Susquehanna
Community Bank

100 YEARS

Celebrating A Century of Delivering
A Better Banking Experience.

2020 ANNUAL REPORT

PRESIDENT'S MESSAGE

Dear Shareholders,

As you review the cover of our 2020 annual report, you may look at it and just see people with masks on during this unprecedented Pandemic year. What do I see? I see my teammates that spent this year uncomfortable, stressed, and exhausted. Through resiliency, they picked up their oars and rowed like crazy to achieve unprecedented record results! The Pandemic dominated most of the year and disrupted many aspects of our lives. The Pandemic did not disrupt the success of Susquehanna Community Bank!

Due to the Pandemic, historical low interest rates caused an economic recession and put pressure on net interest income. The diversification of revenue through the generation of fee income has strengthened the value of the franchise due to the strategic investments you have supported over the years. Mortgage fee income increased 216% from the prior year with excellent underwriting and quality. We also recognize the importance of our communities and helping small businesses recover, and we successfully originated **$22.7 million dollars of PPP loans.** This is why we put community in our name!

We finished our 100th year anniversary soaring to new heights:

- **Record Asset Growth** over $500 million for the first time.
- **Record Loans** with growth over 10%.
- **Record Deposits** with growth over 16%.
- **Record Net Income:** the seventh time out of the last ten years.
- **Record Dividends:** the eleventh year of consecutive dividend increases.

It's hard to believe that I'm finishing up my 10th year coaching this great team, and we should celebrate the results your organization has achieved over the last decade:

	2010	2020	Increase
NUMBER OF EMPLOYEES	61	88	44%
NUMBER OF BRANCHES	5	7	40%
ASSETS (MILLION)	$312,531	$501,663	61%
LOANS	$111,042	$282,102	154%
DEPOSITS	$277,884	$430,214	55%
CAPITAL	$23,433	$54,377	132%
NET INCOME	$2,950	$5,369	82%

It truly has been an honor to lead this great organization. Thank you for all your support as we look forward to the next decade of **Strength, Growth, and Independence.**

On Behalf of the Team at Susquehanna,

DAVID S. RUNK
PRESIDENT & CEO

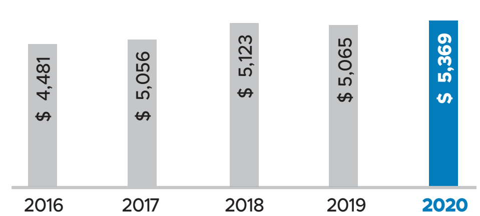
2020 FINANCIAL HIGHLIGHTS

5-YEAR OVERVIEW

	2016	2017	2018	2019	2020
Earnings Per Share	$ 1.51	$ 1.71	$ 1.74	$ 1.72	**$ 1.85**
Return on Average Assets	1.16%	1.25%	1.25%	1.08%	**1.14%**
Return on Average Equity	10.66%	12.23%	12.36%	10.73%	**10.10%**
Dividends Paid Per Share	$ .67	$ .71	$ .76	$ .80	**$ .85**

NET INCOME

(in thousands)



MANAGEMENT COUNCIL

FROM LEFT-TO-RIGHT:

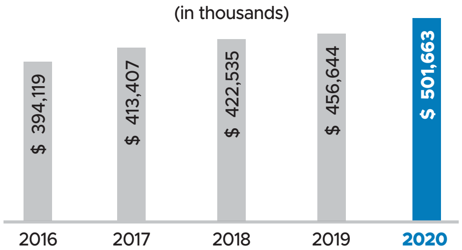
WILLIAM H. WEBER II
MELISSA S. MUSSER
REBECCA N. YEAGER
DIANE L. PAULUKINAS
STEPHEN T. YOUNG
BELINDA M. DIEFENBACH
DAVID S. RUNK (PRESIDENT)
STEPHEN P. STANKO
JILL D. SHAMBACH
RODNEY H. SMITH
LORRAINE S. BARONE
CHRISTOPHER J. SULLIVAN
JEFFREY G. HOLLENBACH

BOARD OF DIRECTORS

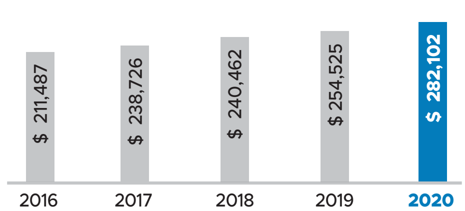
FROM LEFT-TO-RIGHT:

CARL L. PARDOE
WILLIAM F. KEAR
DAVID S. RUNK (PRESIDENT)
CHRISTIAN C. TRATE (CHAIRMAN)
SUZANNE T. STOPPER
PETER L. MATSON
ROBERT M. BRUBAKER

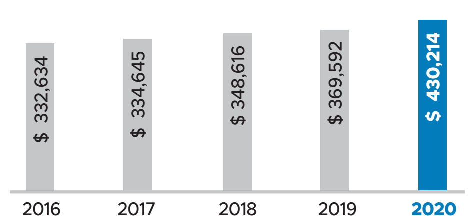
TOTAL ASSETS
(in thousands)



GROSS LOANS
(in thousands)



TOTAL DEPOSITS
(in thousands)



100 YEARS

A Time-Honored Tradition *of Better Banking*

Over the last 100 years, the way banking is conducted has changed—from the paper system to the digital revolution. While we've embraced the technological advances at Susquehanna Community Bank, we've also remained planted in our roots of getting to know our customers on a first-name basis. Our *"Better Banking"* approach also enables us to develop the financial products and services our customers need to succeed.

We formally recognized our centennial with a celebration on March 13, the original founder's day in 1920, at all branch locations. Throughout the day employees, customers, and special guests enjoyed refreshments and giveaways. Our branch staff decorated in blue and gold to celebrate!

Throughout the year, anyone from our valued communities could enter for a chance to win one of our monthly grand prizes, including: Apple AirPods®, YETI® Cooler, digital camera, Nintendo Switch Lite®, charcoal grill, and more.

Shortly after our centennial "birthday party" last spring, the Coronavirus Pandemic struck. No part of the globe was immune to the health risks and subsequent financial fallout, as businesses were forced to shut down or modify the way they did business.

At Susquehanna Community Bank, one thing that didn't change was our steadfast commitment to the communities and customers we serve. Although we had to curtail many of the planned 100th anniversary events due to the Pandemic, we re-allocated those resources to helping both individuals and organizations.

Susquehanna Community Bank, Centennial Celebration

UPMC Williamsport, Snack Donation

Our contributions went directly towards the front-line heroes working in hospitals and clinics throughout the Susquehanna Valley. In April, the EMS team at University of Pittsburgh Medical Center in Williamsport utilized our donation to purchase snacks for energy during long shifts.

To celebrate National Hospital Week, May 10-16, the staff at Evangelical Community Hospital took a few moments to "cool down" with an ice cream party, courtesy of Susquehanna Community Bank. In addition, a month's worth of snacks were provided to nine inpatient units at Geisinger Health System. Three of those nine units were treating COVID-19 patients at the time.

We are proud of our entire banking team for answering the call during these unprecedented times.

We believe our approach to delivering the highest level of personal service coupled with timely banking products will carry Susquehanna Community Bank well into our second century!

Susquehanna Community Bank Team Members

UNPRECEDENTED TIMES:

Here to Provide *Support and Solutions*

As the world ushered in a new decade last January, little did anyone know at the time the uncertainty and hardship so many families and businesses would face due to the Pandemic. Businesses were forced to temporarily close their doors or adapt their business models as the year progressed.

When the federal government announced the Payroll Protection Program (PPP) in March 2020 in an effort to provide critical funding to small businesses across the country, Susquehanna Community Bank did not hesitate to participate.

Susquehanna Community Bank is proud to share 215 Paycheck Protection Program (PPP) loans were submitted and approved through the SBA 7A PPP Loan Program with **more than $22.7 million supporting our local small businesses.** We're honored to be able to share a few of those success stories.

Susquehanna Fire Equipment Co., Dewart

WILLIAM CAMERON FIRE COMPANY

William Cameron Fire Co., Lewisburg

Businesses of all sizes were affected by the Pandemic, even organizations that were home to many front-line heroes in the fight against COVID-19. When the Pandemic presented William Cameron Fire Company in Lewisburg with several challenges, including the reduction in EMS cost recovery which was due to a decrease in call volume, Susquehanna Community Bank was there to help.

"Steve Stanko was great to work with and provided assistance and answered questions whenever needed." said Deb Catherman of William Cameron. ***"The PPP loan helped ensure our service delivery remained consistent without placing additional strain on taxpayers."***

"Working with Susquehanna Community Bank has been a wonderful experience," continued Deb. ***"We appreciate their support and commitment to the community."***

SUSQUEHANNA FIRE EQUIPMENT CO.

Since Susquehanna Community Bank established an office in Watsontown, Susquehanna Fire Equipment Company has been a loyal customer of ours. When the company was forced to lay off half its employees at the start of the Pandemic, the owners turned to our banking professionals for guidance on the PPP loan program. ***"The bank worked with us to file the application and it was not long afterwards we were awarded the loan,"*** said Keith Foust, President of Susquehanna Fire Equipment Co.

"Jack Emery kept us informed of the extension, end of program, and when we could submit the final paperwork for forgiveness. With the PPP loan we were able to bring all our people back right after we got notified and the money was deposited into our account. Everyone at the bank is eager to help and they will do whatever they can to answer any questions." said Keith.

Susquehanna Fire Equipment Co., Dewart

Resilite Sports Products, Northumberland

RESILITE SPORTS PRODUCTS

Resilite is a leading manufacturer of athletic mats and protective padding located in Northumberland, and many of the company's customers were hit hard by the Pandemic as well. ***"It's been a roller coaster,"*** said Jenn DeArmitt, President of Resilite. ***"We have a great team and a vision for the future."***

Susquehanna Community Bank is Resilite's primary banking partner, so in a time of crisis the owners felt it was natural to look to their financial experts for help. ***"The communication was fantastic,"*** said Jenn. ***"When things were changing each day, No Ringer really communicated well to keep us up to speed and feel as comfortable as possible through the process."***

"The PPP loan helped tremendously with cash flow as we were closed March 21 – May 8 when we were deemed a non-essential business," continued Jenn. ***"The loan gave us the ability to manage our payroll and utilities, while preventing any permanent layoffs."***

INSINGER'S PERSONAL CARE HOMES

"When I talked to Mike Loeh and Rex Hilton at Susquehanna Community Bank they said they would have us some money in two days … and they did," said Ron Insinger, owner of Insinger's Personal Care Homes. ***"The PPP loan process was totally effortless because everyone at Susquehanna Community Bank did whatever it took to get the loan."***

In addition to being a business owner in the area, Insinger is a well-respected teacher and accomplished basketball coach at Loyalsock Township High School. He stated, ***"This year has been extremely trying and stressful. To stay open at 50% is not worthwhile. The PPP loan has helped pay the bills and allow us to provide service to our loyal customers."***

"I would absolutely recommend Susquehanna Community Bank," said Insinger. ***"The service is second to none and you're treated as a neighbor … not just a number. They have a genuine concern for your success in the business world."***

Ron Insinger, Loyalsock

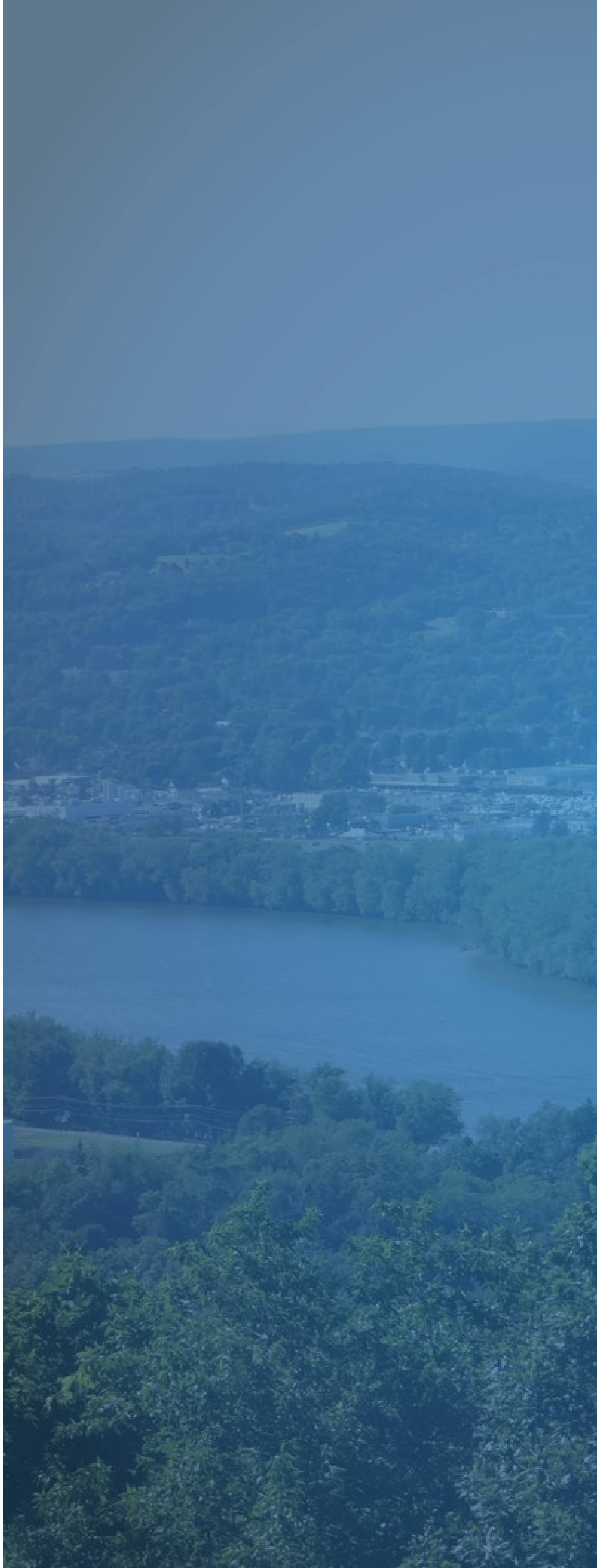
REFLECT
& INVEST

In Our *Communities*

While 2020 certainly had its share of challenges, there were some bright spots too. From the stock market reaching new record highs, helping to fuel investments and retirement accounts, to historical low mortgage rates, families and businesses benefited.

Mortgage rates dropped in 2020 due to the Federal Reserve lowering rates in response to COVID-19. Many of our customers took advantage of these opportunities to buy new homes or refinance their existing mortgages. Our lending professionals took great pride in helping our customers save thousands of dollars on their mortgages.

Fortunately for our customers, Susquehanna Community Bank offers the latest banking technologies like online and mobile banking, providing our customers with the option to do their banking from the comfort and safety of their own homes during the pandemic.



THE PORTZLINE FAMILY

Jamie and Heather Portzline live in Middleburg with their children, Gavin and Ryland, who enjoy playing football and baseball for the Midd-West School District. The family took advantage of the historically low mortgage rates this year to refinance their home. ***"The mortgage rates are very competitive at Susquehanna Community Bank,"*** said Heather. ***"The Heroes Home Advantage was also an added benefit since my husband is a correctional officer and I am a teacher. The staff is friendly and knowledgeable."***

Refinancing their home during COVID-19 wasn't much different than previous times, she pointed out, only most of the process was completed online, which was very convenient. ***"I would definitely recommend Susquehanna Community Bank,"*** Heather said. "***They have a variety of options/services for their customers."*** The family's affordable mortgage will enable the Portzline family to enjoy more traveling when things get back to normal!

The Portzline Family, Middleburg

The Herrold Family, Selinsgrove

THE HERROLD FAMILY

A recent retiree from the Federal Bureau of Prisons, Mike Herrold of Selinsgrove and his wife Megan, who is a reading specialist in the Line Mountain School District, thought it would be a perfect time to refinance the home they share with their young daughter Kaylin.

"We were looking for the best interest rate to refinance our home and I knew Chris Romig at Susquehanna Community Bank through athletics," said Mike. ***"The mortgage loan experience was the easiest I've ever been through. We have gone through multiple closings and this was definitely the easiest."*** Mike was quick to note that Chris went out of his way to deliver the paperwork and took time in the evening to sit down at the family table to assist in completing the application properly.

"Susquehanna Community Bank and Chris are so easy to work with and refinancing can save thousands of dollars," said Mike. The money the Herrolds save through refinancing will help create more memories on their favorite trips to Florida and attending area sprint car races!

CONSOLIDATED BALANCE SHEETS

December 31, 2020 and 2019 (In thousands, except per share data)

ASSETS	2020	2019
Cash and due from banks	$ 4,409	$ 4,356
Interest-bearing deposits with banks	3,365	301
Available-for-sale debt securities, at fair value	183,312	171,027
Marketable equity securities, at fair value	788	279
Restricted investment in bank stocks, at cost	4,319	3,495
Loans, net	279,203	251,767
Bank premises and equipment, net	10,520	10,661
Accrued interest receivable	2,409	2,161
Cash surrender value of life insurance	9,437	9,232
Other assets	3,901	3,365
TOTAL	**$ 501,663**	**$ 456,644**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Interest-bearing deposits	$ 404,022	$ 349,939
Noninterest-bearing deposits	26,192	19,653
Total Deposits	**430,214**	**369,592**
Other borrowings	12,250	33,625
Dividends payable	1,284	1,202
Accrued interest payable	233	294
Other liabilities	3,305	2,208
Total Liabilities	**447,286**	**406,921**
Common stock, par value $1 per share, 5,000,000 shares authorized; 3,375,000 shares issued	3,375	3,375
Additional paid-in capital	455	455
Retained earnings	50,489	47,581
Accumulated other comprehensive income	6,119	3,570
Treasury stock at cost (489,686 and 443,886 shares at December 31, 2020 and 2019, respectively)	(6,061)	(5,258)
Total Shareholders' Equity	**54,377**	**49,723**
TOTAL	**$ 501,663**	**$ 456,644**

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF INCOME

For the Years Ended December 31, 2020 and 2019 (In thousands, except per share data)

INTEREST INCOME	2020	2019
Interest and fees on loans	$ 12,805	$ 12,792
Interest on available-for-sale debt securities:		
Taxable interest	1,423	2,166
Tax-exempt interest	2,721	2,764
Dividends on marketable equity securities	21	5
Interest on deposits with other banks	17	617
Total interest income	**16,987**	**18,344**
INTEREST EXPENSE		
Interest on deposits	2,463	4,963
Interest on other borrowings	309	281
Total interest expense	**2,772**	**5,244**
NET INTEREST INCOME	14,215	13,100
PROVISION (CREDIT) FOR LOAN LOSSES	475	(130)
NET INTEREST INCOME AFTER PROVISION (CREDIT) FOR LOAN LOSSES	13,740	13,230
OTHER INCOME		
Service charges on deposit accounts	468	561
Realized gains on available-for-sale debt securities, net	366	288
Losses (gains) on marketable equity securities, net	(18)	12
Realized gains on loan sales, net	1,879	521
Bank card and credit card interchange fees	529	516
Brokerage fees and commissions	565	505
Increase in cash surrender value of life insurance	206	203
Other operating income	409	537
Total other income	**4,404**	**3,143**
OTHER EXPENSES		
Salaries and employee benefits	7,172	6,305
Occupancy expense	556	501
Furniture and equipment expenses	1,489	1,375
Automated teller machine expense	306	290
Data processing expenses	367	327
Pennsylvania corporate and shares taxes	431	367
Other operating expenses	1,818	1,732
Total other expenses	**12,139**	**10,897**
INCOME BEFORE PROVISION FOR INCOME TAXES	6,005	5,476
PROVISION FOR INCOME TAXES	636	411
NET INCOME	**$ 5,369**	**$ 5,065**
EARNINGS PER SHARE - BASIC AND DILUTED	**$ 1.85**	**$ 1.72**

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2020 and 2019 (In thousands)

	2020	2019
Net income	$ 5,369	$ 5,065
Unrealized gains on available-for-sale securities:		
Unrealized holding gains on available-for-sale debt securities	3,593	6,664
Reclassification adjustment for gains realized in earnings (a) (b)	(366)	(288)
Other comprehensive gain on available-for-sale securities	3,227	6,376
Taxes	(678)	(1,339)
Net other comprehensive income	2,549	5,037
Total Comprehensive Income	**$ 7,918**	**$ 10,102**

(a) Realized gains on available-for-sale debt securities are included in the Consolidated Statements of Income as a separate element of Other Income.

(b) The tax effect on gains on sales of available-for-sale debt securities of $78 in 2020 and $60 in 2019 are included in the Provision for Income Taxes in the Consolidated Statements of Income. This resulted in reclassifications net of tax, of $295 in 2020 and $228 in 2019.

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the Years Ended December 31, 2020 and 2019 (In thousands, except per share data)

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TREASURY STOCK	TOTAL SHAREHOLDERS' EQUITY
BALANCE, DECEMBER 31, 2018	**$ 3,375**	**$ 455**	**$ 44,866**	**$ (1,467)**	**$ (4,867)**	**$ 42,362**
Net income			5,065			5,065
Other comprehensive loss				5,037		5,037
Treasury stock purchased, 21,017 shares					(391)	(391)
Dividends declared, $0.80 per share			(2,350)			(2,350)
BALANCE, DECEMBER 31, 2019	**3,375**	**455**	**47,581**	**3,570**	**(5,258)**	**49,723**
Net income			5,369			5,369
Other comprehensive income				2,549		2,549
Treasury stock purchased, 45,800 shares					(803)	(803)
Dividends declared, $0.85 per share			(2,461)		(2,461)	
BALANCE, DECEMBER 31, 2020	**$ 3,375**	**$ 455**	**$ 50,489**	**$ 6,119**	**$ (6,061)**	**$ 54,377**

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Years Ended December 31, 2020 and 2019 (In thousands)

CASH FLOWS FROM OPERATING ACTIVITIES	2020	2019
Net income	$ 5,369	$ 5,065
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for depreciation	830	717
Provision (credit) for loan losses	475	(130)
Increase in cash surrender value of life insurance	(205)	(203)
Amortization and accretion of available-for-sale debt securities, net	888	793
Realized gains on available-for-sale debt securities, net	(366)	(288)
Losses (gains) on marketable equity securities, net	18	(12)
Deferred income tax provision	(84)	84
Gains on sales of loans, net	(1,879)	(521)
Origination of loans for sale	(48,006)	(13,082)
Proceeds from sales of loans	50,958	13,898
Change in:		
Accrued interest receivable	(248)	(110)
Other assets	(536)	166
Accrued interest payable	(61)	5
Other liabilities	503	115
NET CASH PROVIDED BY OPERATING ACTIVITIES	**7,656**	**6,497**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of available-for-sale debt securities	(47,244)	(62,239)
Proceeds from maturities of available-for-sale debt securities	21,369	17,740
Proceeds from sale of available-for-sale debt securities	16,295	30,921
Purchase of equity securities	(553)	(200)
Proceeds from sale of equity securities	26	-
Purchase of Federal Home Loan Bank of Pittsburgh stock	(824)	(565)
Net (increase) decrease in interest-bearing deposits with banks	(3,064)	805
Net increase in loans	(28,984)	(14,389)
Acquisition of bank premises and equipment	(689)	(4,345)
Purchase of life insurance	-	(350)
NET CASH USED IN INVESTING ACTIVITIES	**(43,668)**	**(32,622)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in deposits	60,622	20,976
Proceeds from Federal Home Loan Bank fixed-rate advances	11,000	-
Repayments of Federal Home Loan Bank fixed-rate advances	(1,625)	(6,130)
Net increase (decrease) in Federal Home Loan Bank line-of-credit	(30,750)	10,750
Acquisition of treasury stock	(803)	(391)
Dividends paid	(2,379)	(2,285)
NET CASH PROVIDED BY FINANCING ACTIVITIES	**36,065**	**22,920**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**53**	**(3,205)**
CASH AND CASH EQUIVALENTS, Beginning	**4,356**	**7,561**
CASH AND CASH EQUIVALENTS, Ending	**$ 4,409**	**$ 4,356**
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	**$ 2,832**	**$ 5,239**
Income taxes paid	**$ 750**	**$ 375**

See Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Susquehanna Community Financial, Inc., and its wholly-owned subsidiaries, Susquehanna Community Bank ("Bank") and Susquehanna Financial Investment Corporation (collectively, the "Corporation"). All significant intercompany balances and transactions have been eliminated.

Accounting principles generally accepted in the United States of America ("GAAP") require a corporation's consolidated financial statements to include subsidiaries in which the corporation has a controlling financial interest. This requirement usually has been applied to subsidiaries in which a corporation has a majority voting interest.

Investments in companies in which the Corporation controls operating and financing decisions (principally defined as owning a voting or economic interest greater than 50%) are consolidated. Investments in companies in which the Corporation has significant influence over operating and financing decisions (principally defined as owning a voting or economic interest of 20% to 50%) are generally accounted for by the equity method of accounting

Nature of Operations

Susquehanna Community Financial, Inc. is a financial holding company. The Bank provides a variety of financial services to individuals and corporate customers through its seven offices located in West Milton, Lewisburg, Mifflinburg, Watsontown, Beaver Springs, Northumberland, and Williamsport, Pennsylvania. The Bank's primary deposit products are checking accounts, savings accounts and certificates of deposit. Its primary lending products are residential, consumer and commercial loans. The Bank is subject to regulation by the Commonwealth of Pennsylvania, Department of Banking and Securities and the Federal Deposit Insurance Corporation. Susquehanna Community Financial, Inc. is subject to regulation by the Federal Reserve Bank of Philadelphia.

Susquehanna Financial Investment Corporation is a Delaware corporation formed for the purpose of holding investments.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported 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, other-than-temporary impairments of securities, and the fair value of financial instruments.

Securities

Trading Assets – The Corporation engages in trading activities for its own account. Securities that are held principally for resale in the near term are recorded at fair value with changes in fair value included in earnings. Interest and dividends are included in net interest income. The Corporation did not hold any trading securities during 2020 or 2019.

Debt Securities – Debt securities are classified as held to maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Debt securities not classified as held to maturity or trading are classified as available for sale. Securities available for sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income, net of tax.

Purchase premiums are recognized in interest income using the interest method to the earliest call date of the securities. Purchase discounts are recognized in interest income using the interest method to the maturity date of the securities. Gains and losses on the sale of securities are recorded on the settlement date and are determined using the specific identification method.

Management evaluates debt securities for other-than-temporary impairment ("OTTI") on at least a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. For debt securities in an unrealized loss position, management considers the extent and duration of the unrealized loss, and the financial condition and near-term prospects of the issuer. Management also assesses whether it intends to sell, or it is more likely than not that it will be required to sell, a debt security in an unrealized loss position before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the entire difference between amortized cost and fair value is recognized as impairment through earnings. For debt securities that do not meet the aforementioned criteria, the amount of impairment is split into two components as follows: 1) OTTI related to credit loss, which must be recognized in the income statement and 2) other-than-temporary impairment (OTTI) related to other factors, which is recognized in other comprehensive income. The credit loss is defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis.

Marketable equity securities are carried at fair value with unrealized gains and losses included in net income.

Restricted investment in bank stocks – Restricted investment in bank stocks consists of Federal Home Loan Bank of Pittsburgh (FHLB-Pittsburgh) stock, and Atlantic Community Bankers Bank stock, and are carried at cost and evaluated for impairment. Dividends received on these securities are included in Other Operating Income in the Consolidated Statement of Income.

Susquehanna Community Bank is a member of the Federal Home Loan Bank of Pittsburgh, which is one of 12 regional Federal Home Loan Banks. As a member, Susquehanna Community Bank is required to purchase and maintain stock in FHLB-Pittsburgh. There is no active market for FHLB-Pittsburgh stock, and it must ordinarily be redeemed by FHLB-Pittsburgh in order to be liquidated. The Bank's investment in FHLB-Pittsburgh stock was $4,307,400 at December 31, 2020 and $3,483,200 at December 31, 2019. The Corporation evaluated its holding of FHLB-Pittsburgh stock for impairment and deemed the stock to not be impaired at December 31, 2020 and 2019. Both cash and stock dividends are reported as income.

Loans

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are stated at their outstanding unpaid principal balances, net of an allowance for loan losses and any deferred fees or costs. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the yield (interest income) of the related loans. The Corporation is generally amortizing these amounts over the contractual life of the loan.

The loans receivable portfolio is segmented into agricultural, commercial, consumer, and state and political subdivision loans. Commercial loans consist of the following classes: commercial and industrial, acquisition, construction and development, commercial real estate, and commercial construction. Consumer loans consist of the following classes: residential mortgage loans, home equity loans and other consumer loans.

For all classes of loans receivable the accrual of interest is discontinued when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about further collectability of principal or interest, even though the loan is currently performing. A loan may remain on accrual status if it is in the process of collection and is either guaranteed or well secured. When a loan is placed on nonaccrual status, unpaid interest credited to income in the current year is reversed and unpaid interest accrued in prior years is charged against the allowance for loan losses. Interest received on nonaccrual loans including impaired loans generally is either applied against principal or reported as interest income, according to management's judgment as to the collectability of principal. Generally, loans are restored to accrual status when the obligation is brought current, has performed in accordance with the contractual terms for a reasonable period of time (generally six months) and the ultimate collectability of the total contractual principal and interest is no longer in doubt. The past due status of all classes of loans receivable is determined based on contractual due dates for loan payments.

Allowance for Loan Losses

The allowance for loan losses represents management's estimate of losses inherent in the loan portfolio as of the balance sheet date and is recorded as a reduction to loans. The allowance for loan losses is increased by the provision for loan losses, and decreased by charge-offs, net of recoveries. Loans deemed to be uncollectible are charged against the allowance for loan losses, and subsequent recoveries, if any, are credited to the allowance. All, or part, of the principal balance of loans receivable are charged off to the allowance as soon as it is determined that the repayment of all, or part, of the principal balance is highly unlikely. Non-residential consumer loans are generally charged off no later than 120 days past due on a contractual basis, earlier in the event of bankruptcy, or if there is an amount deemed uncollectible.

The allowance for loan losses is maintained at a level considered adequate to provide for losses that can be reasonably anticipated. Management performs a quarterly evaluation of the adequacy of the allowance. The allowance is based on the Corporation's past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, composition of the loan portfolio, current economic conditions and other relevant factors. This evaluation is inherently subjective as it requires material estimates that may be susceptible to significant revision as more information becomes available.

The allowance consists of specific, general and unallocated components. The specific component relates to loans that are classified as impaired or isolated. For loans that are classified as impaired, 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. Management has determined certain loans should be classified as isolated and evaluated as a separated component of the allowance. For loans that are classified as isolated, a thorough review of the portfolio has indicated underlying risk for a group of loans underwritten during a certain time period where previously weak practices existed by one particular lender (no longer employed by the Corporation). A large portion of the loans were either unsecured, asset based, or centered in the real estate development industry. These loans are considered isolated and are being specifically allocated based on the collectability of the loan based on information at a particular evaluation date. These loans make up one hundred percent of the acquisition, construction and development loans. The general component covers pools of loans by loan class including commercial loans not considered impaired or isolated, as well as smaller balance homogeneous loans, such as residential real estate, home equity and other consumer loans. These pools of loans are evaluated for loss exposure based upon historical loss rates for each of these categories of loans, adjusted for qualitative factors.

These qualitative risk factors include:

1. Delinquency trends.
2. Nature and volume of the portfolio, terms, and risk ratings trends of loans.
3. Experience, ability, and depth of lending management and staff.
4. A satisfactory loan policy in place to provide appropriate underwriting guidance.
5. Existence and effect of any concentration of credit and changes in the level of such concentrations.
6. The impact of the economy on consumers and businesses.
7. Loan review system changes.

8. Changes in collateral values.
9. Changes in external factors such as regulatory issues, competition, and the impact on the current level of the Corporation's current loan losses.

Each factor is assigned a value to reflect improving, stable or declining conditions based on management's best judgment using relevant information available at the time of the evaluation. Adjustments to the factors are supported through documentation of changes in conditions in a narrative accompanying the allowance for loan loss calculation.

The qualitative factors used in the general component calculations are designed to address credit risk characteristics associated with each segment. The Corporation's credit risk associated with all of the segments is significantly impacted by these factors, which include economic conditions within its market area; the Corporation's lending policies, changes or trends in the portfolio's volume, terms, concentrations, delinquencies, and risk profile; competition and regulatory requirements; management and loan review; collateral values, and other factors. Further, the consumer mortgage segment is significantly affected by the values of residential real estate that provide collateral for the loans. The majority of the Corporation's commercial segment loans (approximately 73% at December 31, 2020) are secured by real estate, and accordingly, the Corporation's risk for the commercial segment is significantly affected by commercial real estate values. The majority of the Corporation's agricultural segment loans (approximately 95% at December 31, 2020) are secured by farm real estate, and accordingly, the Corporation's risk for the agricultural segment is significantly affected by farm real estate values. The consumer segment includes a wide mix of loans for different purposes, primarily secured loans, including loans secured by motor vehicles, manufactured housing and other types of collateral.

An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

A loan is considered impaired when, based on current information and events, it is probable that the Corporation 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 for commercial and industrial loans, commercial real estate loans and commercial construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate or the fair value of the collateral if the loan is collateral dependent.

An allowance for loan losses is established for an impaired loan if its carrying value exceeds its estimated fair value. The estimated fair values of substantially all of the Corporation's impaired loans are measured based on the estimated fair value of the loan's collateral.

For commercial loans secured by real estate, estimated fair values are determined primarily through third-party appraisals. When a real estate secured loan becomes impaired, a decision is made regarding whether an updated certified appraisal of the real estate is necessary. This decision is based on various considerations, including the age of the most recent appraisal, the loan-to-value ratio based on the original appraisal and the condition of the property. Appraised values are discounted to arrive at the estimated selling price of the collateral, which is considered to be the estimated fair value. The discounts also include estimated costs to sell the property.

For commercial and industrial loans secured by non-real estate collateral, such as accounts receivable, inventory and equipment, estimated fair values are determined based on the borrower's financial statements, inventory reports, accounts receivable agings or equipment appraisals or invoices. Indications of value from these sources are generally discounted based on the age of the financial information or the quality of the assets.

Acquisition, construction, and development loans are either unsecured, asset based, or centered in the real estate development industry. The estimated fair values are determined based on the borrower's financial statements, inventory reports, or accounts receivable agings. Indications of value from these sources are generally discounted based on the age of the financial information or the quality of the assets.

Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Corporation does not separately identify all individual residential mortgage loans, home equity loans and other consumer loans for impairment disclosures, unless such loans are the subject of a troubled debt restructuring agreement.

Loans whose terms are modified are classified as troubled debt restructurings if the Corporation grants such borrowers concessions and it is deemed that those borrowers are experiencing financial difficulty. Concessions granted under a troubled debt restructuring generally involve a temporary reduction in interest rate or an extension of a loan's stated maturity date. Non-accrual troubled debt restructurings are restored to accrual status if principal and interest payments, under the modified terms, are current for six consecutive months after modification. Loans classified as troubled debt restructurings are designated as impaired.

The allowance calculation methodology includes further segregation of loan classes into risk rating categories. The borrower's overall financial condition, repayment sources, guarantors and value of collateral, if appropriate, are evaluated annually for commercial loans or when credit deficiencies arise, such as delinquent loan payments, for agricultural, state and political subdivision and consumer loans. Credit quality risk ratings include internal classifications of special mention, substandard, doubtful and loss. Loans criticized special mention have potential weaknesses that deserve management's close attention. If uncorrected, the potential weaknesses may result in deterioration of the repayment prospects. Loans classified substandard have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They include loans that are inadequately protected by the current sound net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans classified doubtful have all the weaknesses inherent in loans classified substandard with the added characteristic that collection or liquidation in full, on the basis of current conditions and facts, is highly improbable. Loans classified as a loss are considered uncollectible and are charged to the allowance for loan losses. Loans not classified or criticized are rated pass.

In addition, federal and state regulatory agencies, as an integral part of their examination process, periodically review the Corporation's allowance for loan losses and may require the Corporation to recognize additions to the allowance based on their judgments about information available to them at the time of their examination, which may not be currently available to management. Based on management's comprehensive analysis of the loan portfolio, management believes the current level of the allowance for loan losses is adequate.

Loan Servicing Rights Asset

Loan servicing rights assets are recognized as separate assets when servicing rights are acquired through purchase or through sale of financial assets. Loan servicing rights assets are reported in Other Assets in the consolidated balance sheets and are amortized into noninterest income in proportion to, and over the period of, the estimated future net servicing income of the underlying financial assets. Loan servicing rights 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. Fair value is determined using prices for similar assets with similar characteristics, when available, or based upon discounted cash flows using market-based assumptions. Impairment is recognized through a valuation allowance for an individual stratum, to the extent that fair value is less than the capitalized amount for the stratum.

Foreclosed Assets Held For Sale

Foreclosed assets held for sale are carried at the lower of the fair value minus estimated costs to sell or cost. Prior to foreclosure, the value of the underlying loan is written down to the fair market value of the property to be acquired by a charge to the allowance for loan losses, if necessary. Any subsequent write-downs are charged against operating expenses. Operating expenses of such properties, net of related income, and gains and losses on their disposition are included in Other Operating Expenses in the consolidated statement of income. The Corporation did not hold any foreclosed assets held for sale at December 31, 2020 or 2019.

Bank Premises and Equipment

Bank premises and equipment are carried at cost less accumulated depreciation computed on the straight line method over the estimated useful lives of the assets. Repair and maintenance expenditures which extend the useful life of an asset are capitalized, and other repair and maintenance expenditures are expensed as incurred.

When premises or equipment are retired or sold, the remaining cost and accumulated depreciation are removed from the accounts and any gain or loss is credited or charged to income.

The Corporation reviews long-lived assets, such as premises and equipment and intangibles, for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. These changes in circumstances may include a significant decrease in the market value of an asset or the manner in which an asset is used. If there is an indication the carrying value of an asset may not be recoverable, future undiscounted cash flows expected to result from use of the asset are estimated. If the sum of the expected cash flows is less than the carrying value of the asset, a loss is recognized for the difference between the carrying value and the fair market value of the asset.

Advertising Costs

Advertising costs are expensed as incurred and were approximately $150,000 and $82,000 in 2020 and 2019, respectively and are included in Other Operating Expenses in the consolidated statements of income.

Income Taxes

Deferred tax assets and liabilities are reflected at currently enacted income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

The Corporation has evaluated its material tax positions as of December 31, 2020 and 2019 in accordance with GAAP. Under the "more-likely-than-not" threshold guidelines, the Corporation believes no significant uncertain tax positions exist, either individually or in the aggregate, that would give rise to the non-recognition of an existing tax benefit. In periods subsequent to December 31, 2020, determinations of potentially adverse material tax positions will be evaluated to determine whether an uncertain tax position may have previously existed or has been originated. In the event an adverse tax position is determined to exist, penalty and interest will be accrued, in accordance with the Internal Revenue Service guidelines, and recorded as a component of Other Operating Expenses in the consolidated statement of income.

Earnings Per Share

Earnings per share ("EPS") is based on the weighted average number of shares of common stock outstanding. The number of shares used in the earnings per share computation for the years ended December 31, 2020 and 2019 was 2,904,711 and 2,942,013, respectively. The Corporation's basic and diluted EPS are the same since there are no potential dilutive shares of common stock outstanding.

Treasury shares are not deemed outstanding for earnings per share calculations.

Off-Balance Sheet Financial Instruments

In the ordinary course of business, the Corporation has entered into off-balance sheet financial instruments consisting of commitments to extend credit and financial standby letters of credit. Such financial instruments are recorded in the financial statements when, and if, the funds are disbursed.

Investments in Limited Partnerships

The Corporation invested as a limited partner in a partnership in December 2005 that provides office space in an area in Warren, Pennsylvania designated as an enterprise zone by the Commonwealth of Pennsylvania. The Corporation has 99% ownership in this partnership. This partnership provided a $250,000 Pennsylvania Shares Tax credit to the Corporation's 2005 and 2006 Pennsylvania Shares Tax. The carrying value of the Corporation's investment in this partnership was $724,000 and $776,000 at December 31, 2020 and 2019, respectively, and is included in Other Assets in the consolidated balance sheets. The Corporation accounts for this investment using the equity method, adjusting the Corporation's basis in the partnership by the Corporation's pro-rata portion of income or loss each year. The Corporation recognized losses of approximately $52,000 for 2020 and $1,000 for 2019. The Corporation's maximum exposure to loss is limited to the carrying value of its investment at year-end. As of December 31, 2020 and 2019, the partnership had total assets of approximately $932,000 and $935,000, respectively, and total liabilities of approximately $108,000 and $117,000, respectively.

The Corporation also invested as a limited partner in a partnership in December 2006 that provides office space in an area in Warren, Pennsylvania designated as an enterprise zone by the Commonwealth of Pennsylvania. The Corporation has 99% ownership in this partnership. This partnership provided a $250,000 Pennsylvania Shares Tax credit to the Corporation's 2006 and 2007 Pennsylvania Shares Tax. The carrying value of the Corporation's investment in this partnership was $1,153,000 and $1,228,000 at December 31, 2020 and 2019, respectively and is included in Other Assets in the consolidated balance sheets. The Corporation accounts for this investment using the equity method, adjusting the Corporation's basis in the partnership by the Corporation's pro-rata portion of income or loss each year. The Corporation recognized losses from the partnership of approximately $75,000 and $62,000 for 2020 and 2019, respectively. The Corporation's maximum exposure to loss is limited to the carrying value of its investment at year-end. As of December 31, 2020 and 2019, the partnership had total assets of approximately $1,429,000 and $1,429,000, respectively, and had total liabilities of approximately $216,000 and $170,000, respectively. These investments in limited partnerships are not consolidated into the financial statements of the Corporation because the general partner has control.

Statement of Cash Flows

The Corporation utilizes the net reporting of cash receipts and cash payments for deposit and lending activities. The Corporation considers amounts due from banks and federal funds sold as cash equivalents.

Reclassification

Certain reclassifications have been made to the 2019 financial statements to conform to the 2020 presentation.

Recent Accounting Standards

Recent Accounting Pronouncements - Adopted

On January 1, 2020, the Corporation adopted ASU 2018-13, "Fair Value Measurement." ASU 2018-13 modifies disclosure requirements on fair value measurements. This ASU removes requirements to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, the policy for timing of transfers between levels and the valuation processes for Level 3 fair value measurements. ASU 2018-13 clarifies that disclosure regarding measurement uncertainty is intended to communicate information about the uncertainty in measurement as of the reporting date. ASU 2018-13 adds certain disclosure requirements, including disclosure of changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the reporting period and the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. The amendments in this ASU are effective for the Corporation beginning January 1, 2020. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements and the narrative description of measurement uncertainty should be applied prospectively, while all other amendments should be applied retrospectively for all periods presented. Adoption of this ASU did not have a material impact on the Corporation's consolidated financial position or results of operations.

Recently Issued But Not Yet Effective Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, "Measurement of Credit Losses on Financial Instruments." ASU 2016-13 replaces the current loss impairment methodology under GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to form credit loss estimates in an effort to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit. Specifically, the amendments in this ASU will require a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The amendments in this update affect entities holding financial assets and net investment in leases that are not accounted for at fair value through net income, including such financial assets as loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. In November 2019, the FASB approved a delay of the required implementation date of ASU 2016-13 resulting in a required implementation date for the Corporation of January 1, 2023. The Corporation is currently assessing the effect that ASU 2016-13 will have on its results of operations, financial position, and cash flows.

In March 2020, the FASB issued ASU 2020-04, "Reference Rate Reform." ASU 2020-04 provides temporary optional guidance to ease the potential burden in accounting for reference rate reform. The amendments in Update 2020-04 are elective and apply to all entities that have contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued. The guidance includes a general principle that permits an entity to consider contract modifications due to reference rate reform to be an event that does not require contract remeasurement at the modification date or reassessment of a previous accounting determination. Some specific optional expedients are as follows:

- Simplifies accounting for contract modifications, including modifications to loans receivable and debt, by prospectively adjusting the effective interest rate.

- Simplifies the assessment of hedge effectiveness and allows hedging relationships affected by reference rate reform to continue.

The amendments in ASU 2020-04 are effective as of March 12, 2020 through December 31, 2022. The Corporation expects to apply the amendments prospectively for applicable loan and other contracts within the effective period of ASU 2020-04. Adoption of this ASU will not have a material impact on the Corporation's consolidated financial position or results of operations.

Subsequent Events

The Corporation has evaluated and disclosed all material subsequent events that provide additional evidence about conditions that existed as of December 31, 2020. The Corporation evaluated these subsequent events through May 5, 2021 the date on which the financial statements contained herein were available to be issued.

2. RESTRICTIONS ON CASH AND DUE FROM BANK ACCOUNTS

Banks are required to maintain reserves, in the form of cash and balances with the Federal Reserve Bank, against their deposit liabilities. The average amount of such reserves during 2020 and 2019 was approximately $47,000 and $173,000, respectively. Deposits with one financial institution are insured up to $250,000. The Corporation maintains cash and cash equivalents with certain financial institutions in excess of the insured amount.

3. SECURITIES

The amortized cost and fair value of available-for-sale debt securities at December 31, 2020 and 2019 are as follows (in thousands):

DECEMBER 31, 2020	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
Obligations of U.S. Government agencies	$ 12,749	$ 7	$ (83)	$ 12,673
Mortgage-backed securities	54,945	1,680	(23)	56,602
Obligations of state and political subdivisions	98,146	6,049	(17)	104,178
Corporate debt securities	9,726	156	(23)	9,859
Total Available-For-Sale Debt Securities	**$ 175,566**	**$ 7,892**	**$ (146)**	**$ 183,312**
DECEMBER 31, 2019				
Mortgage-backed securities	$ 56,531	$ 726	$ (87)	$ 57,170
Obligations of state and political subdivisions	100,867	3,854	(7)	104,714
Corporate debt securities	9,110	108	(75)	9,143
Total Available-For-Sale Debt Securities	**$ 166,508**	**$ 4,688**	**$ (169)**	**$ 171,027**

At December 31, 2020 and 2019, investment securities with a carrying value of $92,163,000 and $67,568,000, respectively, were pledged to secure certain deposits and for other purposes as required by law.

The amortized cost and fair value of available-for-sale debt securities by contractual maturity are shown below (in thousands). Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Because mortgage-backed securities are not due at a single maturity date, they are not included in the maturity categories in the following maturity summary.

December 31, 2020	AMORTIZED COST	FAIR VALUE
Due in one year or less	$ 927	$ 934
Due after one year through five years	5,834	5,971
Due after five years through ten years	13,869	13,946
Due after ten years	99,991	105,859
	120,621	126,710
Mortgage-backed securities	54,945	56,602
TOTAL	**$ 175,566**	**$ 183,312**

3. SECURITIES (Continued)

There is no concentration of investments that exceed 10 percent of shareholders' equity of any individual issuer, excluding those guaranteed by the U.S. government or its agencies.

Gross realized gains and gross realized losses on sales of available-for-sale debt securities for the years ended December 31, 2020 and 2019, were as follows (in thousands):

	2020	2019
Gross realized gains	$ 366	$ 308
Gross realized losses	-	20

A summary of realized and unrealized gains and (losses) on equity securities for the years ended December 31, 2020 and 2019, were as follows (in thousands):

	2020	2019
Unrealized (losses) and gains recognized during the reporting period on equity securities still held at the reporting date	$ (25)	$ 12
Net realized gains and (losses) recognized during the period on equity securities sold during the period	7	-
Unrealized (losses) and gains recognized during the reporting period on equity securities still held at the reporting date	$ (18)	$ 12

The following tables present gross unrealized losses and fair value of available-for-sale debt securities with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2020 and 2019 (in thousands):

	Less than 12 months		12 months or more		Total	
December 31, 2020	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
Obligations of U.S. Government agencies	$ 8,666	$ 83	$ -	$ -	$ 8,666	$ 83
Mortgage-backed securities	5,596	23	-	-	5,596	23
Obligations of state & political subdivisions	2,619	17	-	-	2,619	17
Corporate debt securities	400	1	978	22	1,378	23
Total Temporarily Impaired Securities	**$ 17,281**	**$ 124**	**$ 978**	**$ 22**	**$ 18,259**	**$ 146**

	Less than 12 months		12 months or more		Total	
December 31, 2019	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
Mortgage-backed securities	$ 6,508	$ 12	$ 7,978	$ 75	$ 14,486	$ 87
Obligations of state and political subdivisions	739	1	1,245	6	1,984	7
Corporate debt securities	977	35	2,477	40	3,454	75
Total Temporarily Impaired Securities	**$ 8,224**	**$ 48**	**$ 11,700**	**$ 121**	**$ 19,924**	**$ 169**

Obligations of U.S. Government Agencies

Obligations of U.S. government agencies consist of medium and long-term notes issued by Federal Home Loan Mortgage Corporation (FHLMC), Federal National Mortgage Association (FNMA), and Federal Home Loan Bank (FHLB). These securities have interest rates that are largely fixed-rate, have varying mid- to long-term maturity dates and have contractual cash flows guaranteed by the U.S. Government or agencies of the U.S. Government.

At December 31, 2020, five U.S. government agency and sponsored agency securities had unrealized losses, and none of the securities had been in a continuous loss position for twelve months or more. These unrealized losses relate principally to changes in interest rates subsequent to the acquisition of the specific securities.

Mortgage-Backed Securities

Mortgage-backed securities consist of medium and long-term pools of securitized residential mortgages issued by FHLMC, FNMA, and Government National Mortgage Association (GNMA). These securities have interest rates that are largely fixed-rate, have varying mid- to long-term maturity dates and have contractual cash flows guaranteed by the U.S. Government or agencies of the U.S. Government.

At December 31, 2020, four mortgage-backed securities had unrealized losses, and none of the securities had been in a continuous loss position for twelve months or more. These unrealized losses relate principally to changes in interest rates subsequent to the acquisition of the specific securities.

Obligations of State and Political Subdivisions

The municipal securities are bank qualified general obligation or revenue-based bonds; rated as investment grade by various credit rating agencies and have fixed rates of interest with mid- to long-term maturities. Fair values of these securities are highly driven by interest rates. Management performs ongoing credit quality reviews on these issues.

At December 31, 2020, five state and political subdivision securities had unrealized losses, and none of the securities had been in a continuous loss position for twelve months or more. These unrealized losses relate principally to changes in interest rates subsequent to the acquisition of the specific securities..

Corporate Debt Securities

Corporate debt securities consist of debt securities issued by U.S. corporations. These securities have interest rates that are largely fixed-rate and have short- and medium-term maturity dates. The majority of the corporate issuers are rated investment grade by crediting rating agencies and those issuers that are rated below investment grade have received some type of government support to bolster their creditworthiness. Management performs ongoing credit quality reviews on these issues.

At December 31, 2020, three corporate debt securities had unrealized losses, and two of the securities had been in a continuous loss position for twelve months or more. These unrealized losses relate principally to changes in interest rates subsequent to the acquisition of the specific securities.

The Corporation recognized no other-than-temporary impairment losses during 2020 and 2019.

4. LOANS AND ALLOWANCE FOR LOAN LOSSES

The composition of the Corporation's loan portfolio at December 31, 2020 and 2019 is as follows (in thousands):

	2020	2019
Commercial real estate	$ 67,192	$ 66,225
Commercial real estate - construction	19,901	15,075
Commercial and industrial	32,062	21,582
Acquisition, construction & development	215	464
Agricultural	42,981	32,956
Residential mortgage	51,068	50,004
Home equity	40,752	42,358
Consumer - other	13,370	16,525
Obligation of state & political subdivisions	14,561	9,336
	282,102	254,525
Less: Allowance for loan losses	2,899	2,758
Loans, Net	**$ 279,203**	**$ 251,767**

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

	2020	2019
Balance, beginning of year	$ 2,758	$ 2,929
Provision (Credit) for loan losses	475	(130)
Loans charged-off	(347)	(48)
Recoveries	13	7
Balance, end of year	**$ 2,899**	**$ 2,758**

The following tables summarize the activity in the allowance for loan losses by loan class for the years ended December 31, 2020 and 2019 and information in regards to the allowance for loan losses and the recorded investment in loans receivable by loan class as of December 31, 2020 and 2019 (in thousands):

DECEMBER 31, 2020 Allowance for Loan Losses	BEGINNING BALANCE	CHARGE-OFFS	RECOVERIES	PROVISION (CREDIT)	ENDING BALANCE	ENDING BALANCE: INDIVIDUALLY EVALUATED FOR IMPAIRMENT	ENDING BALANCE: COLLECTIVELY EVALUATED FOR IMPAIRMENT
Commercial real estate	$ 798	$ -	$ -	$ 125	$ 923	$ -	$ 923
Commercial real estate - construction	-	-	-	-	-	-	-
Commercial and industrial	280	(266)	-	323	337	45	292
Acquisition, construction & development	464	-	-	(249)	215	215	-
Agricultural	249	-	-	139	388	-	388
Residential mortgage	314	-	-	95	409	-	409
Home equity	432	-	-	(68)	364	-	364
Consumer - other	160	(81)	13	90	182	24	158
Obligations of state & political subdivisions	61	-	-	20	81	-	81
Unallocated	-	-	-	-	-	-	-
Totals	**$ 2,758**	**$ (347)**	**$ 13**	**$ 475**	**$ 2,899**	**$ 284**	**$ 2,615**

DECEMBER 31, 2020	ENDING BALANCE	ENDING BALANCE: INDIVIDUALLY EVALUATED FOR IMPAIRMENT	ENDING BALANCE: COLLECTIVELY EVALUATED FOR IMPAIRMENT
Commercial real estate	$ 67,192	$ -	$ 67,192
Commercial real estate - construction	19,901	-	19,901
Commercial and industrial	32,062	71	31,991
Acquisition, construction & development	215	215	-
Agricultural	42,981	22	42,959
Residential mortgage	51,068	74	50,994
Home equity	40,752	153	40,599
Consumer - other	13,370	119	13,251
Obligations of state & political subdivisions	14,561	-	14,561
Totals	**$ 282,102**	**$ 654**	**$ 281,448**

4. LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

DECEMBER 31, 2019 Allowance for Loan Losses	BEGINNING BALANCE	CHARGE-OFFS	RECOVERIES	PROVISION (Credit)	ENDING BALANCE	ENDING BALANCE: INDIVIDUALLY EVALUATED FOR IMPAIRMENT	ENDING BALANCE: COLLECTIVELY EVALUATED FOR IMPAIRMENT
Commercial real estate	$ 913	$ -	$ -	$ (115)	$ 798	$ -	$ 798
Commercial real estate - construction	62	-	-	(62)	-	-	-
Commercial and industrial	213	-	-	67	280	51	229
Acquisition, construction & development	464	-	-	-	464	464	-
Agricultural	214	-	-	35	249	-	249
Residential mortgage	333	-	-	(19)	314	3	311
Home equity	305	-	1	126	432	114	318
Consumer - other	173	(48)	6	29	160	2	158
Obligations of state & political subdivisions	77	-	-	(16)	61	-	61
Unallocated	175	-	-	(175)	-	-	-
Totals	**$ 2,929**	**$ (48)**	**$ 7**	**$ (130)**	**$ 2,758**	**$ 634**	**$ 2,124**

DECEMBER 31, 2019	ENDING BALANCE	ENDING BALANCE: INDIVIDUALLY EVALUATED FOR IMPAIRMENT	ENDING BALANCE: COLLECTIVELY EVALUATED FOR IMPAIRMENT
Commercial real estate	$ 66,225	$ 48	$ 66,177
Commercial real estate - construction	15,075	-	15,075
Commercial and industrial	21,582	218	21,364
Acquisition, construction & development	464	464	-
Agricultural	32,956	39	32,917
Residential mortgage	50,004	116	49,888
Home equity	42,358	119	42,239
Consumer - other	16,525	142	16,383
Obligations of state & political subdivisions	9,336	-	9,336
Totals	**$ 254,525**	**$ 1,146**	**$ 253,379**

The following table presents the classes of the loan portfolio summarized by the aggregate pass rating and the classified ratings of special mention and substandard within the Corporation's internal risk rating system as of December 31, 2020 and 2019 (in thousands):

DECEMBER 31, 2020	PASS	SPECIAL MENTION	SUBSTANDARD	TOTAL
Commercial real estate	$ 62,905	$ -	$ 4,287	$ 67,192
Commercial real estate - construction	19,901	-	-	19,901
Commercial and industrial	27,295	1,745	3,022	32,062
Acquisition, construction & development	-	-	215	215
Agricultural	42,062	-	919	42,981
Residential mortgage	50,991	-	77	51,068
Home equity	40,603	-	149	40,752
Consumer - other	13,023	-	347	13,370
Obligations of state & political subdivisions	14,561	-	-	14,561
Total	**$ 271,341**	**$ 1,745**	**$ 9,016**	**$ 282,102**

DECEMBER 31, 2019	PASS	SPECIAL MENTION	SUBSTANDARD	TOTAL
Commercial real estate	$ 60,455	$ 1,213	$ 4,557	$ 66,225
Commercial real estate - construction	15,075	-	-	15,075
Commercial and industrial	18,124	-	3,458	21,582
Acquisition, construction & development	-	-	464	464
Agricultural	32,017	900	39	32,956
Residential mortgage	49,888	21	95	50,004
Home equity	42,124	-	234	42,358
Consumer - other	16,318	-	207	16,525
Obligations of state & political subdivisions	9,336	-	-	9,336
Total	**$ 243,337**	**$ 2,134**	**$ 9,054**	**$ 254,525**

No loans were classified as doubtful or loss as of December 31, 2020 and 2019.

4. LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

A loan is considered impaired when based on current information and events, it is probable that the Corporation will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan.

The following table summarizes information in regards to impaired loans by loan portfolio class as of December 31, 2020 and 2019 (in thousands):

DECEMBER 31, 2020	RECORDED INVESTMENT	UNPAID PRINCIPAL BALANCE	RELATED ALLOWANCE	AVERAGE RECORDED INVESTMENT	INTEREST INCOME RECOGNIZED
With No Related Allowance Recorded:					
Agricultural	$ 22	$ 22	$ -	$ 23	$ -
Residential mortgage	74	74	-	85	-
Home equity	152	152	-	155	-
Consumer - other	75	75	-	88	1
With An Allowance Recorded:					
Commercial and industrial	$ 72	$ 72	$ 57	$ 82	$ 1
Acquisition, construction & development	215	215	215	215	9
Consumer - other	45	45	20	46	2
Total:					
Commercial and industrial	$ 72	$ 72	$ 57	$ 82	$ 1
Acquisition, construction & development	215	215	215	215	9
Agricultural	22	22	-	23	-
Residential mortgage	74	74	-	85	-
Home equity	152	152	-	155	-
Consumer - other	120	120	20	134	3

DECEMBER 31, 2019	RECORDED INVESTMENT	UNPAID PRINCIPAL BALANCE	RELATED ALLOWANCE	AVERAGE RECORDED INVESTMENT	INTEREST INCOME RECOGNIZED
With No Related Allowance Recorded:					
Commercial real estate	$ 48	$ 48	$ -	$ 50	$ 2
Commercial and Industrial	27	27	-	35	-
Agricultural	39	39	-	45	2
Residential mortgage	57	57	-	61	-
Home equity	22	22	-	25	-
Consumer - other	132	132	-	141	3
With An Allowance Recorded:					
Commercial and Industrial	$ 191	$ 191	$ 51	$ 198	$ 3
Acquisition, construction & development	464	464	464	464	27
Residential Mortgage	59	59	3	63	-
Home equity	97	97	114	98	1
Consumer - other	10	10	2	12	-
Total:					
Commercial real estate	$ 48	$ 48	$ -	$ 50	$ 2
Commercial and Industrial	218	218	51	233	3
Acquisition, construction & development	464	464	464	464	27
Agricultural	39	39	-	45	2
Residential mortgage	116	116	3	124	-
Home equity	119	119	114	123	1
Consumer - other	142	142	2	153	3

The following table presents nonaccrual loans by classes of the loan portfolio as of December 31, 2020 and 2019 (in thousands):

	2020	2019
Commercial real estate	$ -	$ 48
Commercial and industrial	72	218
Agricultural	22	39
Residential mortgage	74	116
Home equity	152	119
Consumer - other	119	142
Total	**$ 439**	**$ 682**

The performance and credit quality of the loan portfolio is also monitored by analyzing the age of the loans receivable as determined by the length of time a recorded payment is past due. The following tables present the classes of the loan portfolio summarized by the past due status as of December 31, 2020 and 2019 (in thousands):

DECEMBER 31, 2020	30-59 DAYS PAST DUE	60-89 DAYS PAST DUE	GREATER THAN 90 DAYS	TOTAL PAST DUE	CURRENT	TOTAL LOANS RECEIVABLES	LOANS RECEIVABLE > 90 DAYS & ACCRUING
Commercial real estate	$ 340	$ 928	$ -	$ 1,268	$ 65,924	$ 67,192	$ -
Commercial real estate - construction	210	-	-	210	19,691	19,901	-
Commercial and industrial	81	2	32	115	31,947	32,062	-
Acquisition, construction & development	215	-	-	215	-	215	-
Agricultural	24	-	-	24	42,957	42,981	-
Residential mortgage	116	-	23	139	50,929	51,068	-
Home equity	101	127	109	337	40,415	40,752	-
Consumer - other	157	81	49	287	13,083	13,370	-
Obligations of state & political subdivisions	-	-	-	-	14,561	14,561	-
Totals	**$ 1,244**	**$ 1,138**	**$ 213**	**$ 2,595**	**$ 279,507**	**$ 282,102**	**$ -**

DECEMBER 31, 2019	30-59 DAYS PAST DUE	60-89 DAYS PAST DUE	GREATER THAN 90 DAYS	TOTAL PAST DUE	CURRENT	TOTAL LOANS RECEIVABLES	LOANS RECEIVABLE > 90 DAYS & ACCRUING
Commercial real estate	$ -	$ 48	$ 1,022	$ 1,070	$ 65,155	$ 66,225	$ 1,022
Commercial real estate - construction	-	-	-	-	15,075	15,075	-
Commercial and industrial	86	19	646	751	20,831	21,582	488
Acquisition, construction & development	464	-	-	464	-	464	-
Agricultural	375	-	-	375	32,581	32,956	-
Residential mortgage	252	59	36	347	49,657	50,004	-
Home equity	509	43	97	649	41,709	42,358	-
Consumer - other	318	108	47	473	16,052	16,525	-
Obligations of state & political subdivisions	-	-	-	-	9,336	9,336	-
Totals	**$ 2,004**	**$ 277**	**$ 1,848**	**$ 4,129**	**$ 250,396**	**$ 254,525**	**$ 1,510**

4. LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

Troubled Debt Restructurings

Loans whose terms are modified are classified as Troubled Debt Restructurings (TDRs) if the Corporation grants such borrowers concessions and it is deemed that those borrowers are experiencing financial difficulty. Loans classified as TDRs are designated as impaired. As of December 31, 2020 and 2019, there were no modifications classified as troubled debt restructurings.

Foreclosed Assets Held For Sale

At December 31, 2020 and 2019, there were no consumer mortgage loans collateralized by residential real estate property that were in the process of foreclosure.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was signed into law. The CARES Act is a $2 trillion stimulus package designed to provide relief to U.S. businesses and consumers struggling as a result of the pandemic. A provision in the CARES Act includes creation of the Paycheck Protection Program ("PPP") through the Small Business Administration ("SBA") and Treasury Department. Under the PPP, the Corporation, as an SBA-certified lender, provides SBA-guaranteed loans to small businesses to pay their employees, rent, mortgage interest, and utilities. PPP loans will be forgiven subject to clients' providing documentation evidencing their compliant use of funds and otherwise complying with the terms of the program.

The maximum term of PPP loans is five years, though most of the Corporation's PPP loans have two-year terms, and the Corporation will be repaid sooner to the extent the loans are forgiven. The interest rate on PPP loans is 1%, and the Corporation has received fees from the SBA ranging between 1% and 5% per loan, depending on the size of the loan. Fees on PPP loans are recognized in interest income as a yield adjustment over the term of the loans.

The Corporation began accepting and processing applications for loans under the PPP on April 16, 2020 and processed 215 loans for a total of $22,860,000. As of December 31, 2020, the SBA forgave and paid back $11,646,000 of loans leaving $11,214,000 of PPP loans outstanding. Fees earned on loans forgiven were $611,000 with $232,000 to be earned on outstanding PPP loans as of December 31, 2020.

On April 7, 2020, the federal banking supervisory agencies issued a Revised Interagency Statement on Loan Modifications by Financial Institutions Working with Customers Affected by the Coronavirus ("Interagency Statement"). The interagency statement offers some practical expedients for evaluating whether loan modifications that occur in response to the COVID-19 pandemic are troubled debt restructures (TDRs). A lender can conclude that a borrower is not experiencing financial difficulty if either (1) short-term (i.e. six months) modifications are made in response to COVID-19, such as payment deferrals, fee waivers, extensions of repayment terms, or other delays in payment that are insignificant related to loans in which the borrower is less than 30 days past due on its contractual payments at the time a modification program is implemented, or (2) the modification or deferral program is mandated by the federal government or a state government (e.g., a state program that requires all institutions within that state to suspend mortgage payments for a specified period). Accordingly, any loan modification made in response to the COVID-19 pandemic that meets either of these practical expedients would not be considered a TDR because the borrower is not experiencing financial difficulty.

The CARES Act permits financial institutions to exclude loan modifications to borrowers affected by the COVID-19 pandemic from troubled debt restructuring (TDR) treatment if (1) the borrower was not more than 30 days past due as of December 31, 2019, and (2) the loan modification is made between March 1, 2020 and the earlier of December 31, 2020 or 60 days after the end of the coronavirus emergency declaration. A loan modification accounted for in accordance with the CARES Act is not treated as a TDR for accounting or disclosure purposes.

During the twelve-month period ending on December 31, 2020, the Bank approved interest and/or principal payment deferrals on 118 loans totaling $43,954,000 for individuals and businesses affected by the economic impacts of COVID-19. As of December 31, 2020, 114 of these loans on payment deferral totaling $41,650,000 returned to normal debt service. The remaining 4 payment deferral loans, totaling $2,304,000, consisted primarily of one commercial loan and three residential real estate loans within their second or third deferral period as of December 31, 2020. None of the borrowers approved for these designated deferrals were delinquent as of March 1, 2020, the date on which the Corporation's COVID-19 Modification Program went into effect, and the loan modifications are not considered to be troubled-debt restructures under Section 4013.

The ultimate effect of COVID-19 on the local or broader economy is not known. During 2020, the Corporation increased the allowance for loan losses $405,000 based on an increase in qualitative factors related to potential deterioration in economic conditions. Because of the significant uncertainties related to the ultimate duration of the COVID-19 pandemic and its economic impact, the total impact on the Corporation's loan portfolio is not determinable.

5. BANK PREMISES AND EQUIPMENT

Bank premises and equipment as of December 31, 2020 and 2019 are summarized as follows (in thousands):

	2020	2019
Land	$ 2,879	$ 2,879
Bank premises	8,769	8,473
Furniture and equipment	7,839	7,446
Total	**$ 19,487**	**$ 18,798**
Less accumulated depreciation	8,967	8,137
Bank Premises and Equipment, Net	$ 10,520	$ 10,661

6. DEPOSITS

Time deposits that meet or exceed the FDIC insurance limit of $250,000 at December 31, 2020 and 2019 were $13,208,000 and $10,702,000, respectively.

At December 31, 2020, the scheduled maturities of time deposits are as follows (in thousands):

2021	$ 50,020
2022	12,117
2023	4,958
2024	5,679
2025	5,600
Total	**$ 78,374**

7. OTHER BORROWINGS

Other borrowings are summarized as follows (in thousands):

	2020	2019
Federal Home Loan Bank of Pittsburgh (“FHLB”):		
Fixed-rate advances (1)	$ 12,250	$ 2,875
Line-of-credit (2)	-	30,750
Atlantic Community Bankers Bank (“ACBB”):		
Line-of-credit (3)	-	-
Total	**$ 12,250**	**$ 33,625**

The borrowings with the FHLB are secured by the Corporation’s FHLB stock, U.S. government agency and mortgage-backed securities, and first mortgage loans under a collateral pledge and security agreement. The borrowings with the ACBB are secured by Susquehanna Community Bank stock.

(1) FHLB fixed-rate advances with stated maturities at December 31, 2020 and 2019 are as follows (in thousands):

	2020	2019
Fixed-rate at 1.30%, maturing 2020	$ -	$ 1,000
Fixed-rate at 1.64%, maturing 2020	-	625
Fixed-rate at 1.90%, maturing 2021	625	625
Fixed-rate at 2.10%, maturing 2022	625	625
Fixed-rate at 1.72%, maturing 2023	5,000	-
Fixed-rate at 1.59%, maturing 2023	2,000	-
Fixed-rate at 1.60%, maturing 2025	2,000	-
Fixed-rate at 1.66%, maturing 2027	2,000	-
Total	**$ 12,250**	**$ 2,875**

(2) The Corporation has an open-ended $61,691,700 line-of-credit at a variable interest rate (0.41% at December 31, 2020).

(3) The Corporation has an open-ended $2,000,000 line-of-credit at a variable interest rate (4% at December 31, 2020).

8. INCOME TAXES

The following temporary differences gave rise to the net deferred tax (liability) at December 31, 2020 and 2019 (in thousands):

	2020	2019
Deferred tax assets:		
Allowance for loan losses	$ 551	$ 521
Supplemental employee retirement plan	180	150
Low income housing investments	-	11
Nonaccrual interest income	13	12
Loan fees and costs	72	1
Total	**$ 816**	**$ 695**
Deferred Tax liabilities:		
Depreciation	$ 554	$ 593
Loan servicing rights	148	94
Bond accretion	1	1
Prepaid expenses	20	25
Low income housing investments	27	-
Unrealized holding gains on securities	1,623	951
Total	$ 2,373	$ 1,664
Deferred Tax (liability) Net	**$ (1,557)**	**$ (969)**

The deferred tax (liability), net, is included in Other Liabilities in the accompanying consolidated balance sheets at December 31, 2020 and 2019.

The provision for income taxes consists as follows, for the years ended December 31, 2020 and 2019 (in thousands):

	2020	2019
Currently payable	$ 720	$ 327
Deferred income tax (credit) provision	(84)	84
Provision for Income Taxes	**$ 636**	**$ 411**

A reconciliation of income tax at the federal statutory rate (21% for 2020 and 2019) to the Corporation's actual provision for income taxes is as follows, listed according to years ended December 31 (in thousands):

	2020	2019
Provision at the expected statutory rate	$ 1,261	$ 1,150
Effect of tax-exempt income	(613)	(640)
Nondeductible interest	23	46
Increase in cash value of life insurance	(43)	(43)
Other, net	8	(102)
Provision for Income Taxes	**$ 636**	**$ 411**

9. COMMON STOCK

The Corporation offers a dividend reinvestment plan to eligible shareholders. During 2020 and 2019, 16,152 and 14,032 shares, respectively, of the Corporation's common stock were acquired in the open market for approximately $302,000 and $272,000 respectively, and were reissued under this plan. These amounts are included in "Dividends Declared" in the consolidated statement of changes in shareholders' equity for 2020 and 2019, respectively.

The board of directors has approved the repurchase of outstanding Corporation common stock during 2021 in an aggregate amount not to exceed $1,250,000.

10. RETIREMENT PLANS

The Corporation has a defined contribution profit-sharing plan covering substantially all of its employees. The Corporation's contributions to the plan include an annual contribution based on employees' salaries and a matching contribution based on employee salary deferrals. The cost of the defined contribution plan for 2020 and 2019 was approximately $226,000 and $213,000, respectively, and is included in salaries and employee benefits in the consolidated statements of income.

The Corporation is the beneficiary of insurance policies on the lives of current and former directors and executive officers. The aggregate cash surrender values of these policies were approximately $9,438,000 and $9,232,000 at December 31, 2020 and 2019, respectively. These policies can be liquidated, if necessary, with tax costs associated. However, the Corporation intends to hold these policies and, accordingly, the Corporation has not provided for deferred income taxes on the earnings from the increase in cash surrender value.

The Corporation has an unfunded, non-qualified supplemental executive retirement plan (SERP) for certain key executives. The SERP is designed to provide certain executives, upon attaining age 65, with projected annual distributions. The liability of the SERP at December 31, 2020 and 2019 was $857,000 and $715,000, respectively, and is included in Other Liabilities in the consolidated balance sheets. The related expense was $142,000 and $130,000 for 2020 and 2019, respectively, and is included in salaries and employee benefits in the consolidated statements of income. The Corporation offsets the cost of this plan through the purchase of bank-owned life insurance as noted above.

11. RELATED PARTY TRANSACTIONS

Certain directors and executive officers of the Corporation, including their immediate families and companies in which they are principal owners (more than 10%), are indebted to the Corporation.

Total loans to these customers are summarized as follows (in thousands):

	2020	2019
Balance, beginning of year	$ 5,083	$ 5,089
New loans	13	234
Repayments	(508)	(240)
Balance, End of Year	**$ 4,588**	**$ 5,083**

Deposits and other funds from related parties held by the Corporation at December 31, 2020 and 2019 were approximately $1,200,000 and $2,284,000, respectively.

12. REGULATORY MATTERS

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of its assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classification are also subject to qualitative judgments by the regulators. Failure to meet capital requirements can initiate regulatory action.

The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital. Management believes as of December 31, 2020, the Bank met all capital adequacy requirements to which they are subject.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At year end 2020 and 2019, the most recent regulatory notifications categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the institution's category.

In 2019, the federal banking agencies jointly issued a final rule that provides for an optional, simplified measure of capital adequacy, the community bank leverage ratio framework (CBLR framework), for qualifying community banking organizations, consistent with Section 201 of the Economic Growth, Regulatory Relief, and Consumer Protection Act. The final rule became effective on January 1, 2020 and was elected by the Bank as of December 31, 2020. In April 2020, the federal banking agencies issued an interim final rule that makes temporary changes to the CBLR framework, pursuant to section 4012 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, and a second interim final rule that provides a graduated increase in the community bank leverage ratio requirement after the expiration of the temporary changes implemented pursuant to section 4012 of the CARES Act.

The community bank leverage ratio removes the requirement for qualifying banking organizations to calculate and report risk-based capital but rather only requires a Tier 1 to average assets (leverage) ratio. Qualifying banking organizations that elect to use the community bank leverage ratio framework and that maintain a leverage ratio of greater than the required minimums will be considered to have satisfied the generally applicable risk based and leverage capital requirements in the agencies' capital rules (generally applicable rule) and, if applicable, will be considered to have met the well capitalized ratio requirements for purposes of section 38 of the Federal Deposit Insurance Act. Under the interim final rules the community bank leverage ratio minimum requirement is 8% as of December 31, 2020, 8.5% for calendar year 2021, and 9% for calendar year 2022 and beyond. The interim rule allows for a two-quarter grace period to correct a ratio that falls below the required amount, provided that the bank maintains a leverage ratio of 7% as of December 31, 2020, 7.5% for calendar year 2021, and 8% for calendar year 2022 and beyond.

Under the final rule, an eligible banking organization can opt out of the CBLR framework and revert back to the risk-weighting framework without restriction. As of December 31, 2020, the Bank was a qualifying community banking organization as defined by the federal banking agencies and elected to measure capital adequacy under the CBLR framework.

12. REGULATORY MATTERS (Continued)

The Bank's actual capital amounts and ratios are as follows at December 31, 2020 and 2019 (dollar amounts in thousands):

	ACTUAL		FOR CAPITAL ADEQUACY PURPOSES		TO BE WELL CAPITALIZED UNDER PROMPT CORRECTIVE ACTION PROVISIONS		MINIMUM REQUIRED FOR CAPITAL ADEQUACY PURPOSES WITH CONSERVATION BUFFER
As of December 31, 2020	AMOUNT	RATIO	AMOUNT	RATIO	AMOUNT	RATIO	
Tier I Capital (to Average Assets)	$46,431	10%	-	-	≥$24,042	≥5%	-

	ACTUAL		FOR CAPITAL ADEQUACY PURPOSES		TO BE WELL CAPITALIZED UNDER PROMPT CORRECTIVE ACTION PROVISIONS		MINIMUM REQUIRED FOR CAPITAL ADEQUACY PURPOSES WITH CONSERVATION BUFFER
As of December 31, 2019	AMOUNT	RATIO	AMOUNT	RATIO	AMOUNT	RATIO	
Total Capital (to Risk-Weighted Assets)	$47,450	13%	≥$28,766	≥8%	≥$35,958	≥10%	10.5%
Tier I Capital (to Risk-Weighted Assets)	$44,692	12%	≥$21,575	≥6%	≥$28,766	≥8%	8.5%
Common Equity Tier I Capital (to Risk-Weighted Assets)	$44,692	12%	≥$16,181	≥4.5%	≥$23,373	≥6.5%	7.0%
Tier I Capital (to Average Assets)	$44,692	10%	≥$18,015	≥4%	≥$22,518	≥5%	-

13. OFF-BALANCE SHEET RISK

In the normal course of business, the Corporation has outstanding commitments and contingent liabilities, such as commitments to extend credit, financial standby letters of credit and performance standby letters of credit, which are not included in the accompanying consolidated financial statements. The Corporation's exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit, financial standby letters of credit and performance standby letters of credit is represented by the contractual or notional amount of those instruments. The Corporation uses the same credit policies in making such commitments as it does for instruments that are included in the consolidated balance sheet.

Financial instruments whose contract amounts represent credit risk at December 31, 2020 and 2019 are as follows (in thousands):

	2020	2019
Commitments to extend credit	$ 77,970	$ 63,898
Financial standby letters of credit	3,457	3,183
Performance standby letter of credit	170	1,460

Commitments to extend credit are legally binding agreements to lend to customers. Commitments generally have fixed expiration dates or other termination clauses and may require payment of fees. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future liquidity requirements. The Corporation evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Corporation for extension of credit, is based on management's credit assessment of the customer.

Financial standby letters of credit irrevocably obligate the Corporation to pay a third-party when a customer fails to repay an outstanding loan or debt instrument. Performance standby letters of credit irrevocably obligates the Corporation to pay a third-party when a customer fails to perform some contractual non-financial obligation. Those guarantees are issued primarily to support public and private borrowing arrangements, including commercial paper, bond financing and similar transactions. The Corporation's performance under the guarantee is required upon presentation by the beneficiary of the financial and performance standby letters of credit. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Corporation does not have any recourse provisions or hold any assets that would enable it to recover from third parties any of the amounts paid under the guarantee. The Corporation was not required to recognize any liability in connection with the issuance of these standby letters of credit. The fair value of standby letters of credit was not material at December 31, 2020 or 2019

Standby letters of credit as of December 31, 2020 expire as follows:

Year of Expiration	Amount (in thousands)
2021	$ 3,577
2022	40
2023	10
Total	**$ 3,627**

14. PARENT COMPANY ONLY

The following is condensed financial information for Susquehanna Community Financial, Inc. on a parent company only basis listed accordingly to years ended December 31 (in thousands):

CONDENSED BALANCE SHEET

	2020	2019
ASSETS		
Cash	$ 13	$ 10
Investment in subsidiaries	55,648	50,915
Total Assets	**$ 55,661**	**$ 50,925**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Dividends payable	$ 1,284	$ 1,202
Shareholders' equity	54,377	49,723
Total Liabilities and Shareholders' Equity	**$ 55,661**	**$ 50,925**

CONDENSED INCOME STATEMENT

	2020	2019
INCOME		
Equity in undistributed earnings of subsidiaries	$ 1,809	$ 2,035
Dividends from subsidiaries	3,600	3,070
Total Income	**$ 5,409**	**$ 5,105**
Operating expenses	40	40
Net Income	**$ 5,369**	**$ 5,065**

CONDENSED STATEMENT OF CASH FLOW

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 5,369	$ 5,065
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in undistributed earnings of subsidiaries	(1,809)	(2,035)
Net Cash Provided by Operating Activities	3,560	3,030
CASH FLOWS FROM FINANCING ACTIVITIES		
Acquisition of treasury stock	(803)	(390)
Additional paid in capital to subsidiary	(375)	-
Repayment of notes payable	-	(348)
Dividends paid	(2,379)	(2,285)
NET CASH USED IN FINANCING ACTIVITIES	(3,557)	(3,023)
NET INCREASE IN CASH AND CASH EQUIVALENTS	3	7
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**10**	**3**
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 13**	**$ 10**

15. FAIR VALUE MEASUREMENTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS

The Corporation measures certain assets at fair value on a recurring basis. Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

GAAP establishes a framework for measuring fair value that includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. The levels of the fair value hierarchy are as follows:

Level 1 - Fair value is based on unadjusted quoted prices in active markets that are accessible to the Corporation for identical assets. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 - Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets and other observable inputs.

Level 3 - Fair value is based on significant unobservable inputs. Examples of valuation methodologies that would result in level 3 classification included option pricing models, discounted cash flows and other similar techniques.

Assets measured at fair value on a recurring basis and the valuation methods used at December 31, 2020 and 2019 are as follows (in thousands):

DECEMBER 31, 2020	QUOTED PRICES IN ACTIVE MARKETS (Level 1)	OTHER OBSERVABLE INPUTS (Level 2)	UNOBSERVABLE INPUTS (Level 3)	TOTAL FAIR VALUE
AVAILABLE-FOR-SALE DEBT SECURITIES:				
U.S. government agency and sponsored agency securities	$ -	$ 12,673	$	$ 12,673
Mortgage-backed securities	-	56,602		56,602
Obligations of state and political subdivisions	-	104,178	-	104,178
Corporate debt securities	-	9,859	-	9,859
Total Available-For-Sale Debt Securities	**$ -**	**$ 183,312**	**$ -**	**$ 183,312**
Marketable Equity Securities	$ 788	$ -	$ -	788

DECEMBER 31, 2019	QUOTED PRICES IN ACTIVE MARKETS (Level 1)	OTHER OBSERVABLE INPUTS (Level 2)	UNOBSERVABLE INPUTS (Level 3)	TOTAL FAIR VALUE
AVAILABLE-FOR-SALE DEBT SECURITIES:				
Mortgage-backed securities	$ -	$ 57,170	$ -	$ 57,170
Obligations of state and political subdivisions	-	104,714	-	104,714
Corporate debt securities	-	9,143	-	9,143
Total Available-For-Sale Debt Securities	**$ -**	**$ 171,027**	**$ -**	**$ 171,027**
Marketable Equity Securities	$ 279	$ -	$ -	-

The Corporation made no transfers between levels in 2020 or 2019.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. FAIR VALUE MEASUREMENTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Assets measured at fair value on a non-recurring basis and the valuation methods used at December 31, 2020 and 2019 are as follows (in thousands):

DECEMBER 31, 2020	QUOTED PRICES IN ACTIVE MARKETS (Level 1)	OTHER OBSERVABLE INPUTS (Level 2)	UNOBSERVABLE INPUTS (Level 3)	TOTAL FAIR VALUE
Impaired loans, net	$ -	$ -	$ 40	$ 40

DECEMBER 31, 2019	QUOTED PRICES IN ACTIVE MARKETS (Level 1)	OTHER OBSERVABLE INPUTS (Level 2)	UNOBSERVABLE INPUTS (Level 3)	TOTAL FAIR VALUE
Impaired loans, net	$ -	$ -	$ 187	$ 187

The following table presents additional quantitative information about assets measured at fair value on a nonrecurring basis and for which the Corporation has utilized Level 3 inputs to determine fair value (in thousands):

DECEMBER 31, 2020	FAIR VALUE ESTIMATE	VALUATION TECHNIQUES	UNOBSERVABLE INPUT	RANGE
Impaired loans	$ 40	Appraisal of Collateral (1)	Appraisal Adjustments (2)	0% - 100%
			Liquidation Expenses (2)	0% - 35%

DECEMBER 31, 2019	FAIR VALUE ESTIMATE	VALUATION TECHNIQUES	UNOBSERVABLE INPUT	RANGE
Impaired loans	$ 187	Appraisal of Collateral (1)	Appraisal Adjustments (2)	0% - 100%
			Liquidation Expenses (2)	0% - 35%

(1) Fair value is generally determined through independent appraisals of the underlying collateral which generally include various Level 3 inputs which are not observable.

(2) Appraisals may be adjusted for qualitative factors such as economic conditions and estimated liquidations expenses. The range of liquidation expenses and other appraisal adjustments are presented as a percent of the appraisal.

15. FAIR VALUE MEASUREMENTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

GAAP requires disclosure of fair value information about financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instruments. GAAP excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented are not intended to and do not represent the underlying value of the Corporation.

The estimated fair values of the Corporation's financial instruments are as follows at December 31, 2020 and 2019 (in thousands):

	VALUATION METHOD USED	2020		2019	
		CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Financial Assets:					
Cash and due from banks	Level 1	$ 4,409	$ 4,409	$ 4,356	$ 4,356
Interest-bearing deposits with banks	Level 1	3,365	3,365	301	301
Available-for-sale debt securities	Level 2	183,312	183,312	171,027	171,027
Marketable equity securities	Level 1	788	788	279	279
Restricted securities (included in other assets)	Level 2	4,319	4,319	3,495	3,495
Loans, net	Level 3	279,203	283,089	251,767	254,545
Accured interest receivable	Level 2	2,409	2,409	2,161	2,161
Mortgage servicing rights (included in other assets)	Level 3	703	574	449	436
Financial Liabilites:					
Deposits	Level 2	$ 430,214	$ 417,709	$ 369,592	$ 364,283
Other borrowings	Level 2	12,250	12,593	33,625	33,623
Accured interest payable	Level 2	233	233	294	294

16. REVENUE RECOGNITION

The Corporation adopted ASU 2014-09 *"Revenue from Contracts with Customers"* and all subsequent ASUs that modified Topic 606. The Corporation elected to apply the ASU (Topic 606) and all related ASUs using the modified retrospective implementation method.

The Corporation 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. Because performance obligations are satisfied as services are rendered and the transaction prices are fixed, there is little judgment involved in applying Topic 606 that significantly affects the determination of the amount and timing of revenue from contracts with customers. The main types of revenue contracts included in other income within the Consolidated Statement of Income are as follows

- ***Service charges on deposit accounts:*** Service charges and fees on deposits which are included as liabilities in the consolidated balance sheet consist of transaction-based fees, account maintenance fees, and overdraft services fees for various retail and business checking customers. Transaction-based fees, which includes services such as automated teller machines (ATM) fees, Automated Clearing House (ACH) fees, stop payment charges and statement rendering fees which are recognized at the time transaction is executed as that is the point in time the Corporation fulfills the customer's request. All deposit liabilities are considered to have one-day terms and therefore related fees are recognized as non-interest income at the time when the services are provided to the customer. Account maintenance fees,which relate primarily to monthly maintenance, are earned over the course of a month, representing the period over which the Corporation satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposits are withdrawn directly from the customer's account balance.

- ***Bank card and credit card interchange fees:*** The Corporation earns interchange fees from credit/debit cardholder transactions conducted through the VISA payment network. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services provided to the cardholder.

- ***Gain/loss on sale of foreclosed assets held for sale:*** The Corporation records a gain or loss from the sale of foreclosed assets held for sale when control of the property transfers to the buyer, which generally occurs at the time of an executed deed. When the Corporation finances the sale of foreclosed assets held for sale to the buyer, the Corporation assesses whether the buyer is committed to perform their obligations under the contract and whether collectability of the transaction price is probable. Once these criteria are met, the foreclosed assets held for sale are derecognized and the gain or loss on sale is recorded upon the transfer of control of the property to the buyer. In determining the gain or loss on the sale, the Corporation adjusts the transaction prices and related gain (loss) on sale if a significant financing component is present

- ***Brokerage fees and commissions:*** The wealth management division provides wealth management services to individuals, corporations and retirement funds, as well as existing loan/deposit customers of the bank, located primarily within our geographic markets. The wealth management operations are conducted through Susquehanna Financial Solutions and provides a broad range of personal and corporate fiduciary services. Assets held in a fiduciary capacity are not assets of the Corporation and are therefore not included in the Corporation's Consolidated balance sheet. Wealth management fees earned are included within other income in the Consolidated Statement of Income.

Wealth management fees are contractually agreed with each customer and earned over time as the Corporation provides the contracted monthly or quarterly services. Fees are generally based on a tiered scale based on the average market value of the assets under management at quarter-end. The services provided under such a contract is considered a single performance obligation under the ASU because it embodies series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer. Fees that are transaction based, including trade execution services, are recognized at the point in time that the transaction is executed (i.e. trade date). Other related services provided include financial planning and the fees the Corporation earns, which are based on a fixed fee schedule, are recognized when the services are rendered. The costs of acquiring asset management customers are incremental and recognized within the other expense in the Consolidated Statement of Income.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
Susquehanna Community Financial, Inc.

We have audited the accompanying consolidated financial statements of Susquehanna Community Financial, Inc. and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits.We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

Opinion

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

Baker Tilly US, LLP

Williamsport, Pennsylvania
May 5, 2021

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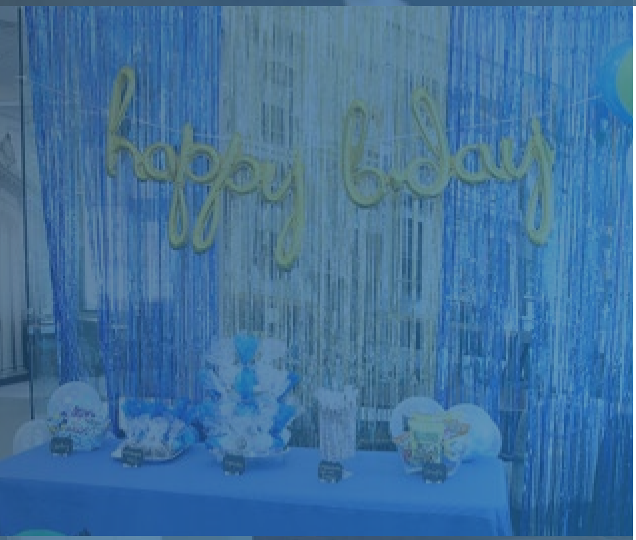

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