WEST FLORIDA BANK CORPORATION

Audited Consolidated Financial Statements

At December 31, 2019 and for the Period from October 24, 2019 (Date of Acquisition) to December 31, 2019

(Together with Independent Auditors' Report)

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors
West Florida Bank Corporation
Clearwater, Florida:

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of West Florida Bank Corporation (the "Company"), as of December 31, 2019 and the related consolidated statements of operations, comprehensive loss, stockholders' equity and cash flows for the period from October 24, 2019 (date of acquisition) to December 31, 2019 and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company at December 31, 2019, and the consolidated results of its operations and its cash flows for the period from October 24, 2019 (date of acquisition) to December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the relevant ethical requirement relating to our audit.

We conducted our audit in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Hacker, Johnson & Smith PA

HACKER, JOHNSON & SMITH PA
We have served as the Company's auditor since 2019.
Tampa, Florida
March 18, 2020

WEST FLORIDA BANK CORPORATION

Consolidated Balance Sheet

At December 31, 2019

($ in thousands, except per share amounts)

Assets	
Cash and due from banks	$ 41,332
Fed funds sold	6,850
Cash and cash equivalent	48,182
Debt securities available for sale	4,488
Loans, net of allowance for loan losses of $106	88,407
Federal Home Loan Bank stock	104
Premises and equipment, net	3,138
Accrued interest receivable	250
Deferred tax asset, net	357
Goodwill and other intangibles	9,583
Other assets	405
Total assets	$ 154,914
Liabilities and Stockholders' Equity	
Liabilities:	
Demand deposits	20,935
Savings, NOW and money-market deposits	50,347
Time deposits	38,998
Total deposits	110,280
Official checks	6,443
Other liabilities	426
Total liabilities	117,149
Commitments (Notes 5 and 10)	
Stockholders' equity:	
Preferred stock, no par value; 5,000,000 shares authorized, None issued and outstanding	-
Common stock, no par value; 30,000,000 shares authorized, 3,778,019 shares issued and outstanding	-
Additional paid-in capital	37,780
Accumulated deficit	(6)
Accumulated other comprehensive loss	(9)
Total stockholders' equity	37,765
Total liabilities and stockholders' equity	$ 154,914

See Accompanying Notes to Consolidated Financial Statements.

WEST FLORIDA BANK CORPORATION

Consolidated Statement of Operations

Period from October 24, 2019 (Date of Acquisition) to December 31, 2019
(In thousands)

Interest income:	
Loans	$ 1,173
Other	263
Total interest income	1,436
Interest expense:	
Deposits	203
Borrowings	2
Total interest expense	205
Net interest income	1,231
Provision for loan losses	106
Net interest income after provision for loan losses	1,125
Noninterest income:	
Service charges on deposit accounts	27
Gain on sale of loans	19
Other service charges and fees	22
Total noninterest income	68
Noninterest expenses:	
Salaries and employee benefits	661
Occupancy and equipment	106
Data processing	43
Advertising	28
Professional fees	187
Other	171
Total noninterest expenses	1,196
Loss before income taxes	(3)
Income taxes	3
Net loss	$ (6)
Basic loss per share	$ (0.00)
Diluted loss per share	$ (0.00)

See Accompanying Notes to Consolidated Financial Statements.

WEST FLORIDA BANK CORPORATION

Consolidated Statement of Comprehensive Loss

Period from October 24, 2019 (Date of Acquisition)
to December 31, 2019
(In thousands)

Net loss	$ (6)
Other comprehensive loss:	
Change in unrealized loss on debt securities -	
Unrealized loss arising during the period	(12)
Deferred income tax benefit on above change	3
Total other comprehensive loss	(9)
Comprehensive loss	$ (15)

See Accompanying Notes to Consolidated Financial Statements.

WEST FLORIDA BANK CORPORATION

Consolidated Statement of Stockholders' Equity

Period from October 24, 2019 (Date of Acquisition) to December 31, 2019

(In thousands)

	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Compre-hensive Loss	Total Stockholders' Equity
Balance at October 24, 2019	$ -	24,281	-	-	24,281
Proceeds from issuance of common stock	-	13,499	-	-	13,499
Net loss -	-	-	(6)	-	(6)
Net change in unrealized loss on debt securities available for sale, net of taxes	-	-	-	(9)	(9)
Balance at December 31, 2019	$ -	37,780	(6)	(9)	37,765

See Accompanying Notes to Consolidated Financial Statements.

WEST FLORIDA BANK CORPORATION

Consolidated Statement of Cash Flows
Period from October 24, 2019 (Date of Acquisition) to December 31, 2019
(In thousands)

Cash flows from operating activities:	
Net loss	$ (6)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation and amortization	21
Provision for loan losses	106
Amortization of deferred loan fees, net	(2)
Amortization of other intangibles	8
Deferred income taxes	(3)
Decrease in accrued interest receivable	12
Increase in other assets	(317)
Increase in other liabilities	(94)
Increase in official checks	4,718
Proceeds from sale of loans	948
Gain on sale of loans	(19)
Origination of loans held for sale	(929)
Amortization of loan servicing rights	3
Net cash provided by operating activities	4,446
Cash flows from investing activities:	
Maturity of debt security	501
Net increase in loans	(4,637)
Net purchase of premises and equipment	(1,072)
Net cash used in investing activities	(5,208)
Cash flows from financing activities:	
Net increase in deposits	7,404
Proceeds from sale of common stock	13,499
Net cash provided by financing activities	20,903
Net increase in cash and cash equivalent	20,141
Cash and cash equivalents at beginning of period	28,041
Cash and cash equivalents at end of period	$ 48,182

(continued)

WEST FLORIDA BANK CORPORATION

Consolidated Statement of Cash Flows, Continued
Period from October 24, 2019 (Date of Acquisition) to December 31, 2019
(In thousands)

Supplemental disclosure of cash flow information:	
Cash paid during the period for-	
Interest	$ 227
Taxes	$ -
Noncash transactions:	
Accumulated other comprehensive loss, net change in unrealized loss on debt securities available for sale, net of tax	$ (9)
Noncash assets acquired and liabilities assumed:	
Debt securities available for sale	$ 4,980
Loans, net	$ 83,874
Premises and equipment	$ 2,087
Federal Home Loan Bank Stock	$ 104
Deferred income taxes	$ 372
Goodwill	$ 9,341
Core Deposit Intangible	$ 250
Accrued interest	$ 262
Other Assets	$ 91
Deposits	$ 104,601
Other Liabilities	$ 520

See Accompanying Notes to Consolidated Financial Statements.

(1) Summary of Significant Accounting Policies

Organization. West Florida Bank Corporation, a Florida corporation (the "Holding Company" or "WFBC") was organized in May, 2019 with intension to acquire a bank and to serve as a bank holding company. On October 24, 2019, WFBC executed a Plan of Share Exchange agreement to acquire 100% of the outstanding common stock of Flagship Bank (the "Bank") (formerly known as Flagship Community Bank) (collectively the "Company"). Holding Company's primary activity is the operation of the Bank. The Bank is a state (Florida)-chartered commercial bank. The Bank offers a variety of community banking and financial services to individual and corporate customers through its two banking offices located in Clearwater and Oldsmar, Pinellas County, Florida. The deposit accounts of the Bank are insured up to applicable limits by the Federal Deposit Insurance Corporation ("FDIC"). In February 2020, the Company opened a new branch office in Tarpon Springs, Pinellas County, Florida.

The following is a description of the significant accounting policies and practices followed by the Company, which conform to accounting principles generally accepted in the United States of America ("GAAP") and prevailing practices within the banking industry.

Subsequent Events. Management has evaluated all significant events occurring subsequent to the consolidated balance sheet date through March 18, 2020, which is the date the consolidated financial statements were available to be issued, determining no events require additional disclosure in the consolidated financial statements.

Principles of Consolidation. The consolidated financial statements of the Company include the accounts of the Holding Company and the Bank. All significant intercompany balances and transactions have been eliminated in consolidation.

(continued)

(1) Summary of Significant Accounting Policies, Continued

Use of Estimates. In preparing consolidated financial statements in conformity with GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated balance sheet and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, the fair values of the tangible assets and identifiable assets acquired and liabilities assumed in acquisition.

Acquisition Method of Accounting. The Company accounts for acquisitions using the acquisition method of accounting. The acquisition method of accounting requires the Company to estimate the fair value of the tangible assets and identifiable assets acquired and liabilities assumed. The estimated fair values are based on available information and current economic conditions at the date of acquisition. Fair value may be obtained from independent appraisers, discounted cash flow present value techniques, management valuation models, quoted prices on national markets or quoted market prices from brokers. These fair value estimates will affect future earnings through the disposition or amortization of the underlying assets and liabilities.

Accounting for business combination under GAAP acquisition method prohibits "carrying over" valuation allowances, such as the allowance for loan losses. Uncertainties relating to the expected future cash flows is reflected in the fair value measurement of the acquired loans and reflected in the purchase price. The Company will establish loan loss allowances for the acquired loans in periods after the acquisition, but only for losses incurred on these loans due to credit deterioration after acquisition.

Goodwill and Core Deposit Intangible. Goodwill represents the excess of the acquisition cost over the fair value of the net assets acquired in the acquisition. GAAP requires goodwill to be tested for impairment on an annual basis and between annual tests in certain circumstances, and written down when impaired. There can be no assurance that future goodwill impairment tests will not result in a charge to operations. Core deposit intangibles ("CDI") are initially measured at fair value and then amortized over ten years on an accelerated basis using projected decay rates of the underlying core deposits. The principal factors considered when valuing the CDI consist of the following: (1) the rate and maturity structure of the interest bearing liabilities, (2) estimated retention rates for each deposit liability category, (3) the current interest rate environment and (4) estimated noninterest income potential of the acquired relationship. The CDI is evaluated periodically for impairment.

(continued)

Cash and Cash Equivalents. For purposes of the consolidated statements of cash flows, cash and cash equivalents include cash and balances due from banks, and federal funds sold, all of which have original maturities of less than ninety days. The Company may be required under Federal Reserve Board regulations to maintain reserves, generally consisting of vault cash or deposits with the Federal Reserve Bank or in pass-through accounts with other qualified banks, against its transaction deposit accounts. At December 31, 2019 the Company was not subject to reserve requirement.

Debt Securities. Debt securities may be classified as either trading, held to maturity or available for sale. Trading debt securities are held principally for resale and recorded at their fair values. Unrealized gains and losses on trading debt securities are included immediately in operations. Held-to-maturity debt securities are those which the Company has the positive intent and ability to hold to maturity and are reported at amortized cost. Available-for-sale debt securities consist of securities not classified as trading debt securities nor as held-to-maturity debt securities. Unrealized holding gains and losses, net of tax on available-for-sale debt securities are excluded from earnings and reported in accumulated other comprehensive loss. Gains and losses on the sale of available-for-sale debt securities are recorded on the trade date determined using the specific-identification method. Premiums and discounts on debt securities available for sale are recognized in interest income using the interest method over the period to maturity.

Management evaluates securities for other-than-temporary impairment at least 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.

(continued)

(1) Summary of Significant Accounting Policies, Continued

Loans Held for Sale. Loans held for sale which includes Small Business Administration ("SBA") and residential real estate loans are carried at the lower of book value or estimated fair value in the aggregate. Net unrealized losses, if any, are recognized through a valuation allowance by charges to the consolidated statements of operations. At December 31, 2019, the Company had no loans held for sale.

Loans. Loans that management has the intent and the Company has the ability to hold for the foreseeable future or until maturity or pay-off are reported at their outstanding principal adjusted for any charge-offs, the allowance for loan losses, and any deferred fees or costs.

Commitment and loan origination fees are deferred and certain direct origination costs are capitalized. Both are recognized as an adjustment of the yield of the related loan.

The accrual of interest for all loan portfolio classes is discontinued at the time the loan is ninety days delinquent unless the loan is well collateralized and in process of collection. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful. Past due status is based on contractual terms of the loans.

All interest accrued but not collected for loans that are placed on nonaccrual or charged-off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Loan Losses. The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. There were no changes in the Company's accounting policies or methodology during the period from October 24, 2019 to December 31, 2019.

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

(continued)

(1) Summary of Significant Accounting Policies, Continued

Allowance for Loan Losses, Continued. The allowance consists of specific and general components. The specific component relates to loans that are classified as impaired. For such loans, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers all other loans and is based on historical loss experience adjusted for qualitative factors.

The historical loss component of the allowance is determined by losses recognized by portfolio segment over the preceding three years. This is supplemented by the risks for each portfolio segment. Risk factors impacting loans in each of the portfolio segments include any deterioration of property values, reduced consumer and business spending as a result of unemployment and changes in credit availability and changes in consumer confidence. The historical experience is adjusted for the following qualitative factors: (a) the existence and effect of any concentrations of credit and changes in the level of such concentrations; (b) changes in national, regional and local economic conditions that affect the collectability of the loan portfolio; (c) changes in levels or trends in charge-offs and recoveries; (d) changes in the volume and severity of past due loans, nonaccrual loans or loans classified special mention, substandard, doubtful or loss; (e) changes in the nature and volume of the loan portfolio and terms of loans; (f) changes in lending policies and procedures, risk selection and underwriting standards; (g) changes in the experience, ability and depth of lending management and other relevant staff; (h) quality of loan review and Board of Directors oversight; (i) and the effect of other external factors, trends or uncertainties that could affect management's estimate of probable losses, such as competition and industry conditions.

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

Premises and Equipment. Land is stated at cost. Premises, equipment and leasehold improvements are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization expense are computed using the straight-line method over the shorter of the estimated useful life of each type of asset or lease term, including renewal options.

(continued)

(1) Summary of Significant Accounting Policies, Continued

Loan Servicing Rights. Servicing assets are recognized as separate assets when rights are acquired through sale of financial assets. Loan servicing rights are presented with other assets in the consolidated balance sheet. Capitalized servicing rights are amortized into service fee income in proportion to, and over the period of, the estimated future net servicing income of the underlying financial assets. Servicing assets are evaluated for impairment based upon the fair value of the rights as compared to amortized cost. Impairment is determined by stratifying rights by predominant characteristics, such as interest rates and terms. The fair value of loan servicing rights is based on a valuation model that calculates the present value of estimated net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income. The Company is able to compare the valuation model inputs and results to widely available published industry data for reasonableness.

Transfer of Financial Assets. Transfers of financial assets or a participating interest in an entire financial asset are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity. A participating interest is a portion of an entire financial asset that (1) conveys proportionate ownership rights with equal priority to each participating interest holder (2) involves no recourse (other than standard representations and warranties) to, or subordination by, any participating interest holder, and (3) does not entitle any participating interest holder to receive cash before any other participating interest holder. Recourse in the form of an independent third-party guarantee shall be excluded from the evaluation of whether the participating interest definition is met.

Income Taxes. GAAP sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions.

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

(continued)

(1) Summary of Significant Accounting Policies, Continued

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

As of December 31, 2019, management is not aware of any uncertain tax positions that would have a material effect on the Company's consolidated financial statements.

The Company recognizes interest and penalties on income taxes, if any, as a component of income tax expense.

The Holding Company and the Bank file consolidated Federal and State of Florida income tax returns. Income taxes are allocated to the Holding Company and Bank as if separate income tax returns were filed.

Off-Balance-Sheet Financial Instruments. In the ordinary course of business the Company has entered into off-balance-sheet financial instruments consisting of unfunded loan commitments, unused lines of credit and standby letters of credit. Such financial instruments are recorded in the consolidated financial statements when they are funded.

Fair Value Measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GAAP has established a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. GAAP describes three levels of inputs that may be used to measure fair value:

Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.

(continued)

(1) Summary of Significant Accounting Policies, Continued

Fair Value Measurements, Continued.

Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities that are not active; and model-driven valuations whose inputs are observable or whose significant value drivers are observable. Valuations may be obtained from, or corroborated by, third-party pricing services.

Level 3: Unobservable inputs to measure fair value of assets and liabilities for which there is little, if any market activity at the measurement date, using reasonable inputs and assumptions based upon the best information at the time, to the extent that inputs are available without undue cost and effort.

The following describes valuation methodologies used for assets measured at fair value:

Debt Securities Available for Sale. Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include highly liquid government bonds, certain mortgage products and exchange-traded equities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. Certain U.S. Government Agency instruments, would be classified within Level 2 of the valuation hierarchy.

Impaired Loans. Estimates of fair value are determined based on a variety of information, including the use of available appraisals, estimates of market value by licensed appraisers or local real estate brokers and the knowledge and experience of the Company's management related to values of properties in the Company's market areas. Management takes into consideration the type, location and occupancy of the property as well as current economic conditions in the area the property is located in assessing estimates of fair value. Accordingly, fair value estimates for impaired loans are classified as Level 3.

Acquired Assets and Assumed Liabilities. All assets acquired and liabilities assumed were recorded at estimated fair value at the date of acquisition. Estimates of fair values were determined based on a variety of information. Acquired assets and assumed liabilities were valued based on estimated cash flows and other unobservable inputs and are classified as Level 3, with the exception of acquired securities which were classified as a Level 2.

(continued)

(1) Summary of Significant Accounting Policies, Continued

Fair Values of Financial Instruments. The following methods and assumptions were used by the Company in estimating fair values of financial instruments:

Cash and Due from Banks. The carrying amounts approximate fair value (Level 1).

Debt Securities Available for Sale. The fair value of debt securities available for sale are based on the framework for measuring fair value (Level 2).

Loans. For variable-rate loans that reprice frequently and have no significant change in credit risk, fair values are based on carrying values. Fair values for fixed-rate mortgage (e.g. one-to-four family residential), commercial real estate and commercial loans are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality (Level 3).

Federal Home Loan Bank Stock. The fair value of Federal Home Loan Bank stock is based on its redemption value (Level 3).

Accrued Interest Receivable. The carrying amount approximates fair value (Level 3).

Loan Servicing Rights. Fair value is determined using prices for similar assets with similar characteristics, when available, or based upon discounted cash flows using market-based assumptions (Level 3).

Deposit Liabilities. The fair values disclosed for demand, NOW, money-market and savings deposits are, by definition, equal to the amount payable on demand at the reporting date (that is, their carrying amounts). Fair values for fixed-rate time deposits are estimated using a discounted cash flow calculation that applies interest rates currently being offered on time deposits to a schedule of aggregated expected monthly maturities of time deposits (Level 3).

Off-Balance-Sheet Financial Instruments. Fair values for off-balance-sheet lending commitments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing (Level 3).

Advertising. The Company expenses all media advertising as incurred.

Stock Compensation Plans. The Company expenses the fair value of any stock options granted. The Company recognizes stock-based compensation in salaries and employee benefits for officers and employees and in other expense for directors in the statements of operations. The expense is recognized on a straight-line basis over the vesting period.

(continued)

(1) Summary of Significant Accounting Policies, Continued

Comprehensive Loss. GAAP requires that recognized revenue, expenses, gains and losses be included in net earnings. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale debt securities, are reported as a separate component of the equity section of the consolidated balance sheet, such items, along with net loss, are components of comprehensive income. The tax effects of items included in accumulated other comprehensive loss are released as each individual item matures, sold or disposed of.

Recent Pronouncements. In February 2016, the FASB issued ASU 2016-2, *Leases (Topic 842)* which will require lessees to recognize on the consolidated balance sheet the assets and liabilities for the rights and obligations created by those leases with term of more than twelve months. Consistent with current GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. The new ASU will require both types of leases to be recognized on the consolidated balance sheet. The ASU also will require disclosures to help investors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements, providing additional information about the amounts recorded in the consolidated financial statements. The ASU is effective for fiscal years beginning after December 15, 2020 (as amended), and for interim periods within fiscal years beginning after December 15, 2021 (as amended). The Company is in the process of determining the effect of the ASU on its consolidated financial statements. Early adoption is permitted.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments-Credit Losses (Topic 326)*. The ASU requires the Company to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. The Company will continue to use judgment to determine which loss estimation method is appropriate for their circumstances. The ASU requires enhanced disclosures to help investors and other consolidated financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an organization's portfolio. These disclosures include qualitative and quantitative requirements that provide additional information about the amounts recorded in the consolidated financial statements. Additionally, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. The ASU will take effect for fiscal years, and for interim periods within fiscal years, beginning after December 15, 2022 (as amended). Early adoption is permitted. The Company is in the process of determining the effect of the ASU on its consolidated financial statements.

In March 2017, the FASB issued ASU No. 2017-08, *Receivables - Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities*. The ASU shortens the amortization period for certain callable debt securities held at a premium, the ASU requires the premium to be amortized to the earliest call date. No accounting change is required for securities held at a discount. The ASU became effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

(1) Summary of Significant Accounting Policies, Continued

Recent Pronouncements, Continued.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820) - Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement ("ASU 2018-13").* ASU 2018-13 removes, modifies and adds certain disclosure requirements associated with fair value measurements. ASU 2018-13 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The removed and modified disclosures will be adopted on a retrospective basis and the new disclosures will be adopted on a prospective basis. Early adoption is permitted upon issuance of this ASU. The impact of the adoption of this ASU, which only affects the presentation of certain disclosures and did not expected have impact on our results of operations, financial position or liquidity.

In January 2017, the FASB issued ASU No. 2017-04, *Simplifying the Test for Goodwill Impairment*, to simplify how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. In computing the implied fair value of goodwill under Step 2, an entity had to perform procedures to determine the fair value at the impairment testing date of its assets and liabilities (including unrecognized assets and liabilities) following the procedure that would be required in determining the fair value of assets acquired and liabilities assumed in a business combination. Instead, under the amendments in this update, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. Additionally, an entity should consider income tax effects from any tax-deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. FASB also eliminated the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform Step 2 of the goodwill impairment test. Therefore, the same impairment assessment applies to all reporting units. An entity is required to disclose the amount of goodwill allocated to each reporting unit with a zero or negative carrying amount of net assets. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The ASU will take effect for fiscal years beginning after December 15, 2022, as amended, including interim periods within those fiscal years. Early adoption is permitted. The Company is in the process of determining the effect of the ASU on its consolidated financial statements, but it is not expected to have a material impact.

Recent Regulatory Developments

Community Bank Leverage Ratio. During 2019, the federal banking agencies jointly issued a rule that provides for an optional, simplified measure of capital adequacy. The agency established the community bank leverage ratio framework (CBLR framework) for qualifying community banking organizations. A qualifying community banking organization is defined as having less than $10 billion in total consolidated assets, a leverage ratio greater than 9%, off-balance sheet exposures of 25% or less of total consolidated assets, and trading assets and liabilities of 5% or less of total consolidated assets. Banks opting into the CBLR framework will not be required to calculate or report risk-based capital. The final rule became effective on January 1, 2020.

(continued)

(2) Business Combinations

On October 24, 2019, the Company acquired 100.00% of the outstanding common stock of the Bank for $24.3 million, through an Agreement and Plan of Share Exchange. The Company acquired $129.4 million in assets and assumed $105.1 million in liabilities. The Company acquired these assets and assumed these liabilities to become a bank holding company by acquiring the Bank and to operate the Bank. The Company incurred approximately $106,000 in acquisition expense which are included in other noninterest expense and professional fees in the accompanying consolidated statements of operations.

The following table summarizes the fair value of assets acquired and liabilities assumed on the date of acquisition.

Flagship Bank

Cash and cash equivalents	$	28,041
Securities available for sale		4,980
Loans, net of discounts		83,874
Premises and equipment		2,087
Federal Home Loan Bank stock		104
Deferred tax asset		372
Goodwill		9,341
Core deposit intangible		250
Accrued interest receivable		262
Other assets		91
Total assets acquired	$	129,402
Deposits		104,601
Other liabilities		520
Total liabilities assumed		105,121
Net assets acquired	$	24,281

Acquired assets and assumed liabilities measured at fair value on a nonrecurring basis are as follows (in thousands):

Year Ended December 31, 2019:	**Fair Value**	**Level 1**	**Level 2**	**Level 3**	**Total Losses**	**Losses Recorded in Operations During the Year**
Cash and cash equivalent	$ 28,041	28,041	-	-	-	-
Debt securities available for sale	$ 4,980	-	4,980	-	-	-
Loans, net of discount	$ 83,874	-	-	83,874	-	-
Premises and equipment	$ 2,087	-	-	2,087	-	-
All other assets	$ 10,420	-	-	10,420	-	-
Deposits	$ 104,601	-	-	104,601	-	-
Other Liabilities	$ 520	-	-	520	-	-

(continued)

(2) Business Combinations, continued

Results of operations for Flagship Community Bank prior to the acquisition date are not included in the consolidated statement of operations for the period ended December 31, 2019. The following table presents financial information regarding the former Flagship Community Bank operations excluded from the consolidated statement of operations prior to the date of acquisition:

	(Unaudited) (in thousands) Through October 24, 2019
Net interest income	$ 3,120
Noninterest income	178
Net loss	(536)

The following table presents unaudited pro forma information as if the acquisition of Flagship Community Bank had occurred on January 1, 2019. The table does not consider the effect of expense savings created by the merger other than to exclude Merger Related expenses.

	Unaudited pro forma information For the year ended, 2019 *(in thousands, except per share data)*
Net interest income	$ 4,295
Noninterest income	260
Net loss	(542)
Pro forma loss per share-Basic and Diluted	(0.15)

The tables above have been prepared for comparative purposes only and are not necessarily indicative of the actual results that would have been attained had the acquisition occurred as of the beginning of the periods presented, nor is it indicative of future results. Furthermore, the unaudited pro forma information does not reflect the Company's estimate of any revenue-enhancing opportunities nor anticipated cost savings as a result of the integration and consolidation of the acquisition.

(3) Goodwill and Other Intangible Assets

Goodwill and Core Deposit Intangible ("CDI") are as follows (in thousands):

	At December 31, 2019
Goodwill	$ 9,341
CDI	242
	$ 9,583

(continued)

(3) Goodwill and Other Intangible Assets, continued

The future expected amortization of CDI with determinable useful lives as of December 31, 2019 are as follows (in thousands):

Year Ending December 31,	Amount
2020	$ 45
2021	40
2022	36
2023	31
2024	27
Thereafter	63
	$ 242

(4) Debt Securities Available for Sale

Debt Securities have been classified according to management's intention. The carrying amount of debt securities and their fair values are summarized as follows (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
At December 31, 2019-				
U.S. government agencies	$ 4,500	-	(12)	4,488

Available-for-sale debt securities measured at fair value on a recurring basis are summarized below (in thousands):

		Fair Value Measurements Using		
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
At December 31, 2019-				
U.S. government agencies	$ 4,488	-	4,488	-

During the period from October 24, 2019 to December 31, 2019, no debt securities were transferred in or out of Level 1, 2 or 3.

(continued)

(4) Debt Securities Available for Sale, Continued

Maturities of debt securities at amortized cost and fair value at December 31, 2019 are as follows (in thousands):

	Securities Available for Sale	
	Amortized Cost	Fair Value
Due in less than one year	$ 3,000	2,996
Due from one to five years	1,500	1,492
	$ 4,500	4,488

Debt securities with unrealized losses aggregated by investment category and length of time that individual debt securities have been in a continuous unrealized loss position, are as follows (in thousands):

	Less Than Twelve Months		More Than Twelve Months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
At December 31, 2019 -				
U.S. government agencies	$ (12)	4,488	-	-

At December 31, 2019, five available-for-sale debt securities had unrealized losses for both years. The unrealized losses on the investment in debt securities were caused by market conditions. It is expected that the debt securities would not be settled at a price less than the par value of the investments. Because the decline in fair value is attributable to changes in market conditions and not credit quality, and because the Company has the ability and intent to hold these investments until a market price recovery or maturity, these investments are not considered other-than-temporarily impaired.

(continued)

(5) Loans

The components of loans are as follows at December 31, 2019 (in thousands):

Real estate mortgage:	
Commercial real estate	$ 68,687
Residential real estate	4,220
Total real estate mortgage	72,907
Commercial	17,377
Consumer	290
Total loans	90,574
Add (Deduct):	
Deferred loan costs, net	13
Discount on loans	(2,074)
Allowance for loan losses	(106)
Loans, net	$ 88,407

(continued)

(5) Loans, Continued

An analysis of the change in the allowance for loan losses follows (in thousands):

	Real Estate Mortgage	Commercial	Consumer	Total
Period Ended December 31, 2019:				
Beginning balance	$ -	-	-	-
Provision for loan losses	38	67	1	106
Charge-offs	-	-	-	-
Recoveries	-	-	-	-
Ending balance	$ 38	67	1	106
Collectively evaluated for impairment:				
Recorded investment	$ 3,870	6,691	32	10,593
Balance in allowance for loan losses	$ 38	67	1	106
Recorded investment in acquired loans	$ 69,037	10,686	258	79,981
Balance in allowance for loan losses	$ -	-	-	-

(continued)

(5) Loans, Continued

The Company has divided the loan portfolio into three portfolio segments, each with different risk characteristics and methodologies for assessing risk. All loans are underwritten based upon standards set forth in the policies approved by the Company's Board of Directors. The portfolio segments identified by the Company are as follows:

Real Estate Mortgage Loans. Real estate mortgage loans are typically segmented into two classes: Commercial real estate and Residential real estate. The Company's underwriting criteria and analysis includes credit verification, independent appraisals, review of borrowers' financial condition and their respective cash flows, projected cash flows and the principal guarantors overall ability to service the debt repayments. Commercial real estate loans are typically larger in nature than residential loans and depend upon operating results and proper management, which in turn involve a higher degree of credit risk. Prevailing economic conditions also may add a higher degree of risk depending on the business. For residential real estate loans the Company originates fixed-rate and adjustable-rate residential real estate loans for purchase of a home or refinance of a mortgage loan. Residential real estate loans are approved based on repayment capacity and source, value of the underlying property, credit history and stability. These loans are collateralized by owner-occupied properties located within the Company's market area. In addition, market conditions could fluctuate negatively and affect the home's final value.

Commercial. Commercial loans and lines of credit consist of loans to small and medium sized companies located within the Company's market area. Commercial loans are generally for the purpose of working capital, equipment purchases, inventory needs or receivable financing. Primarily all of the Company's commercial loans are secured with collateral, with some unsecured loans extended on a limited basis. Commercial loans are underwritten utilizing the borrowers' financial and cash flows of both a historical and pro-forma basis. The Company's underwriting criteria on these loans also include borrowers' lending histories, value of collateral as well as the overall strength of principal guarantors endorsing the obligation. These loans are also affected by adverse economic conditions should they prevail within the Company's local market.

Consumer Loans. Consumer loans are extended for various purposes, including purchases of automobiles, recreational vehicles, and boats. The Company also offers home improvement loans, lines of credit, personal loans, and deposit account collateralized loans. Repayment of these loans is primarily dependent on the personal income of the borrowers, which can be impacted by economic conditions in their market areas such as unemployment levels. Loans to consumers are extended after a credit evaluation, including the creditworthiness of the borrower(s), the purpose of the credit, and the secondary source of repayment. Consumer loans are made at fixed and variable interest rates and may be made on terms of up to ten years. Risk is mitigated by the fact that the loans are of smaller individual amounts.

(continued)

(5) Loans, Continued

The following summarizes the loan credit quality (in thousands):

		Commercial Real Estate	Residential Real Estate	Commercial	Consumer	Total
Credit Risk Profile by Internally Assigned Grade:						
At December 31, 2019:						
Grade:						
Pass	$	58,359	4,220	13,899	290	76,768
Special mention		8,152	-	545	-	8,697
Substandard		2,176	-	2,933	-	5,109
Total	$	68,687	4,220	17,377	290	90,574

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors.

The Company analyzes loans individually by classifying the loans as to credit risk. Loans classified as substandard or special mention are reviewed quarterly by the Company for further deterioration or improvement to determine if they are appropriately classified and whether there is any impairment. All loans are graded upon initial issuance. Further, most commercial loans are typically reviewed at least annually to determine the appropriate loan grading. In addition, during the renewal process of any loan, as well as if a loan becomes past due, the Company will determine the appropriate loan grade.

Loans excluded from the review process above are generally classified as pass credits until: (a) they become past due; (b) management becomes aware of deterioration in the credit worthiness of the borrower; or (c) the customer contacts the Company for a modification. In these circumstances, the loan is specifically evaluated for potential classification as to special mention, substandard or even charged-off. The Company uses the following definitions for risk ratings:

Pass – A Pass loan's primary source of loan repayment is satisfactory, with secondary sources very likely to be realized if necessary.

(continued)

(5) Loans, Continued

Special Mention – A Special Mention loan has potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in the deterioration of the repayment prospects for the asset or the Company's credit position at some future date. Special Mention loans are not adversely classified and do not expose an institution to sufficient risk to warrant adverse classification.

Substandard – A Substandard loan is inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.

Doubtful – A loan classified Doubtful has all the weaknesses inherent in one classified Substandard with the added characteristics that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loss – A loan classified Loss is considered uncollectible and of such little value that continuance as a bankable asset is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather it is not practical or desirable to defer writing off this basically worthless asset even though partial recovery may be affected in the future.

Age analysis of past-due loans is as follows (in thousands):

	Accruing Loans						
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Nonaccrual Loans	Total Loans
At December 31, 2019:							
Real estate mortgage:							
Commercial real estate	$ -	-	-	-	68,687	-	68,687
Residential real estate	160	-	-	-	4,060	-	4,220
Commercial	2	-	-	-	17,375	-	17,377
Consumer	-	-	-	-	290	-	290
Total	$ 162	-	-	-	90,412	-	90,574

There were no troubled debt restructurings entered into during the period ended October 24, 2019 to December 31, 2019.

The company does not have any impaired loans at December 31, 2019.

(continued)

(6) Loan Servicing Rights

SBA loans serviced for other entities are not included in the accompanying consolidated balance sheet. The unpaid principal balance of these SBA loans were approximately $4.4 million at December 31, 2019.

There were no loan servicing rights capitalized during 2019.

The following summarizes loan servicing rights capitalized and amortized during the period from October 24, 2019 to December 31, 2019 (in thousands):

Loan servicing rights capitalized	$ -
Loan servicing rights amortized	$ 3

Loan servicing rights with a carrying value of $51,000 at December 31, 2019 are included in other assets in the accompanying consolidated balance sheet.

(continued)

(7) Premises and Equipment

A summary of premises and equipment follows at December 31, 2019 (in thousands):

Land	$ 1,450
Building	1,580
Leasehold improvements	408
Furniture, fixtures and equipment	559
Computer equipment and software	336
Automobile	24
Total, at cost	4,357
Less accumulated depreciation and amortization	(1,219)
Premises and equipment, net	$ 3,138

The Company leases its main office facility under an operating lease from a stockholder of the Company at a fair market rate. The term of this lease is for ten years with three renewal options for five years each. The Company has exercised its first renewal option. The lease contains annual escalation clauses and requires the payment of common area costs. The Company leases a second facility under an operating lease. The term of this lease is for three years with four renewal options for five years each. Rent expense under these operating leases for 2019 was approximately $47,000. The future minimum lease payments as of December 31, 2019 is approximately as follows (in thousands):

Year Ending December 31,	Amount
2020	$ 256
2021	229
2022	43
	$ 528

(8) Deposits

The aggregate amount of time deposits with a minimum denomination of $250,000 was approximately $15,251,000 at December 31, 2019.

(continued)

(8) Deposits, Continued

A schedule of maturities of time deposits at December 31, 2019 follows ($ in thousands):

Year Ending December 31,	Amount
2020	$ 33,534
2021	3,862
2022	144
2023	262
2024	1,196
	$ 38,998

(9) Federal Home Loan Bank Advances

At December 31, 2019 the Company did not have any Federal Home Loan Bank of Atlanta ("FHLB") advances. The advances from the FHLB, if any, are generally collateralized by a blanket floating lien on the Company's qualifying residential and commercial real estate loans. The Company has credit availability of $28.9 million which can be used if collateral is pledged. At December 31, 2019, the Company had no loans pledged as collateral for FHLB advances.

(10) Income Taxes

The components of income taxes for the period ended December 31, 2019 are as follows (in thousands):

Deferred:	
Federal	$ 2
State	1
Income taxes	$ 3

(continued)

(10) Income Taxes, Continued

The reasons for the difference between the statutory Federal income tax rate and the effective tax rates for the period ended December 31, 2019 are primarily state income taxes, net of federal benefit and non-deductible expenses.

Income taxes	$ 3	150.0%

Tax effects of temporary differences that give rise to the deferred tax assets and liabilities at December 31, 2019 are as follows (in thousands):

Deferred tax assets:	
Net operating loss carryforwards	$ 144
Fair value adjustments	411
Organizational and start-up costs	55
Other	8
Unrealized loss on debt securities available for sale	3
Deferred tax assets	621
Deferred tax liabilities:	
Mortgage service rights	(13)
Prepaid expenses	(14)
Allowance for loan losses	(158)
Premises and equipment	(79)
Deferred tax liabilities	(264)
Net deferred tax asset	$ 357

As of December 31, 2019 the company had net operating loss carryforwards of approximately $582,000 available to offset future taxable income. These carryforwards do not expire.

The Company files income tax returns in the U.S. Federal jurisdiction and the State of Florida. The Company is no longer subject to U.S. Federal or State income tax examinations by taxing authorities for years before 2016.

(continued)

(11) Financial Instruments

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 are unfunded loan commitments, unused lines of credit and standby letters of credit and may involve, to varying degrees, elements of credit risk in excess of the amount recognized in the balance sheet. The contract amounts of these instruments reflect the extent of involvement the Company has in these financial instruments.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for unfunded loan commitments, unused lines of credit and standby letters of credit is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments as it does for on-balance-sheet instruments.

Unfunded loan commitments and unused lines of 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 some of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's credit worthiness 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 of the counterparty.

Standby letters of credit are conditional lending commitments issued by the Company to guarantee the performance of a customer to a third party to support public and private borrowing arrangements. The letters of credit issued expire in 2020. The credit risk involved in issued letters of credit is essentially the same as that involved in extending loan facilities to customers.

Commitments to extend credit, unused lines of credit and standby letters of credit typically result in loans with a market interest rate when funded. A summary of the amounts of the Company's financial instruments with off balance sheet risk at December 31, 2019 follows (in thousands):

	Contract Amount
Unfunded loan commitments	$ 7,277
Unused lines of credit	$ 6,392
Standby letters of credit	$ 571

(continued)

(12) Credit Risk

The Company grants the majority of its loans to borrowers throughout Pinellas County, Florida. Although the Company has a diversified loan portfolio, a significant portion of its borrowers' ability to honor their contracts is dependent upon the economy in Pinellas County, Florida. The Company does not have significant concentrations to any one industry or customer.

(13) Employee Benefit Plan

The Company has a 401(k) profit sharing plan available to all employees electing to participate after meeting certain length-of-service requirements. The Company's contributions to the profit sharing plan are discretionary and are determined annually. The Company made contributions of approximately $24,000 during the period from October 24, 2019 (date of acquisition) to December 31, 2019.

(14) Dividend Restrictions

The Company is limited in the amount of cash dividends that may be paid. The amount of cash dividends that may be paid is based on the Company's net earnings of the current year combined with the Company's retained earnings of the preceding two years, as defined by state banking regulations. However, for any dividend declaration, the Company must consider additional factors such as the amount of current period net earnings, liquidity, asset quality, capital adequacy and economic conditions. It is likely that these factors would further limit the amount of dividends which the Company could declare. In addition, bank regulators have the authority to prohibit banks from paying dividends if they deem such payment to be an unsafe or unsound practice.

(15) Regulatory Matters

The Bank is subject to various regulatory capital requirements including the Basel III Framework, (“Basel III”) administered by the banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

(continued)

(15) Regulatory Matters, Continued

Under Basel III the Bank is subject to the capital conservation buffer rules which place limitations on distributions, including dividend payments, and certain discretionary bonus payments to executive officers. In order to avoid these limitations, a bank must hold a capital conservation buffer above its minimum risk-based capital requirements. As of December 31, 2019, the Bank's capital conservation buffer exceeds the minimum requirement of 2.5%.

As of December 31, 2019, the Bank was well capitalized under the regulatory framework for prompt corrective action. To be categorized as adequately capitalized the Bank must maintain a minimum Common equity tier 1 capital ratio, Tier 1 capital ratio, Total capital ratio and Tier 1 leverage ratio as set forth in the table. Management believes, as of December 31, 2019, that the Bank meets all capital adequacy requirements to which it is subject. The Bank's actual capital amounts and percentages are presented in the table (dollars in thousands):

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	%	Amount	%	Amount	%
As of December 31, 2019:						
Common equity tier 1 capital ratio	$ 23,129	23.05%	$ 4,516	4.50%	$ 6,524	6.50%
Tier 1 capital ratio	23,129	23.05	6,022	6.00	8,029	8.00
Total capital ratio	23,249	23.16	8,029	8.00	10,036	10.00
Tier 1 leverage ratio	23,129	19.70	4,696	4.00	5,870	5.00

(16) Related Party Transactions

In the ordinary course of business, the Company may grant loans to and accepts deposits from principal officers and directors and their affiliates. At December 31, 2019, there were no loans outstanding from these related parties. Deposits accepted from related parties totaled approximately $3.5 million at December 31, 2019. The Company also leases its main office facility from a related party, as discussed in Note 5.

(continued)

(17) Fair Value of Financial Instruments

The estimated fair values of the Company's financial instruments at December 31, 2019 are as follows (in thousands):

	Level	Carrying Amount	Fair Value
Financial assets:			
Cash and due from banks	1	$ 48,182	48,182
Debt securities available for sale	2	4,500	4,488
Loans, net	3	88,407	88,006
Federal Home Loan Bank stock	3	104	104
Accrued interest receivable	3	250	250
Loan Servicing Rights	3	51	62
Financial liabilities-			
Deposits	3	110,280	109,982
Off-balance-sheet financial instruments	3	-	-

(18) Earnings Per Share

Earnings per share has been computed on the basis of the weighted-average number of shares of common stock outstanding. Outstanding stock options are considered dilutive securities for purposes of calculating diluted EPS which was computed using the treasury stock method. (dollars in thousands, except per share amounts):

	Earnings	2019 Weighted-Average Shares	Per Share Amount
Period Ended December 31:			
Basic EPS:			
Net earnings	$ (6)	3,558,503	$ (0.00)
Effect of dilutive securities-			
Incremental shares from assumed conversion of options	-	-	-
Diluted EPS:			
Net earnings	$ (6)	3,558,503	$ (0.00)