,123	-	
Preferred stock dividends	(920,107)	-	
Net earnings available to common shareholders for basic earnings per common share	11,236,016	1,321,216	$8.50
Effect of dilutive securities – warrants	-	6,710	
Diluted earnings per common share	$ 11,236,016	1,327,926	$8.46

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 $1,196,790 and $1,112,997, were included in the Company's results of operations for 2021 and 2020, respectively.

(1) Summary of Significant Accounting Policies, continued

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.

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.

In February 2016, the FASB amended the Leases topic of the Accounting Standards Codification to revise certain aspects of recognition, measurement, presentation, and disclosure of leasing transactions. The amendments will be effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early adoption is permitted. The Company expects to adopt the guidance using the modified retrospective method and practical expedients for transition. The practical expedients allow us to largely account for our existing leases consistent with current guidance except for the incremental balance sheet recognition for lessees. The Company has started an initial evaluation of our leasing contracts and activities. The Company has also started developing our methodology to estimate the right-of use assets and lease liabilities, which is based on the present value of lease payments. The Company does not expect a material change to the timing of expense recognition, but is early in the implementation process and will continue to evaluate the impact. The Company is evaluating our existing disclosures and may need to provide additional information as a result of adoption of the ASU.

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. The Company is currently in the process of evaluating the impact of adoption of this guidance on the financial statements.

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. The Company is currently in the process of evaluating the impact of adoption of this guidance on its financial statements.

(1) Summary of Significant Accounting Policies, continued

Recently issued accounting pronouncements, continued

In November 2019, the FASB issued guidance that addresses issues raised by stakeholders during the implementation of ASU 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The amendments affect a variety of Topics in the Accounting Standards Codification. For entities that have not yet adopted the amendments in ASU 2016-13, the amendments are effective for fiscal years beginning after December 15, 2022 including interim periods within those fiscal years. Early adoption is permitted in any interim period as long as an entity has adopted the amendments in ASU 2016-13. The Company does not expect these amendments to have a material effect on its financial statements.

In December 2019, the FASB issued guidance to simplify accounting for income taxes by removing specific technical exceptions that often produce information investors have a hard time understanding. The amendments also improve consistent application of and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance. The amendments are effective for fiscal years beginning after December 15, 2021, and interim periods within annual reporting periods beginning after December 15, 2022.

Early adoption is permitted. The Company does not expect these amendments to have a material effect on its financial statements.

In March 2020, the FASB issued guidance that makes narrow-scope improvements to various aspects of the financial instrument guidance, including the current expected credit losses (CECL) guidance issued in 2016. The amendments related to conforming amendments: For public business entities, the amendments are effective upon issuance of this final ASU. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years beginning after December 15, 2020. Early application is permitted. The effective date of the amendments to ASU 2016-01 is for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. All other entities should adopt the amendments in ASU 2016-13 during 2023. Early adoption will continue to be permitted. For entities that have not yet adopted the guidance in ASU 2016-13, the effective dates and the transition requirements for these amendments are the same as the effective date and transition requirements in ASU 2016-13. The Company does not expect these amendments to have a material effect on its financial statements.

In March 2020, the FASB issued guidance to provide temporary optional guidance to ease the potential burden in accounting for reference rate reform. The amendments are effective as of March 12, 2020 through December 31, 2022. The Company does not expect these amendments to have a material effect on its financial statements.

In June 2020, the FASB issued guidance to defer the effective dates for certain companies and organizations which have not yet applied the revenue recognition and leases guidance by one year. The new effective dates for entities that have not already adopted will be: Revenue Recognition: annual reporting periods beginning after December 15, 2019, and interim reporting periods within annual reporting periods beginning after December 15, 2020; Leases: fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Company implemented the guidance related to revenue recognition during the year ended December 31, 2019. No material changes were identified related to the timing or amount of revenue recognition. The Company does not expect the amendments related to leases to have a material effect on its financial statements.

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.

(1) Summary of Significant Accounting Policies, continued

Risks and uncertainties, continued:

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.

The 2019 novel coronavirus (COVID-19) has adversely affected, and may continue to adversely affect economic activity globally, nationally and locally. Following the COVID-19 outbreak in December 2019 and January 2020, market interest rates declined significantly. Such events also may adversely affect business and consumer confidence, generally, and the Company and its customers, and their respective suppliers, vendors and processors may be adversely affected. The full impact of COVID-19 is still uncertain and the effects of the COVID-19 outbreak may adversely affect the Company's financial condition and results of operations.

Reclassifications

Certain captions and amounts in the 2020 consolidated financial statements were reclassified to conform with the 2021 presentation. These reclassifications had no effect on the results of operations or shareholders' equity.

(2) Investment Securities

Investment securities at December 31, 2021 and 2020 are as follows:

Securities Available for Sale			Gross	Gross	
December 31, 2021		Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
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
December 31, 2020					
State, county and municipals	$	10,358,497	219,773	16,662	10,561,608
Mortgage-backed securities		280,179,081	4,335,606	324,806	284,189,881
U. S. Government Agencies		14,162,810	22,866	3,990	14,181,686
Trust preferred securities		300,000	-	-	300,000
Total	$	305,000,388	4,578,245	345,458	309,233,175

(2) Investment Securities, continued

Securities Held to Maturity December 31, 2021		Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
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
December 31, 2020					
State, county and municipals	$	26,230,452	257,118	8,173	26,479,397
Mortgage-backed securities		101,493,283	1,709,214	56,229	103,146,268
U. S. Government Agencies		4,997,493	-	17,058	4,980,435
Subordinated debentures		6,509,705	-	5,253	6,504,452
Total	$	139,230,933	1,966,332	86,713	141,110,552

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, 2021 and 2020 are as follows:

		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

		Less than 12 Months		12 Months or More		Total	
December 31, 2020		Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
State, county and municipals	$	7,530,972	24,836	-	-	7,530,972	24,836
Mortgage-backed securities		127,856,896	381,034	-	-	127,856,896	381,034
U. S. Government Agencies		9,976,445	21,048	-	-	9,976,445	21,048
Subordinated debentures		3,504,453	5,253	-	-	3,504,453	5,253
	$	148,868,766	432,171	-	-	148,868,766	432,171

(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, 2021, 32 of 48 securities issued as state, county and municipal securities contained unrealized losses. At December 31, 2021, 69 of 202 securities issued as mortgage-backed securities contained unrealized losses. At December, 31, 2021, six of six securities issued as U.S. government agencies contained unrealized losses. At December 31, 2021, 20 of 29 securities issued as subordinated debentures contained unrealized losses. At December 31, 2021, five of six 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, 2021, 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	$	1,237,423	1,250,309	-	-
1 to 5 years		47,655,784	47,281,805	32,843,152	32,363,726
5 to 10 years		38,023,719	37,738,910	19,929,733	19,752,852
Over 10 years		39,590,972	38,973,582	2,429,675	2,403,082
Mortgage-backed securities		113,276,738	112,139,782	364,020,694	359,008,473
	$	239,784,636	237,384,388	419,223,254	413,528,133

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. Proceeds from sales of securities available for sale for 2020 were $11,725,457. Gross gains of $70,958 along with gross losses of $35,165 were realized on those sales.

Securities with market values of approximately $375,350,000 and $261,269,000 at December 31, 2021 and 2020, 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, 2021 and 2020 are summarized as follows:

		2021	2020
Commercial, financial and agricultural	$	155,089,225	218,945,557
Real estate – construction		133,875,559	102,633,270
Real estate – commercial		496,335,233	482,026,308
Real estate – residential		163,887,389	151,037,413
Installment loans to individuals and others		21,779,977	21,966,653
Total loans		970,967,383	976,609,201
Less allowance for loan losses		13,575,106	14,670,424
	$	957,392,277	961,938,777

(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 $4,950,000 and $3,445,000 during the years ended December 31, 2021 and 2020, respectively. The Company provided $48,855,555 in funding to 974 customers and $150,707,236 in funding to 1,780 customers through the PPP during 2021 and 2020, respectively. 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, 2021, the Company received $166,289,030 from the SBA for the forgiveness of 2,138 PPP loans. As of December 31, 2021, approximately $34,000,000 in PPP loans await processing forgiveness.

(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, 2021 and 2020:

December 31, 2021		Commercial, financial and agricultural	Real estate-construction	Real estate-commercial	Real estate-residential	Installment loans to individuals and others	Total
Balance, beginning of year	$	1,783,929	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
December 31, 2020							
Balance, beginning of year	$	2,344,437	219,354	6,920,931	1,030,709	554,694	11,070,125
Provision		(627,927)	79,403	4,480,978	(371,739)	539,285	4,100,000
Loans charged off		(6,611)	-	(368,001)	(14,165)	(454,234)	(843,011)
Recoveries		74,030	11,230	37,217	196,973	23,860	343,310
Balance, end of year	$	1,783,929	309,987	11,071,125	841,778	663,605	14,670,424
Ending balance, individually evaluated for impairment	$	340,000	-	1,100,000	-	-	1,440,000
Ending balance, collectively evaluated for impairment	$	1,443,929	309,987	9,971,125	841,778	663,605	13,230,424
Loans:							
Individually evaluated for impairment	$	4,143,022	-	15,577,605	2,143,517	-	21,864,144
Collectively evaluated for impairment	$	214,802,535	102,633,270	466,448,703	148,893,896	21,966,653	954,745,057

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

(3) Loans and Allowance for Loan Losses, continued

The following tables present impaired loans as of December 31, 2021 and 2020:

December 31, 2021		Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
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
December 31, 2020						
Impaired loans with related allowance:						
Commercial, financial and agricultural	$	2,062,360	2,093,643	340,000	2,074,117	-
Real estate-commercial		5,526,481	6,156,796	1,100,000	5,648,539	-
Impaired loans without related allowance:						
Commercial, financial and agricultural		2,080,662	2,354,103	-	2,253,917	8,778
Real estate-commercial		10,051,124	10,822,214	-	10,083,600	304,216
Real estate-residential		2,143,517	2,893,556	-	2,049,684	27,249
Total:						
Commercial, financial and agricultural		4,143,022	4,447,746	340,000	4,328,034	8,778
Real estate-commercial		15,577,605	16,979,010	1,100,000	15,732,139	304,216
Real estate-residential		2,143,517	2,893,556	-	2,049,684	27,249
	$	21,864,144	24,320,312	1,440,000	22,109,857	340,243

(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, 2021 and 2020 by class of loans:

December 31, 2021		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	$	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
December 31, 2020								
Commercial, financial and agricultural	$	341,021	4,865,971	5,206,992	213,738,565	218,945,557	4,029,769	2,082,941
Real estate-construction		512,799	-	512,799	102,120,471	102,633,270	-	-
Real estate-commercial		3,102,816	9,151,866	12,254,682	469,771,626	482,026,308	10,530,939	1,297,197
Real estate-residential		2,091,062	1,342,529	3,433,591	147,603,822	151,037,413	1,733,821	645,459
Installment loans to individuals and others		208,608	19,045	227,653	21,739,000	21,966,653	-	19,045
	$	6,256,306	15,379,411	21,635,717	954,973,484	976,609,201	16,294,529	4,044,642

Of the loans 90 days past due and accruing approximately $1,986,000 and $1,500,000, respectively for years ended 2021 and 2020 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, in full.

The tables below present information on troubled debt restructurings as of December 31, 2021 and 2020:

December 31, 2021		Performing	Nonperforming
Commercial, financial and agricultural	$	-	906,698
Real estate-commercial		-	4,616,093
Real estate-residential		266,703	207,434
	$	266,703	5,730,225
December 31, 2020			
Commercial, financial and agricultural	$	-	906,698
Real estate-commercial		4,257,896	439,901
Real estate-residential		266,428	213,902
	$	4,524,324	1,560,501

The Company has allocated approximately $165,000 and $45,000 of specific allowances to customers whose loan terms have been modified in a troubled debt restructuring as of December 31, 2021 and 2020, respectively. During 2021 and 2020, there were no troubled debt restructurings modified within the previous twelve months that subsequently defaulted. No new TDR's were identified during 2021 and 2020. 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, 2021, there were no 1-4 family loans in process of foreclosure. As of December 31, 2021 and 2020, and based on the most recent analysis performed, the risk category of loans by class of loans is as follows:

December 31, 2021		Pass	Special Mention	Substandard	Doubtful/ Loss	Total
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
December 31, 2020						
Commercial, financial and agricultural	$	214,951,190	151,715	3,842,652	-	218,945,557
Real estate-construction		102,633,270	-	-	-	102,633,270
Real estate-commercial		460,906,953	9,799,646	11,319,709	-	482,026,308
Real estate-residential		148,733,478	426,845	1,877,090	-	151,037,413
Installment loans to individuals and others		21,966,653	-	-	-	21,966,653
	$	949,191,544	10,378,206	17,039,451	-	976,609,201

(3) Loans and Allowance for Loan Losses, continued

Regulatory agencies, as set forth in the Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus (initially issued on March 22, 2020 and revised on April 7, 2020), have encouraged financial institutions to work prudently with borrowers who are or may be unable to meet their contractual payment obligations because of the effects of COVID-19. This guidance allows banks to elect not to categorize loan modifications as troubled debt restructurings (TDRs) if the modifications are related to COVID-19 and executed on a loan that was not more than 30 days past due as of December 31, 2019. All short term loan modifications made on a good faith basis in response to COVID-19 to borrowers who were current prior to any relief are not considered TDRs. Beginning in March 2020, the Company provided payment accommodations to customers, consisting of 60-day principal deferral to 413 customers, with an aggregate loan balance of approximately $141,000,000, during the year ending December 31, 2020. The principal deferments represented approximately 14% of the Bank's total loan portfolio as of December 31, 2020. Borrowers who were current prior to relief and not experiencing financial difficulty prior to COVID-19 were determined not to be considered TDRs. Of the 413 customers that received payment accommodations, there were 12 customers in deferral with balances totaling approximately, $5,678,000 as of December 31, 2020. As of December 31, 2021, there were no customers in COVID-19 related deferral.

(4) Premises and Equipment

Major classifications of premises and equipment are summarized as follows:

	2021	2020
Land	$ 9,814,335	9,863,635
Buildings and improvements	30,347,458	27,362,132
Furniture and fixtures	15,073,256	13,744,801
	55,235,049	50,970,568
Less accumulated depreciation	19,651,850	18,872,891
	$ 35,583,199	32,097,677

Depreciation expense amounted to $1,466,731 and $1,302,031 in 2021 and 2020, respectively.

(5) Goodwill and Core Deposit Intangible

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

	2021		2020	
	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	$ 527,578	$ 608,290	$ 440,626

Based on the core deposit intangibles as of December 31, 2021, the following table presents the expected aggregate amortization expense for each of the succeeding year ending December 31:

	Amount
2022	$ 81,342
Total	$ 81,342

Amortization expense of $86,952 related to the core deposit intangibles was recognized in 2021 and 2020, respectively.

(5) Goodwill and Core Deposit Intangible, continued

As of December 31, 2021 and 2020, 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. As of December 31, 2021 and 2020, management determined that no impairment existed on the goodwill.

(6) Deposits

Maturities of time deposits at December 31, 2021 are as follows:

Year ending December 31,		
2022	$	148,994,615
2023		34,876,535
2024		12,253,470
2025		10,759,209
2026		8,736,952
Thereafter		33,781
	$	215,654,562

The Company had no brokered deposits as of December 31, 2021 and 2020.

(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, 2021, 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. As of December 31, 2020, loan advances from the FHLB with maturities from 2021 to 2022 totaled $20,000,000 and carried fixed interest rates in the range of 1.09% to 1.85%. During 2020 the Company borrowed $10,000,000. 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 $68,826,000 at December 31, 2021.

The Company has federal funds accommodations of $44,000,000 at December 31, 2021 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, 2021 or 2020.

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, 2021 and 2020 was $23,466,964 and $23,325,628, 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, 2021 and 2020 totaled $533,036 and $674,372 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, 2021 was 2.97% for Trust II and 1.85% 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:

		2021	2020
Current income tax expense	$	4,486,817	4,458,262
Deferred income tax expense (benefit)		1,159,898	(1,019,428)
Total income tax expense	$	5,646,715	3,438,834

The differences between the provision for income taxes and the amount computed by applying the statutory federal income tax rate of 21% in 2021 and 2020, respectively, to earnings before income taxes are as follows:

		2021	2020
Pretax income at statutory rate	$	5,164,834	3,274,941
Add (deduct):			
Tax-exempt interest income		(178,341)	(146,406)
Non-deductible expenses		37,965	3,458
State taxes and credits, net of federal benefit		492,003	261,602
Other		130,254	45,239
	$	5,646,715	3,438,834

(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, 2021 and 2020.

	2021	2020
Deferred income tax assets:		
Allowance for loan losses	$ 3,467,082	3,746,827
Other than temporary impairment loss on securities available for sale	48,526	48,526
Stock benefit plan	254,228	214,877
Net unrealized loss on securities available for sale	1,465,924	-
Other real estate owned	-	340,825
Total gross deferred income tax assets	5,235,760	4,351,055
Deferred income tax liabilities:		
Premises and equipment	(2,596,323)	(2,023,381)
Net unrealized gain on securities available for sale	-	(1,089,519)
Intangible asset	(389,127)	(383,390)
Total gross deferred income tax liabilities	(2,985,450)	(3,496,290)
Net deferred income tax asset	$ 2,250,310	854,765

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, 2021 and 2020, 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, 2021 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, 2021 and 2020:

	2021	2020
Beginning balance	$ 9,771,813	17,492,134
New loans	12,428,017	20,704,055
Repayments	(9,830,572)	(28,424,376)
Ending balance	$ 12,369,258	9,771,813

The Company had deposits from related parties totaling approximately $21,600,000 and $17,704,000 as of December 31, 2021 and 2020, 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 2021 and 2020, which is deemed to approximate the normal market rate, was approximately $93,000 and $88,000, 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	
	2021	2020
Financial instruments whose contract amounts represent credit risk:		
Commitments to extend credit	$ 249,388,000	217,864,000
Standby letters of credit	$ 4,091,000	4,332,000

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) Preferred Stock

On January 9, 2009, the Company sold 12,000 shares of Series A preferred stock with a warrant to purchase 600 shares of the Company's Series B preferred stock (which was immediately exercised), to the U. S. Treasury under the Treasury's Capital Purchase Program. In March, 2013, the U. S. Treasury sold all of the Series A and Series B Preferred Stock to private investors.

The Series A preferred stock and the Series B preferred stock qualifies as Tier I capital and pay cumulative dividends at a rate of 9% per annum. Both series of the preferred stock are redeemable at any time at $1,000 per share plus any accrued and unpaid dividends with the consent of the Company's primary federal regulator.

During 2020, 11,750 shares of Series A preferred stock and 600 shares of Series B preferred stock were redeemed. During 2016, 250 shares of Series A preferred stock were redeemed. No shares of preferred stock remain as of December 31, 2020.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

(13) 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, 2021, options for 107,700 shares remain available for future grants.

There were no options granted, forfeited or exercised in 2021 or 2020. As of December 31, 2021 and 2020, 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. During 2020, 1,498 warrants were exercised at a range of $45.32 to $48.56 per share. As of December 31, 2020 there were 11,488 warrants outstanding.

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 2021, 1,000 warrants were exercised at a price of $72.00. As of December 31, 2021 and 2020, respectively, there were 10,166 and 11,166 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.

(14) 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, 2021 and 2020, contributions of $798,876 and $747,996, respectively, were expensed to salaries and employee benefits.

(15) 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.

(15) Fair Value of Financial Instruments, continued

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.

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, 2021 and 2020, respectively.

Balance at December 31, 2021		Level 1	Level 2	Level 3	Total
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	-	427,540,974
Balance at December 31, 2020					
State, county and municipals	$	-	10,561,608	-	10,561,608
Mortgage-backed securities		-	284,189,881	-	284,189,881
U. S. Government agencies		-	14,181,686	-	14,181,686
Trust preferred securities		-	-	300,000	300,000
Loans held for sale		-	47,754,467	-	47,754,467
Total		-	356,687,642	300,000	356,987,642

(15) 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 2021	Trust Preferred Securities 2020
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, 2021 and 2020, respectively.

Balance at December 31, 2021		Level 1	Level 2	Level 3	Total
Other real estate owned	$	-	-	706,702	702,702
Impaired loans, net		-	-	23,038,988	23,038,988
Total assets at fair value	$	-	-	23,745,690	23,745,690
Balance at December 31, 2020					
Other real estate owned	$	-	-	9,901,069	9,901,069
Impaired loans, net		-	-	20,424,144	20,424,144
Total assets at fair value	$	-	-	30,325,213	30,325,213

For Level 3 assets and liabilities measured at fair value on a recurring or non-recurring basis as of December 31, 2021 and December 31, 2020, the significant unobservable inputs used in the fair value measurements were as follows:

		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

		Fair Value as of December 31, 2020	Valuation Technique	Significant Observable Inputs	Significant Unobservable Inputs
Impaired loans, net of specific reserve	$	20,424,144	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	$	9,901,069	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

(16) 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, 2021, 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, 2021, 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.

(16) 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, 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%
As of December 31, 2020:						
Total Capital (to Risk-weighted Assets)						
Consolidated	154,206	15.15%	81,451	8.00%	N/A	N/A
Bank	148,614	14.61%	81,395	8.00%	101,744	10.00%
Tier I Capital (to Risk-weighted Assets)						
Consolidated	117,479	11.54%	61,089	6.00%	N/A	N/A
Bank	135,872	13.35%	61,047	6.00%	81,395	8.00%
Common Equity Tier 1 capital (to risk-weighted assets)						
Consolidated	105,479	10.36%	45,816	4.50%	N/A	N/A
Bank	135,872	13.35%	45,785	4.50%	66,134	6.50%
Tier I Leverage (to Average Assets)						
Consolidated	117,479	7.18%	65,487	4.00%	N/A	N/A
Bank	135,872	8.30%	65,447	4.00%	81,809	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.

(17) 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, 2021, 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

(18) 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. Management has reviewed events occurring through March 21, 2022 the date the financial statements were available to be issued and one subsequent events occurred requiring disclosure.

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

Balance Sheets

December 31, 2021 and 2020

	2021	2020
Assets		
Cash	$ 2,350,213	6,547,264
Investment in Bank	152,434,315	141,568,447
Other assets	3,713,842	1,637,144
Total assets	$ 158,498,370	149,752,855
Liabilities and Shareholders' Equity		
Other liabilities	$ 353,849	379,448
Dividends payable	2,297,372	1,983,727
Senior subordinated debentures	23,466,964	23,325,628
Junior subordinated debentures	12,372,000	12,372,000
Total liabilities	38,490,185	38,060,803
Total shareholders' equity	120,008,185	111,692,052
Total liabilities and shareholders' equity	$ 158,498,370	149,752,855

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

Statements of Earnings

For the Years Ended December 31, 2021 and 2020

	2021	2020
Dividends from Bank	$ 2,200,000	1,450,000
Total income	2,200,000	1,450,000
Interest expense	1,875,103	737,400
Other expense	116,095	106,215
Total expenses	1,991,198	843,615
Income before income tax benefit and equity in undistributed earnings of Bank	208,802	606,385
Income tax benefit	500,597	213,113
Income before equity in undistributed earnings of Bank	709,399	819,498
Equity in undistributed earnings of Bank	18,238,334	11,336,625
Net earnings	$ 18,947,733	12,156,123

Statements of Cash Flows

For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Net earnings	$ 18,947,733	12,156,123
Adjustments to reconcile net earnings to net cash used by operating activities:		
Equity in earnings of Bank	(18,238,334)	(16,336,625)
Change in other	(1,647,314)	(46,313)
Net cash used by operating activities	(937,915)	(4,226,815)
Cash flows from financing activities:		
Dividends paid	(2,297,372)	(2,903,825)
Proceeds from subordinated debt	-	24,000,000
Subordinated debt issuance costs	-	(674,372)
Exercise of warrants	277,152	172,474
Redemption of preferred stock	-	(12,350,000)
Redemption and retirement of common stock	(1,238,916)	-
Net cash (used) provided by financing activities	(3,259,136)	8,244,277
Net change in cash	(4,197,051)	4,017,462
Cash at beginning of year	6,547,264	2,529,802
Cash at end of year	$ 2,350,213	6,547,264