CBM Bancorp, Inc.

Financial Statements

Year Ended December 31, 2020

DHG
DIXON HUGHES GOODMAN LLP

Report of Independent Registered Public Accounting Firm

Stockholders and the Board of Directors
CBM Bancorp, Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial condition of CBM Bancorp, Inc. (the "Company") as of December 31, 2020 and 2019, the related consolidated statements of operations, comprehensive income, changes in stockholders' equity and cash flows, for each of the two years in the period ended December 31, 2020, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

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

Dixon Hughes Goodman LLP

We have served as the Company's auditor since 2017.

Richmond, VA
March 26, 2021

CBM Bancorp, Inc.
Consolidated Statements of Financial Condition
December 31, 2020 and 2019

	December 31, 2020	December 31, 2019
Assets		
Cash and due from banks	$ 799,120	$ 787,050
Interest-bearing deposits in other banks	46,808,842	5,200,071
Cash and cash equivalents	47,607,962	5,987,121
Time deposits in other banks	6,477,853	7,935,811
Securities available for sale, at fair value	16,543,524	37,090,591
Federal Home Loan Bank stock, at cost	410,900	300,400
Loans held for sale	6,073,782	1,730,430
Loans, net of unearned fees	150,305,998	159,624,611
Allowance for loan losses	(1,727,216)	(1,379,150)
Net loans	148,578,782	158,245,461
Accrued interest receivable	605,333	655,146
Bank-owned life insurance	4,831,457	4,723,825
Premises and equipment, net	1,753,608	1,828,666
Foreclosed real estate	775,000	845,000
Deferred income taxes	856,005	724,658
Prepaid expenses and other assets	319,397	334,470
Total assets	$ 234,803,603	$ 220,401,579
Liabilities and Stockholders' Equity		
Liabilities		
Noninterest-bearing deposits	$ 32,650,939	$ 19,780,866
Interest-bearing deposits	142,129,183	136,660,007
Total deposits	174,780,122	156,440,873
Advances by borrowers for taxes and insurance	431,089	538,516
Federal Home Loan Bank advances	5,000,000	2,500,000
Accounts payable and other liabilities	1,029,677	986,814
Total liabilities	181,240,888	160,466,203
Commitments and contingencies		
Stockholders' Equity		
Preferred stock, $0.01 par value; authorized 1,000,000 shares; none issued	-	-
Common stock, $0.01 par value; authorized 24,000,000 shares; issued and outstanding 3,690,633 shares at December 31, 2020 and 4,208,505 shares at December 31, 2019	36,906	42,085
Additional paid in capital	34,735,278	41,210,056
Retained earnings	22,397,154	23,243,847
Unearned common stock held by:		
Employee Stock Ownership Plan	(2,369,920)	(2,708,480)
2019 Equity Incentive Plan	(1,908,570)	(2,357,994)
Accumulated other comprehensive income	671,867	505,862
Total stockholders' equity	53,562,715	59,935,376
Total liabilities and stockholders' equity	$ 234,803,603	$ 220,401,579

The notes to consolidated financial statements are an integral part of these consolidated statements.

CBM Bancorp, Inc.
Consolidated Statements of Operations
For the Years Ended December 31, 2020 and 2019

	For the Years Ended December 31,	
	2020	2019
Interest and dividend income		
Interest and fees on loans	$ 7,790,136	$ 7,292,886
Interest and dividends on investments	976,096	1,746,375
Total interest and dividend income	8,766,232	9,039,261
Interest expense		
Interest on deposits	1,413,710	1,401,673
Interest on borrowings	66,031	1,874
Total interest expense	1,479,741	1,403,547
Net interest income	7,286,491	7,635,714
Provision for loan losses	350,000	175,000
Net interest income after provision for loan losses	6,936,491	7,460,714
Non-interest income		
Service fees on deposit accounts	111,692	128,732
Income from bank-owned life insurance	107,632	114,468
Gain on sale of loans held for sale	1,077,913	215,436
Gain on sale of investment securities	143,223	-
Other non-interest income	133,431	133,351
Total non-interest income	1,573,891	591,987
Non-interest expense		
Salaries, director fees and employee benefits	4,679,358	4,216,292
Premises and equipment	429,545	429,783
Data processing	574,371	557,889
Professional fees	504,374	548,164
FDIC premiums and regulatory assessments	85,825	95,314
Marketing	60,058	108,574
Provision for losses and costs on foreclosed real estate	85,299	36,216
Other operating expenses	729,444	784,487
Total non-interest expense	7,148,274	6,776,719
Income before income taxes	1,362,108	1,275,982
Income tax expense	419,551	368,269
Net income	$ 942,557	$ 907,713
Earnings per common share		
Basic	$ 0.26	$ 0.23
Diluted	$ 0.26	$ 0.23

The notes to consolidated financial statements are an integral part of these consolidated statements.

CBM Bancorp, Inc.
Consolidated Statements of Comprehensive Income
For the Years Ended December 31, 2020 and 2019

	For the Years Ended December 31,	
	2020	**2019**
Net income	$ 942,557	$ 907,713
Other comprehensive income		
Unrealized gain on investment securities available for sale	372,251	658,982
Reclassification adjustment for realized gain on investment securities available for sale included in net income	(143,223)	-
Total unrealized gain on investments securities available for sale	229,028	658,982
Income tax expense relating to investment securities available for sale	(63,023)	(181,335)
Other comprehensive income	166,005	477,647
Total comprehensive income	$ 1,108,562	$ 1,385,360

The notes to consolidated financial statements are an integral part of these consolidated statements.

CBM Bancorp, Inc.
Consolidated Statements of Changes in Stockholders' Equity
Years Ended December 31, 2020 and 2019

	Common Stock	Additional Paid-In Capital	Retained Earnings	Unearned ESOP Shares	Unearned RSA Shares	Accumulated Other Comprehensive Income	Total Stockholders' Equity
Balance, January 1, 2019	$ 42,320	$ 40,987,146	$ 22,336,134	$(3,047,040)	$ -	$ 28,215	$ 60,346,775
Net income	-	-	907,713	-	-	-	907,713
Other comprehensive income	-	-	-	-	-	477,647	477,647
ESOP shares committed to be released	-	123,574	-	338,560	-	-	462,134
Repurchase of common stock for 2019 Equity Incentive Plan	-	-	-	-	(2,357,994)	-	(2,357,994)
Stock based compensation	-	431,646	-	-	-	-	431,646
Repurchase of common stock	(235)	(332,310)	-	-	-	-	(332,545)
Balance, December 31, 2019	$ 42,085	$ 41,210,056	$ 23,243,847	$(2,708,480)	$ (2,357,994)	$ 505,862	$ 59,935,376
Net income	-	-	942,557	-	-	-	942,557
Other comprehensive income	-	-	-	-	-	166,005	166,005
Cash dividends $0.50 per share	-	-	(1,789,250)	-	-	-	(1,789,250)
ESOP shares committed to be released	-	95,812	-	338,560	-	-	434,372
Vesting of restricted stock awards	-	(449,424)	-	-	449,424	-	-
Stock based compensation	-	711,556	-	-	-	-	711,556
Repurchase of common stock	(5,179)	(6,832,722)	-	-	-	-	(6,837,901)
Balance December 31, 2020	$ 36,906	$ 34,735,278	$ 22,397,154	$(2,369,920)	$ (1,908,570)	$ 671,867	$ 53,562,715

The notes to consolidated financial statements are an integral part of these consolidated statements.

CBM Bancorp, Inc.
Consolidated Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	For the Years Ended December 31, 2020	2019
Cash flows from operating activities:		
Net income	$ 942,557	$ 907,713
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization and accretion of securities	51,921	26,812
Gain on sale of loans held for sale	(1,077,913)	(215,436)
Originations of loans held for sale	(41,646,049)	(10,385,957)
Proceeds from sales of loans held for sale	38,380,610	9,082,070
Gain on sale of investment securities	(143,223)	-
Amortization of net deferred loan origination fees	(410,932)	(267,817)
Provision for loan losses	350,000	175,000
Decrease in accrued interest receivable	49,813	40,782
Increase in cash surrender value of life insurance	(107,632)	(114,468)
Depreciation and amortization	145,439	158,898
Loss on disposal of premises and equipment	-	1,689
Loss on writedown of foreclosed real estate	70,000	20,000
ESOP compensation expense	434,372	462,134
Stock based compensation expense	711,556	431,646
Deferred income tax benefit, net	(194,370)	(4,999)
Decrease in prepaid expenses and other assets	15,073	67,874
Increase in accounts payable and other liabilities	42,863	148,513
Net cash (used in) provided by operating activities	(2,385,915)	534,454
Cash flows from investing activities:		
Net maturities (purchases) of time deposits in other banks	1,490,000	(991,811)
Proceeds from maturities, payments and calls of available for sale securities	13,552,586	18,610,391
Purchases of available for sale securities	-	(17,621,389)
Proceeds from sales of investment securities	7,312,769	-
Purchases of Federal Home Loan Bank stock	(110,500)	(55,200)
Net decrease (increase) in loans	9,727,611	(15,832,183)
Purchases of premises and equipment	(70,381)	(64,735)
Net cash provided by (used in) investing activities	31,902,085	(15,954,927)
Cash flows from financing activities:		
Net increase in deposits	18,339,249	2,690,638
Net (decrease) increase in advances by borrowers	(107,427)	60,735
Net increase in borrowings	2,500,000	2,500,000
Repurchase common stock for 2019 Equity Incentive Plan	-	(2,357,994)
Repurchase common stock	(6,837,901)	(332,545)
Cash dividends on common stock	(1,789,250)	-
Net cash provided by financing activities	12,104,671	2,560,834
Net increase (decrease) in cash and cash equivalents	41,620,841	(12,859,639)
Cash and cash equivalents, beginning balance	5,987,121	18,846,760
Cash and cash equivalents, ending balance	$ 47,607,962	$ 5,987,121
Supplemental disclosure of cash flows information:		
Cash paid for interest	$ 1,480,243	$ 1,403,270
Cash paid for income taxes	625,000	190,000

The notes to consolidated financial statements are an integral part of these consolidated statements.

Note 1. Significant Accounting Policies

Nature of Operations

CBM Bancorp, Inc. ("CBM Bancorp" or "Company") is the holding company for Chesapeake Bank of Maryland ("Bank") and was formed in connection with the conversion of the Bank from the mutual to the stock form of organization. On September 27, 2018, the mutual to stock conversion of the Bank was completed and the Company became the parent holding company for the Bank. Shares of the Company began trading on the Nasdaq Capital Market on September 28, 2018. The Company is subject to regulation by the Board of Governors of the Federal Reserve System ("Federal Reserve Bank").

CBM Bancorp's primary business is the ownership and operation of the Bank, a community-oriented federal stock savings bank regulated by the Office of the Comptroller of the Currency. The Bank's primary business activity is the acceptance of deposits from the general public and using the proceeds for loan originations and investments. The Bank is subject to competition from other financial institutions. The Bank is subject to the regulations of certain federal agencies and undergoes periodic examinations by the regulatory authorities.

In accordance with federal and state regulations, at the time of the conversion from mutual to stock form, the Bank substantially restricted retained earnings by establishing a liquidation account. The liquidation account will be maintained for the benefit of eligible account holders who continue to maintain their accounts at the Bank after the conversion. The liquidation account will be reduced annually to the extent that eligible account holders have reduced their qualifying deposits. Subsequent increases will not restore an eligible account holder's interest in the liquidation account. In the event of a complete liquidation of the Bank, each account holder will be entitled to receive a distribution in an amount proportionate to the adjusted qualifying account balances then held.

The Company may not pay a dividend on, or repurchase any of, its capital stock, if the effect thereof would cause retained earnings to be reduced below the liquidation account amount or regulatory capital requirements. In addition, the Company is subject to certain other regulations restricting the payment of dividends on, and the repurchase of, its capital stock.

Basis of Presentation

The accounting and reporting policies of CBM Bancorp and the Bank conform to accounting principles generally accepted in the United States of America ("U.S. GAAP") and to general practices in the banking industry. The more significant policies follow:

Principles of Consolidation

The consolidated financial statements include the accounts of CBM Bancorp and the Bank, its wholly owned subsidiary. Material intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with U.S. 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 relate to the determination of the allowance for losses on loans, the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans and the valuation of deferred tax assets. In connection with the determination of the allowances for loan losses and foreclosed real estate, management obtains independent appraisals for significant properties.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, cash and cash equivalents include cash and balances due from banks and interest-bearing deposits in other banks.

Note 1. Significant Accounting Policies (Continued)

Time Deposits in Other Banks
The Bank uses financial instruments to supplement the investment securities portfolio. Interest income is recognized as earned. Purchase premiums and discounts are recognized as part of interest income using the interest method over the terms of the investments. Realized gains and losses on the sale of time deposits in other banks are included in earnings based on the trade date and are determined using the specific identification method. Time deposits in other banks are not marked to market.

Investment Securities
Management determines the appropriate classification of debt securities at the time of purchase and re-evaluates such designation as of each balance sheet date. Securities that the Bank has the positive intent and ability to hold to maturity are classified as held to maturity and are reported at amortized cost (including amortization of premium or accretion of discount).

Securities classified as available for sale are carried at fair value and are those securities that the Bank intends to hold for an indefinite period of time but not necessarily to maturity. Unrealized gains and losses are reported as increases or decreases in other comprehensive income. Realized gains and losses, determined on the basis of the cost of the specific securities sold, are included in earnings on a trade date basis. Premiums and discounts are recognized in interest income using a method which approximates the interest method over the terms of the securities. Declines in the fair value of available for sale securities below their cost that are deemed to be other than temporary, if any, are reflected in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Bank to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value

Federal Home Loan Bank Stock
Federal Home Loan Bank of Atlanta ("FHLB") stock is an equity interest in the FHLB, which does not have a readily determinable fair value for purposes of U.S. GAAP related to *Accounting for Certain Investments in Debt and Equity Securities,* because its ownership is restricted and it lacks a market. FHLB stock represents the required investment in the common stock of the Federal Home Loan Bank of Atlanta according to a predetermined formula. FHLB stock can be sold back only at par value of $100 per share and only to the FHLB or another member institution.

Loans Held for Sale
Loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated fair value. Fair value is derived from secondary market quotations for similar instruments. Gains and losses on loan sales are recorded in non-interest income, and loan origination fees, net of certain direct origination costs are deferred at origination of the loan and are recognized in non-interest income upon sale of the loan. The Bank's current practice is to sell residential mortgage loans on a servicing released basis, and, therefore, it has no intangible asset recorded for the value of such servicing. Interest on loans held for sale is credited to income based on the principal amounts outstanding.

The Bank enters into commitments to originate residential mortgage loans whereby the interest rate on the loan is determined prior to funding (i.e., rate lock commitment). Such rate lock commitments on mortgage loans to be sold in the secondary market are considered to be derivatives. The period of time between the issuance of a loan commitment and closing and sale of the loan generally ranges from 30 to 90 days. The Bank protects itself from changes in interest rates through the use of best efforts forward delivery commitments, whereby the investor commits to purchase a loan at a price representing a premium on the day the borrower commits to an interest rate with the intent that they buyer/investor has assumed the interest rate risk on the loan. As a result, the Bank is not generally exposed to losses on loans sold utilizing best efforts, nor will it realize gains related to rate lock commitments due to changes in interest rates. The fair value of the rate lock commitments was considered immaterial at December 31, 2020 and December 31, 2019 and an adjustment was not recorded. Loans held for sale that are not ultimately sold, but instead are placed into the Bank's portfolio, are reclassified as loans held for investment and recorded at fair value.

Note 1. Significant Accounting Policies (Continued)

Loans

Loans are generally carried at the amount of unpaid principal, less the allowance for loan losses and adjusted for deferred loan origination fees and costs, which are recognized over the term of the loan as an adjustment to yield using a method that approximates the interest method. Interest on loans is accrued based on the principal amounts outstanding. It is the Bank's policy to discontinue the accrual of interest when the principal or interest is delinquent for 90 days or more, or if collection of principal and interest in full is in doubt.

A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Impairment is measured on a loan by loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent. The carrying value of impaired loans is based on the present value of the loan's expected future cash flows or, alternatively, the observable market price of the loan or the fair value of the collateral.

Impaired loans also include certain loans that have been modified in a troubled debt restructuring ("TDR") to make concessions to help a borrower remain current on the loan and/or to avoid foreclosure. These concessions typically result from the Bank's loss mitigation activities and could include reductions in the interest rate, payment extensions, forgiveness of principal, forbearance or other actions. Generally nonaccrual loans that are modified and are considered TDRs are classified as nonperforming at the time of the restructure and may only be returned to performing status after considering the borrower's sustained repayment performance for a reasonable period, generally six months.

Allowance for Loan Losses

The allowance for loan losses is established through a provision for loan losses charged to earnings. Loans are charged against the allowance for loan losses when management believes that the collectability of the principal is unlikely. The Bank maintains the allowance at a level believed, to the best of management's knowledge, to cover all known and inherent losses in the portfolio that are both probable and reasonable to estimate at each reporting date. The evaluation process by portfolio segment includes, among other things, an analysis of delinquency trends, non-performing loan trends, the level of charge-offs and recoveries, prior loss experience, total loans outstanding, the volume of loan originations, the type, size and geographic concentration of the loans, the value of collateral securing the loan, the borrower's ability to repay and repayment performance, the number of loans requiring heightened management oversight, local economic conditions and industry experience.

The establishment of the allowance for loan losses is significantly affected by management's judgment and uncertainties, and there is likelihood that different amounts would be reported under different conditions or assumptions. The Office of the Comptroller of the Currency as an integral part of its examination process periodically reviews the allowance for loan losses and may require the Bank to make additional provisions for estimated loan losses based upon judgments different from those of management.

The Bank's policies, consistent with regulatory guidelines, provide for the classification of loans and other assets that are considered to be of lesser quality as substandard, doubtful, or loss assets. An asset is considered substandard if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Substandard assets include those assets characterized by the distinct possibility that we will sustain some loss if the deficiencies are not corrected. Assets classified as doubtful have all of the weaknesses inherent in those classified substandard with the added characteristic that the weaknesses present make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable. Assets (or portions of assets) classified as loss, are those considered uncollectible and of such little value that their recognition as assets is not justified. Assets that do not expose us to risk sufficient to warrant classification in one of the aforementioned categories, but which possess potential weaknesses that deserve close attention, are required to be designated as special mention.

Note 1. Significant Accounting Policies (Continued)

While the Bank utilizes available information to recognize losses on loans, future additions to the allowances for loan losses may be necessary based on changes in economic conditions, particularly in its' market area primarily in the state of Maryland. In addition, regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowance for loan losses. Such agencies may require the Bank to recognize additions to the allowance for loan losses based on their judgments about information available to them at the time of their examination. Actual loan losses may be significantly more than the allowance for loan and lease losses the Bank has established, which could have a material negative effect on our consolidated financial statements.

Bank-Owned Life Insurance ("BOLI")
The Bank maintains life insurance policies on certain present and former directors. These policies are split-dollar or director insurance policies. Under the split-dollar insurance policies, the Bank pays the premiums and upon the death of the insured, the Bank will receive an amount equal to the premiums paid on the policy from the policy date to the date of death. Any remaining proceeds will be paid to the beneficiary. If the policy is surrendered before the date of death, the Bank will receive the lesser of the cash surrender value or the sum of the premiums paid on the policy from the policy date to the date of surrender. Under the director insurance policies, the Bank receives the cash surrender value if the policy is surrendered, or receives all benefits payable upon the death of the insured. As of December 31, 2020 and 2019, $121,388 and $122,118 respectively, was included in other liabilities related to the split-dollar insurance policies.

Premises and Equipment
Land is carried at cost. Property and equipment is carried at cost less accumulated depreciation. Depreciation is computed on the straight-line method over estimated useful lives of assets. Amortization of leasehold improvements is recognized on a straight-line basis over the term of the lease or the life of the improvement, whichever is shorter.

The cost of maintenance and repairs is charged to expense as incurred whereas improvements are capitalized. The range of estimated useful lives for premises and equipment are as follows:

Buildings and land improvements	5 - 50 years
Leasehold improvements	10 - 15 years
Furniture, fixtures and equipment	3 - 10 years
Automobile	5 years

Foreclosed Real Estate
Real estate acquired through foreclosure or other means is recorded at the fair value of the related real estate collateral at the transfer date less estimated selling costs. Losses incurred at the time of the acquisition of the property are charged to the allowance for loan losses. Subsequent reductions in the estimated fair value of the property are included in noninterest expense. Costs to maintain foreclosed real estate are expensed as incurred.

Employee Stock Ownership Plan ("ESOP")
Compensation expense is recognized based on the current market price of shares committed to be released to employees. All shares released and committed to be released are deemed outstanding for purposes of earnings per share calculations. Dividends declared and paid on allocated shares held by the ESOP are charged to retained earnings. The value of unearned shares to be allocated to ESOP participants for future services not yet performed is reflected as a reduction of stockholders' equity. Dividends declared on unallocated shares held by the ESOP are recorded as a reduction of the ESOP's loan payment to the Company.

Stock-Based Compensation
Compensation cost is recognized for stock options and restricted stock awards ("RSA") issued to employees and directors, based on the fair value of these awards at the date of grant. A Black-Scholes model is utilized to estimate the fair value of stock options, while the market price of the Company's common stock at the date of grant is used for RSAs. Compensation cost is recognized over the required service period, generally defined as the vesting period. For awards with graded vesting, compensation cost is recognized on a straight-line basis over the requisite service period for the entire award.

Note 1. Significant Accounting Policies (Continued)

Income Taxes

The provision for income taxes includes taxes payable for the current year and deferred income taxes. Deferred income taxes are provided for the temporary differences between financial and taxable income. Deferred income taxes and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities, using enacted tax rates in effect for the year in which the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management it is more likely than not that some portion of the deferred tax asset will not be realized. Deferred tax assets and liabilities are adjusted through earnings for the effects of changes in tax laws and rates on the date of enactment.

Earnings per Common Share

Basic earnings per share represents income available to common stockholders divided by the weighted-average number of common shares outstanding during the period. Weighted average shares include allocated ESOP shares and ESOP shares committed to be released but exclude unallocated ESOP shares. Diluted earnings per share includes additional common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance.

Off-Balance Sheet Financial Instruments

In the ordinary course of business, the Bank has entered into off-balance sheet financial instruments consisting of commitments to extend credit. These commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized on the balance sheet. Such financial instruments are recorded when they are funded.

The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for loan commitments is represented by the contractual amount of these instruments. The Bank uses the same credit policies for these instruments as it does for the on-balance sheet instruments.

Concentrations of Credit Risk

As of December 31, 2020 and 2019, the Bank had no deposits in other financial institutions in excess of amounts insured by the FDIC. The Bank also maintains accounts with brokerage firms containing securities. These balances are insured up to $500,000 by the Securities Investor Protection Corporation.

Emerging Growth Company

The Company, as an emerging growth company ("EGC"), has elected to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Coronavirus Aid, Relief, and Economic Security Act

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act, or CARES Act, was signed into law. The CARES Act creates a forbearance program for federally backed mortgage loans, protects borrowers from negative credit reporting due to loan accommodations related to the National Emergency, and provides financial institutions the option to temporarily suspend certain requirements under U.S. GAAP related to troubled debt restructurings for a limited period of time to account for the effects of COVID-19.

Recent Accounting Pronouncements

Accounting Standards Update ("ASU") ASU 2016-02, Leases (Topic 842). This ASU provides certain targeted improvements to align lessor accounting with the lessee accounting model. This update will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018, including interim reporting periods within that reporting period, for public business entities. As the Company will take advantage of the extended transition period for complying with new or revised accounting standards assuming we remain a smaller reporting company, we will adopt the amendments in this update beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. A modified retrospective approach must be applied for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The adoption of this ASU is not expected to have a material effect on the Company's consolidated financial position, results of operations or cash flows.

Note 1. Significant Accounting Policies (Continued)

ASU 2016-13, Financial Instruments – Credit Losses. The ASU sets forth a "current expected credit loss" (CECL) model which requires the Bank to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions and reasonable supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost and applies to some off-balance sheet credit exposures. Entities will apply the standard's provisions as a cumulative-effect (i.e., modified retrospective approach). The Company has begun to gather loan information and consider acceptable methodologies to comply with this ASU. The Company's initial evaluation indicates that the provisions of this ASU are expected to impact its consolidated financial statements, in particular the level of reserve for loan losses and is continuing to evaluate and assess the impact of the adoption of this ASU on its consolidated financial statements. On October 16, 2019, the FASB approved its proposal to delay the effective date for smaller reporting companies, as defined by the SEC, and other non-SEC reporting entities. As the Company will take advantage of the extended transition period for complying with new or revised accounting standards assuming we remain a smaller reporting company, we will adopt the amendments in this update beginning after December 15, 2022, including interim periods within those fiscal years.

Note 2. Securities

The amortized cost and estimated fair value of securities classified as available for sale at December 31, 2020 and 2019, are as follows:

	December 31, 2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available for sale				
U.S. Government and Federal Agency obligations	$ 2,499,671	$ 54,342	$ -	$ 2,554,013
Residential mortgage-backed securities	13,116,916	872,595	-	13,989,511
	$ 15,616,587	$ 926,937	$ -	$ 16,543,524

	December 31, 2019			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available for sale				
U.S. Government and Federal Agency obligations	$ 9,472,370	$ 76,651	$ 4,679	$ 9,544,342
Residential mortgage-backed securities	25,415,647	638,856	43,964	26,010,539
Municipal securities	1,504,664	31,046	-	1,535,710
	$ 36,392,681	$ 746,553	$ 48,643	$ 37,090,591

Proceeds from the sale of available securities totaled $7,312,769 realizing gross gains of $143,223 for the year ended December 31, 2020. There were not sales of investment securities for the year ended December 31, 2019.

Note 2. Securities (Continued)

The amortized cost and estimated fair value of securities as of December 31, 2020 and 2019, by contractual maturity, are shown below. 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.

	December 31, 2020 Securities Available for Sale		December 31, 2019 Securities Available for Sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 1,000,000	$ 1,025,162	$ 1,000,000	$ 998,407
Due after one year through five years	1,499,671	1,528,851	9,474,467	9,560,135
Due five years to ten years	-	-	502,567	521,510
Mortgage-backed, monthly installments	13,116,916	13,989,511	25,415,647	26,010,539
	$15,616,587	$16,543,524	$36,392,681	$37,090,591

The Bank did not have any securities with gross unrealized losses at December 31, 2020. Securities with gross unrealized losses at December 31, 2019 aggregated by investment category and length of time that individual securities have been in a continuous loss position are as follows:

	December 31, 2019					
	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Securities available for sale						
U.S. Government and Federal Agency obligations	$ -	$ -	$1,995,321	$ 4,679	$ 1,995,321	$ 4,679
Residential mortgage-backed securities	4,862,213	43,964	-	-	4,862,213	43,964
	$ 4,862,213	$ 43,964	$1,995,321	$ 4,679	$ 6,857,534	$ 48,643

At December 31, 2019, the Bank held seven investments with gross unrealized losses totaling $48,643. The unrealized losses that existed were a result of market changes in interest rates since the original purchase. Management systematically evaluates investment securities for other-than-temporary declines in fair value on a quarterly basis. This analysis requires management to consider various factors, which include (1) duration and magnitude of the decline in value, (2) the financial condition of the issuer or issuers and (3) structure of the security.

An impairment loss is recognized in earnings if any of the following are true: (1) the Bank intends to sell the debt security; (2) it is more likely than not that the Bank will be required to sell the security before recovery of its amortized cost basis; or (3) the Bank does not expect to recover the entire amortized cost basis of the security. In situations where the Bank intends to sell or when it is more likely than not that the Bank will be required to sell the security, the entire impairment loss must be recognized in earnings. In all other situations, only the portion of the impairment loss representing the credit loss must be recognized in earnings, with the remaining portion being recognized in equity as a component of other comprehensive income, net of deferred tax. There were no securities pledged as of December 31, 2020 and 2019.

Note 3. Loans

The Bank makes loans to customers primarily in the Baltimore Metropolitan Area and its surrounding counties. The principal loan portfolio segment balances at December 31, 2020 and 2019 were as follows:

	December 31, 2020	December 31, 2019
Real estate loans		
One-to four-family	$ 62,117,559	$ 74,655,376
Home equity loans and lines of credit	6,894,632	7,488,348
Construction and land development	10,804,315	9,260,520
Nonresidential	60,209,896	61,012,054
Total real estate loans	140,026,402	152,416,758
Other loans		
Commercial	10,197,884	6,946,372
Consumer	336,507	522,566
Total other loans	10,534,391	7,468,938
Total loans	150,560,793	159,885,696
Net deferred loan origination fees and costs	(254,795)	(261,085)
Allowance for loan losses	(1,727,216)	(1,379,150)
Total loans, net	$ 148,578,782	$ 158,245,461

Overdraft deposits are reclassified as consumer loans and are included in the total loans on the balance sheet. Overdrafts were $1,739 and $25,714 at December 31, 2020 and 2019, respectively.

Nonresidential real estate loans entail greater risks compared to residential real estate loans because they typically involved larger loan balances concentrated with single borrowers or groups of related borrowers. In addition, the payment of loans secured by income-producing properties typically depends on the successful operation of the company, as repayment of the loan generally is dependent, in large part, on the sufficient income for the property to cover operating expenses and debt service. Changes in economic conditions, such as the COVID-19 pandemic, that are not in the control of the borrower or lender could negatively impact the value of the collateral for the loan or the future cash flow of the property. Additionally, any decline in real estate values may be more pronounced for nonresidential real estate than residential properties.

The following table provides information regarding our nonresidential real estate loans by type at December 31, 2020.

Type of Loan	Number of Loans	Balance
Office	30	$ 15,070,563
Retail	16	14,307,061
Warehouse/Industrial	13	9,135,023
Apartment/Multifamily	16	8,546,128
Hotel	5	7,434,274
Other	10	2,985,704
Restaurant	5	1,848,794
Religious/Church Related	4	882,349
	99	$ 60,209,896

Note 3. Loans (Continued)

Paycheck Protection Program

The CARES Act authorized the Small Business Administration ("SBA") to temporarily guarantee loans under a new 7(a) loan program called the Paycheck Protection Program ("PPP"). As a qualified lender, we were automatically authorized to originate PPP loans. In early April 2020, the Company began accepting and processing applications for PPP loans. During the year ended December 31, 2020 we processed 101 PPP loans in the amount of $8,563,898.

As of December 31, 2020, our borrowers applied for and received forgiveness on these PPP loans in the amount of $4,084,004 and we recorded fee income of $186,432. As of December 31, 2020, our outstanding PPP loan balances are $4,479,894, with deferred fees relating to those loans in the amount of $63,147.

Note 4. Credit Quality of Loans and the Allowance for Loan Losses

The Bank currently manages its credit products and respective exposure to credit losses by the following specific portfolio segments which are levels at which the Bank develops and documents its systematic methodology to determine the allowance for loan losses attributable to each respective portfolio segment. The segments are:

- **One-to four-family real estate loans** – This residential real estate category contains permanent mortgage loans and construction permanent mortgage loans to consumers secured by residential real estate. Residential real estate loans are evaluated for the adequacy of repayment sources at the time of approval, based upon measures including credit scores, debt-to-income ratios, and collateral values. Loans may either be conforming or non-conforming.

- **Home equity loans and lines of credit** – This residential real estate category includes mortgage loans and lines of credit secured by one-to four-family residential real estate. These loans are typically secured with second mortgages on the homes.

- **Construction and land development** – Commercial acquisition, development and construction loans are intended to finance the construction of commercial and residential properties and include loans for the acquisition and development of land. Construction loans represent a higher degree of risk than permanent real estate loans and may be affected by a variety of factors such as the borrower's ability to control costs and adhere to time schedules and the risk that constructed units may not be absorbed by the market within the anticipated time frame or at the anticipated price. The loan commitment on these loans often includes an interest reserve that allows the lender to periodically advance loan funds to pay interest charges on the outstanding balance of the loan.

- **Nonresidential real estate loans –** Nonresidential real estate loans consist of commercial permanent mortgage loans and commercial construction permanent mortgage loans secured by owner occupied and non-owner occupied properties. Owner occupied commercial property loans involve a variety of property types to conduct the borrower's operations. The primary source of repayment for this type of loan is the cash flow from the business and is based upon the borrower's financial health and ability of the borrower and the business to repay. Non-owner occupied commercial property loans involve investment properties for warehouse, retail, and office space with a history of occupancy and cash flow. This real estate category contains commercial mortgage loans to the developers and owners of commercial real estate where the borrower intends to operate or sell the property at a profit and use the income stream or proceeds from the sale to repay the loan.

- **Commercial loans** - Commercial loans are made to provide funds for equipment and general corporate needs. Repayment of the loan primarily uses the funds obtained from the operation of the borrower's business. Commercial loans also include lines of credit that are utilized to finance a borrower's short-term credit needs and/or finance a percentage of eligible receivables and inventory, as well as PPP loans.

- **Consumer loans** – This category of loans includes primarily installment loans. Consumer loans include installment loans used by customers to purchase automobiles, boats and recreational vehicles.

Note 4. Credit Quality of Loans and the Allowance for Loan Losses (Continued)

The allowance for loan losses is maintained at a level to provide for losses that are probable and can be reasonably estimated. Management's periodic evaluation of the adequacy of the allowance is based on the Bank's past loan loss experience, known and inherent losses 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 change, including the amounts and timing of future cash flows expected to be received on impaired loans.

The allowance consists of specific and general components. The specific component relates to loans that are classified as impaired. The general component covers non-impaired loans and is based on historical loss experience adjusted for qualitative factors. Determinations as to the classification of assets and the amount of loss allowances are subject to review by our principal federal regulator, the Office of the Comptroller of the Currency, which can require that we establish additional loss allowances. The Bank regularly reviews its asset portfolio to determine whether any assets require classification in accordance with applicable regulations.

A loan is considered past due or delinquent when a contractual payment is not paid on the day it is due. A loan in considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all 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 all loans secured by real estate by the fair value of the collateral if the loan is collateral dependent. If the loan repayment is not deemed collateral dependent, impairment is measured on the net present value of the expected discounted future cash flows.

Loans are automatically placed on non-accrual status when payment of principal or interest is more than 90 days delinquent. Loans are also placed on non-accrual status if collection of principal or interest in full is in doubt or if the loan has been restructured. When loans are placed on non-accrual status, unpaid accrued interest is fully reversed, and further income is recognized only to the extent received. The loan may be returned to accrual status if unpaid principal and interest are repaid so that the loan is less than 90 days delinquent. The Bank's charge-off policy states after all collection efforts have been exhausted, the loan is deemed to be a loss and the amount has been determined, the loss amount will be charged to the allowance for loan losses.

The following tables summarize the activity in the allowance for losses for the years ended December 31, 2020 and 2019 and the distribution of the allowance for loan losses and loans receivable by loan portfolio class and impairment method as of December 31, 2020 and 2019.

Note 4. Credit Quality of Loans and the Allowance for Loan Losses (Continued)

	As of December 31, 2020							
	One –to Four-Family	Home Equity Loans and Lines of Credit	Construction and Land Development	Nonresidential	Commercial	Consumer	Unallocated	Total
Beginning Balance	$ 331,605	$ 62,603	$ 179,541	$ 683,453	$ 55,571	$ 6,950	$ 59,427	$ 1,379,150
Charge-offs	-	-	(263)	-	-	(3,633)	-	(3,896)
Recoveries	-	1,962	-	-	-	-	-	1,962
Provision	8,212	(215)	27,084	360,143	12,809	1,394	(59,427)	350,000
Ending Balance	$ 339,817	$ 64,350	$ 206,362	$ 1,043,596	$ 68,380	$ 4,711	$ -	$ 1,727,216
Ending balance: individually evaluated for impairment	$ 7,501	$ 97	$ -	$ -	$ -	$ -	$ -	$ 7,598
Ending balance: collectively evaluated for impairment	$ 332,316	$ 64,253	$ 206,362	$ 1,043,596	$ 68,380	$ 4,711	$ -	$ 1,719,618
Loans:								
Ending balance	$ 62,117,559	$ 6,894,632	$ 10,804,315	$ 60,209,896	$ 10,197,884	$ 336,507		$ 150,560,793
Ending balance: individually evaluated for impairment	$ 187,845	$ 35,568	$ -	$ -	$ -	$ -		$ 223,413
Ending balance: collectively evaluated for impairment	$ 61,929,714	$ 6,859,064	$ 10,804,315	$ 60,209,896	$ 10,197,884	$ 336,507		$ 150,337,380

Note 4. Credit Quality of Loans and the Allowance for Loan Losses (Continued)

	As of December 31, 2019							
	One –to Four-Family	Home Equity Loans and Lines of Credit	Construction and Land Development	Nonresidential	Commercial	Consumer	Unallocated	Total
Beginning Balance	$ 244,781	$ 68,837	$ 185,170	$ 626,031	$ 28,879	$ 6,669	$ 27,985	$ 1,188,352
Charge-offs	(90,111)	-	(11,000)	-	-	-	-	(101,111)
Recoveries	-	2,439	-	114,470	-	-	-	116,909
Provision	176,935	(8,673)	5,371	(57,048)	26,692	281	31,442	175,000
Ending Balance	$ 331,605	$ 62,603	$ 179,541	$ 683,453	$ 55,571	$ 6,950	$ 59,427	$ 1,379,150
Ending balance: individually evaluated for impairment	$ -	$ 681	$ -	$ -	$ -	$ -	$ -	$ 681
Ending balance: collectively evaluated for impairment	$ 331,605	$ 61,922	$ 179,541	$ 683,453	$ 55,571	$ 6,950	$ 59,427	$ 1,378,469
Loans:								
Ending balance	$ 74,655,376	$ 7,488,348	$ 9,260,520	$ 61,012,514	$ 6,946,372	$ 522,566		$ 159,885,696
Ending balance: individually evaluated for impairment	$ 337,984	$ 116,721	$ 791,625	$ 1,581,818	$ -	$ -		$ 2,828,148
Ending balance: collectively evaluated for impairment	$ 74,317,392	$ 7,371,627	$ 8,468,895	$ 59,430,696	$ 6,946,372	$ 552,566		$ 157,057,548

Note 4. Credit Quality of Loans and the Allowance for Loan Losses (Continued)

As part of the ongoing monitoring of the credit quality of the Bank's loan portfolio, management tracks certain credit quality indicators including trends related to the risk grade of classified loans, net chargeoffs, nonperforming loans, credit scores, and the general economic conditions in the Bank's market area.

The Bank utilizes an internal rating system to monitor the credit quality of the overall loan portfolio. A description of the general characteristics is as follows:

- **Pass** – A pass loan is considered of sufficient quality to preclude a special mention or an adverse rating. Pass assets are generally well protected by the current net worth and paying capacity of the obligor or by the value of the asset or underlying collateral. The pass classification also includes watch credits which have all of the characteristics of a pass loan, but warrant more than the normal level of supervision.

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

- **Substandard** – A substandard loan is inadequately protected by the current sound net worth and paying capacity of the obligor or of the collateral pledged, if any. Substandard loans have a well defined weakness, or weaknesses, that jeopardize the collection or liquidation of the debt. They are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected. This will be the measurement for determining if a loan is impaired.

- **Doubtful** – A doubtful loan has all of the weaknesses inherent in a substandard credit with the added factor that the weaknesses make the collection or liquidation in full, on the basis of current information, conditions and values, highly questionable and improbable. Loans in this category must be placed on non-accrual status and all payments applied to principal recapture. Doubtful classification should be used only when a distinct possibility of loss exists. When identified, adequate loss should be recorded for the specific assets. It is not necessary to classify an entire credit doubtful when collection of a specific portion appears highly probable.

- **Loss** – A loan classified as loss is considered uncollectable and of such little value that continuance as a loan in unjustified. A loss classification does not mean that the credit has absolutely no value; partial recoveries may be received in the future. Amounts classified as loss must be charged-off in the period in which they are deemed uncollectible.

When assets are classified as impaired, the Bank allocates a portion of the related general loss allowances to such assets as the Bank deems prudent. Determinations as to the classification of assets and the amount of loss allowances are subject to review by our principal federal regulator, the Office of the Comptroller of the Currency, which can require that we establish additional loss allowances. The Bank regularly reviews its asset portfolio to determine whether any assets require classification in accordance with applicable regulations.

Note 4. Credit Quality of Loans and the Allowance for Loan Losses (Continued)

The following table is a summary of the loan portfolio quality indicators by loan class recorded investment as of December 31, 2020 and 2019:

	December 31, 2020				
	Pass	Special Mention	Substandard	Doubtful	Total Loans
Real estate loans:					
One-to four-family	$ 61,657,131	$ 272,583	$ 187,845	$ -	$ 62,117,559
Home equity loans and lines of credit	6,874,011	20,621	-	-	6,894,632
Construction and land development	10,804,315	-	-	-	10,804,315
Nonresidential	58,831,855	1,378,041	-	-	60,209,896
Other loans:					
Commercial	10,197,884	-	-	-	10,197,884
Consumer	336,507	-	-	-	336,507
Total loans	$ 148,701,703	$ 1,671,245	$ 187,845	$ -	$ 150,560,793

	December 31, 2019				
	Pass	Special Mention	Substandard	Doubtful	Total Loans
Real estate loans:					
One-to four-family	$ 73,856,550	$ 460,842	$ 337,984	$ -	$ 74,655,376
Home equity loans and lines of credit	7,412,069	-	76,279	-	7,488,348
Construction and land development	8,468,895	-	791,625	-	9,260,520
Nonresidential	59,430,696	-	1,581,818	-	61,012,514
Other loans:					
Commercial	6,946,372	-	-	-	6,946,372
Consumer	522,566	-	-	-	522,566
Total loans	$ 156,637,148	$ 460,842	$ 2,787,706	$ -	$ 159,885,696

The following table sets forth certain information with respect to our loan portfolio delinquencies by loan class and amount as of December 31, 2020 and 2019:

	December 31, 2020							
	Loans 30-59 Days Past Due	Loans 60-89 Days Past Due	Loans 90 or More Days Past Due	Total Past Due Loans	Current Loans	Total Loans	Recorded Investment > 90 Days and Accruing	Nonaccrual Loans
Real estate loans:								
One-to four-family	$ 9,199	$ -	$ 187,845	$ 197,044	$ 61,920,515	$ 62,117,559	$ -	$ 187,845
Home equity loans and lines of credit	-	-	-	-	6,894,632	6,894,632	-	-
Construction and land development	-	-	-	-	10,804,315	10,804,315	-	-
Nonresidential	-	-	-	-	60,209,896	60,209,896	-	-
Other loans:								
Commercial	-	-	-	-	10,197,884	10,197,884	-	-
Consumer	-	-	-	-	336,507	336,507	-	-
Total loans	$ 9,199	$ -	$ 187,845	$ 197,044	$ 150,363,749	$ 150,560,793	$ -	$ 187,845

Note 4. Credit Quality of Loans and the Allowance for Loan Losses (Continued)

	December 31, 2019							
	Loans 30-59 Days Past Due	Loans 60-89 Days Past Due	Loans 90 or More Days Past Due	Total Past Due Loans	Current Loans	Total Loans	Recorded Investment > 90 Days and Accruing	Nonaccrual Loans
Real estate loans:								
One-to four-family	$ 220,316	$ -	$ 337,984	$ 558,300	$ 74,097.076	$ 74,655,376	$ -	$ 337,984
Home equity loans and lines of credit	169,329	-	76,279	245,608	7,242,740	7,488,348	-	76,279
Construction and land development	-	-	75,728	75,728	9,184,792	9,260,520	-	75,728
Nonresidential	-	-	-	-	61,012,514	61,012,514	-	-
Other loans:								
Commercial	31,510	-	-	31,510	6,914,862	6.946,372	-	-
Consumer	24,759	-	-	24,759	497,807	522,566	-	-
Total loans	$ 445,914	$ -	$ 489,991	$ 935,905	$ 158,949,791	$ 159,885,696	$ -	$ 489,991

At December 31, 2020 and 2019 there were no loans 90 days past due and still accruing interest. At December 31, 2020, the Bank had three loans on non-accrual status with foregone interest in the amount of $8,895. At December 31, 2019, the Bank had seven loans on non-accrual status with foregone interest in the amount of $17,925.

In response to the COVID-19 pandemic and its economic impact to our customers, we implemented a short-term modification program that complies with the CARES Act and ASC 310-40 to provide temporary payment relief to those borrowers directly impacted by COVID-19 who were not more than 30 days past due as of December 31, 2019. This program allowed for a deferral of payments for 90 days, which we extended for an additional 90 days for certain loans, for a maximum of 180 days on a cumulative and successive basis.

During the year ended December 31, 2020, the Bank had received and approved requests to modify 61 loans with balances of approximately $26,100,000 due to the effects of COVID-19. The Bank's modifications primarily consisted of interest only payments with the deferral of principal for up to six months, dependent on the borrower and their financial situation. Of the 61 loans modified during the year ended December 31, 2020 due to the effects of COVID-19, all loans complied with their loan modification agreements with four of the loans as of December 31, 2020 continuing to receive COVID-19 modification relief.

Additionally, none of the deferrals are reflected in the Company's asset quality measures (i.e. non-performing loans) due to the provision of the CARES Act that permits U.S. financial institutions to temporarily suspend the U.S. GAAP requirements to treat such short-term modifications as TDR. Similar provisions have also been confirmed by interagency guidance issued by the federal banking agencies and confirmed with staff members of the Financial Accounting Standards Board.

The breakdown of the remaining loan modifications due to the effects of COVID-19 by loan category are as follows:

	Number of loans	Balance
One-to four-family	1	$ 164,551
Home equity loans and lines of credit	1	22,313
Nonresidential	2	1,285,259
Total loans	4	$ 1,472,123

Note 4. Credit Quality of Loans and the Allowance for Loan Losses (Continued)

The Bank accounts for impaired loans under generally accepted accounting principles. An impaired loan generally is one for which it is probable, based on current information, that the lender will not collect all the amounts due under the contractual terms of the loan. Loans are individually evaluated for impairment. When the Bank classifies a problem asset as impaired, it provides a specific reserve for that portion of the asset that is deemed uncollectible based on the present value of expected future cash flows discounted at the loan's original effective interest rate, or based on the loan's observable market price or fair value of the collateral if the loan is collateral dependent.

The following table is a summary of impaired loans for the years ended December 31, 2020 and 2019:

	December 31, 2020				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
One-to four-family	$ 97,032	$ 98,970	$ -	$ 97,804	$ 1,927
With an allowance recorded:					
One-to four-family	$ 90,813	$ 90,813	$ 7,501	$ 88,012	$ 4,019
Home equity loans and lines of credit	35,568	35,568	97	38,005	2,238
Total					
One-to four-family	$ 187,845	$ 189,783	$ 7,501	$ 185,816	$ 5,946
Home equity loans and lines of credit	35,568	35,568	97	38,005	2,238

	December 31, 2019				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
One-to four-family	$ 337,984	$ 342,345	$ -	$ 342,907	$ 11,765
Home equity loans and lines of credit	76,279	76,279	-	82,117	2,727
Construction and land development	791,625	802,625		836,264	54,478
Nonresidential	1,581,818	1,581,818	-	1,609,744	61,141
With an allowance recorded:					
Home equity loans and lines of credit	$ 40,442	$ 40,442	$ 681	$ 43,136	$ 2,964
Total					
One-to four-family	$ 337,984	$ 342,345	$ -	$ 342,907	$ 11,765
Home equity loans and lines of credit	116,721	116,721	681	125,252	5,691
Construction and land development	791,625	802,625	-	836,264	54,478
Nonresidential	1,581,818	1,581,818	-	1,609,744	61,141

Impaired loans also include certain loans that have been modified in a troubled debt restructuring (a "TDR") to make concessions to help a borrower remain current on the loan and/or to avoid foreclosure. These concessions typically result from the Bank's loss mitigation activities and could include reductions in the interest rate, payment extensions, forgiveness of principal, forbearance or other actions. Generally nonaccrual loans that are modified and are considered TDRs are classified as nonperforming at the time of the restructure and may only be returned to performing status after considering the borrower's sustained repayment performance for a reasonable period, generally six months.

Note 4. Credit Quality of Loans and the Allowance for Loan Losses (Continued)

A summary of TDRs at December 31, 2020 and 2019 are as follows:

December 31, 2020	Number of Contracts	Performing	Nonperforming	Total
One-to four-family	1	$ -	$ 90,813	$ 90,813
Home equity loans and lines of credit	1	35,568	-	35,568
	2	$ 35,568	$ -	$ 126,381

December 31, 2019	Number of Contracts	Performing	Nonperforming	Total
Home equity loans and lines of credit	1	$ 40,442	$ -	$ 40,442

The Bank had two TDRs at December 31, 2020 totaling $126,381 and one TDR at December 31, 2019 totaling $40,442. For the year ended December 31, 2020, one TDR was added and was included in nonperforming until such time the borrower performs as agreed for a period of six months. For the year ended December 31, 2019, one TDR was charged-off and we recorded a loss of $49,836 during the year ending December 31, 2019. We recorded a total loss over the life of this TDR of $107,836. The Bank has no commitments to loan additional funds to borrowers whose loans have been modified. There were no TDRs reclassified to nonperforming loans during the year ended December 31, 2020 and 2019. A default is considered to have occurred once the TDR is past due 90 days or more, or it has been placed on nonaccrual.

If loans modified in a TDR subsequently default, the Bank evaluates the loan for possible further impairment. The allowance may be increased, adjustments may be made in the allocation of the allowance, or partial charge-offs may be taken to further write-down the carrying value of the loan.

Note 5. Premises and Equipment

Premises and equipment at December 31, 2020 and 2019, were as follows:

	2020	2019
Cost		
Land	$ 619,926	$ 619,926
Buildings and land improvements	2,741,314	2,713,105
Leasehold improvements	160,469	157,819
Furniture, fixtures, and equipment	884,077	923,541
Total	4,405,786	4,414,391
Less: accumulated depreciation	(2,652,178)	(2,585,725)
	$ 1,753,608	$ 1,828,666

Depreciation expense totaled $145,439 and $158,898 for the years ended December 31, 2020 and 2019, respectively.

The Bank has an operating lease for one of its existing branch locations. The lease expires on December 31, 2022 and contains the option to extend for two additional periods of one year. Minimum annual lease payments are as follows:

Year Ending December 31,	Payments
2021	31,906
2022	32,226
	$ 64,132

Total rent expense for leased property totaled $34,782 and $34,664 for the years ended December 31, 2020 and December 31, 2019, respectively.

Note 6. Foreclosed Real Estate

At December 31, 2020 and 2019, the Bank had $775,000 and $845,000, respectively, in foreclosed real estate. The Bank did not dispose of any foreclosed real estate during the years ended December 31, 2020 and 2019.

The following table summarizes changes in foreclosed real estate for the years ended December 31, 2020 and 2019, which are measured on a nonrecurring basis using significant unobservable, Level 3, inputs:

	2020	2019
Balance, beginning of period	$ 845,000	$ 865,000
Write-down of foreclosed real estate	(70,000)	(20,000)
Balance, end of period	$ 775,000	$ 845,000

At December 31, 2020 and 2019, there were no loans in the process of foreclosure. At December 31, 2020 and 2019, there were no residential real estate properties included in foreclosed real estate.

Note 7. Deposits

Deposits as of December 31, 2020 and 2019 are summarized as follows:

	2020	2019
Noninterest-bearing demand	$ 32,650,939	$ 19,780,866
Interest-bearing demand	25,190,673	23,779,145
Money market	10,728,201	10,242,323
Savings	27,376,013	24,295,700
Certificates of deposit	78,834,296	78,342,839
Total deposits	$ 174,780,122	$ 156,440,873

Deposit accounts in the Bank are federally insured up to $250,000 per depositor. The aggregate amount of certificates of deposit with balances of $250,000 or more totaled $18,339,134 and $14,113,578 at December 31, 2020 and 2019, respectively.

At December 31, 2020, certificates of deposit and their remaining maturities were as follows:

December 31,	
2021	$ 35,747,543
2022	18,036,154
2023	13,318,627
2024	7,928,988
2025	3,802,984
	$ 78,834,296

Deposit balances of officers and directors totaled $973,464 and $419,857 at December 31, 2020 and 2019, respectively.

Note 8. Borrowings

The Bank has advances outstanding from the FHLB. A schedule of borrowings is as follows:

December 31, 2020			December 31, 2019		
Amount	Rate	Maturity Date	Amount	Rate	Maturity Date
$ 5,000,000	0.95%	03/06/2023	$ 2,500,000	1.78%	-

The advance at December 31, 2019 was an overnight advance that was repaid in March 2020.

The Bank has an agreement with the FHLB that allows it to obtain advances secured by assets owned by the Bank. Total advances are limited to 25% of the Bank's total assets. As of December 31, 2020 and 2019, the Bank had total credit availability of approximately $58,700,000 and $55,100,000, respectively, and remaining credit availability of approximately $53,700,000 and $52,600,000, respectively, with FHLB. As of December 31, 2020 and 2019, the Bank pledged a portion of its one-to four-family residential mortgages as collateral. The amount of loans that were deemed eligible to pledge as collateral totaled approximately $43,700,000 and $52,700,000 at December 31, 2020 and 2019, respectively.

The Bank also has a $2,000,000 unsecured federal funds line of credit available with another financial institution, for which no amounts were outstanding as of December 31, 2020 and 2019.

Note 9. Employee Stock Ownership Plan

In connection with the Bank's mutual to stock conversion in September 2018, the Bank established the Chesapeake Bank of Maryland Employee Stock Ownership Plan ("ESOP") for all eligible employees. The ESOP purchased 338,560 shares of Company common stock in the Company's initial public offering at $10.00 per share with the proceeds of a ten (10) year loan from the Company. The interest rate on the ESOP loan is fixed at 5.25%. The Bank intends to make annual contributions to the ESOP that at a minimum will permit the ESOP to repay the principal and interest due on the ESOP debt. However, the Bank may prepay the principal of the note, partially or in full and without penalty or premium at any time and from time to time without prior notice to the holder. Any dividends declared on Company common stock held by the ESOP and not allocated to the account of a participant can be used to repay the loan. As the ESOP loan is repaid, shares of Company common stock pledged as collateral for the loan are released from the loan suspense account for allocation to Plan participants on the basis of each active participant's proportional share of compensation.

Participants vest 100% in their ESOP allocations after three years of service. In connection with the implementation of the ESOP, participants were given credit for past service with the Bank for vesting purposes. Participants will become fully vested upon age 65, death or disability, a change in control, or termination of the ESOP. Generally, participants will receive distributions from the ESOP upon separation from service. The plan reallocates any unvested shares of common stock forfeited upon termination of employment among the remaining participants in the plan.

ESOP compensation represents the average fair market value of the shares of Company common stock allocated or committed to be released as of that date. The difference between the market price and the cost of shares committed to be released is recorded as an adjustment to additional paid-in capital. Dividends, if any, on allocated shares are recorded as a reduction of retained earnings and dividends, if any, on unallocated shares are recorded as a reduction of the debt service. The ESOP compensation expense for the years ended December 31, 2020 and December 31, 2019 was $434,372 and $462,134, respectively.

A summary of ESOP shares is as follows:

	2020	2019
Shares allocated to employees	101,182	67,326
Unearned shares	236,992	270,848
Total ESOP shares	338,174	338,174
Fair value of unearned shares	$ 3,147,254	$ 3,824,374

Note 10. Income Taxes

The income tax provision reflected in the statements of income consisted of the following components for the years ended December 31, 2020 and 2019:

	2020	2019
Income tax expense		
Current tax expense		
Federal	$ 442,461	$ 311,651
State	171,460	61,617
Total current expense	613,921	373,268
Deferred tax (benefit) expense		
Federal	(148,334)	(31,896)
State	(46,036)	26,897
Total deferred benefit	(194,370)	(4,999)
Total income tax expense	$ 419,551	$ 368,269

A reconciliation of tax computed at the Federal statutory tax rate of 21% to the actual tax expense for the years ended December 31, 2020 and 2019, are as follows:

	2020	2019
Tax at Federal statutory rate	$ 286,043	$ 267,956
Tax effect of:		
Bank owned life insurance	(23,018)	(25,646)
RSA stock vesting	9,486	-
Nondeductible expenses	2,971	5,012
Stock-based compensation expense	54,054	44,921
State income taxes, net of federal benefit	90,015	76,026
Income tax expense	$ 419,551	$ 368,269

A reconciliation of the statutory federal income tax rate to the Company's effective tax rate for the years ended December 31, 2020 and 2019, are as follows:

	2020	2019
Tax at Federal statutory rate	21.0%	21.0%
Tax effect of:		
Bank owned life insurance	(1.7)	(2.0)
RSA stock vesting	0.7	
Nondeductible expenses	0.2	0.4
Stock-based compensation expense	4.0	3.5
State income taxes, net of federal benefit	6.6	5.9
Income tax expense	30.8%	28.8%

Note 10. Income Taxes (Continued)

The components of the net deferred tax asset at December 31, 2020 and 2019, were as follows:

Deferred income tax assets:	2020	2019
Deferred compensation	$ 96,640	$ 88,477
2019 Equity Incentive Plan compensation	126,285	93,920
Nonaccrual interest	2,448	4,932
Capitalized foreclosed asset expenses	338,761	318,856
Fair value of loans held for sale	41,827	-
Allowance for loan losses	523,992	423,536
	1,129,953	929,721
Deferred income tax liabilities:		
Unrealized gain on securities	255,070	192,047
Accumulated depreciation	14,267	8,405
Federal Home Loan Bank stock dividends	4,611	4,611
	273,948	205,063
Net deferred income tax asset	$ 856,005	$ 724,658

The Company maintains $1,453,708 of its retained earnings as a reserve for loan losses for tax purposes. This amount has not been charged against earnings and is a restriction on retained earnings. If this balance in the reserve account is used for anything but losses on mortgage loans or payment of special assessment taxes, it will be subject to federal income taxes.

The Company follows the Financial Accounting Standards Board ("FASB") Accounting Standards Codification, which provides guidance on accounting for uncertainty in income taxes recognized in an enterprise's financial statements. The guidance prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return, and also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of December 31, 2020, the Company had no uncertain tax positions that qualify for either recognition or disclosure in the Company's financial statements. The Company's policy is to recognize interest and penalties on unrecognized tax benefits in income tax expense in the financial statements. No interest and penalties were recorded during the period ended December, 31 2020. Generally, the tax years before 2017 are no longer subject to examination by federal, state or local taxing authorities.

Note 11. Benefit Plans

Deferred Compensation Arrangements

The Bank has deferred compensation agreements with former directors and officers. Under the agreements, participants will be paid deferred compensation funded in part by the proceeds in excess of the cash surrender value of life insurance policies. The Bank recognizes the increase in cash surrender value of the insurance policies as income, which amounted to $107,632 and $114,468 during the years ended December 31, 2020 and 2019, respectively.

The Bank's index retirement benefit plan was converted to a supplemental retirement plan which pays equal annual installments to the plan participants upon retirement. Participants are entitled to receive their retirement benefits commencing thirty days following their normal retirement date. Amounts accrued and included in other liabilities were $93,375 and $121,044 at December 31, 2020 and 2019, respectively. The liability is intended to be funded by whole life insurance policies owned by the Bank, insuring the directors.

Supplemental Executive Retirement Plan

The Bank has a Supplemental Executive Retirement Plan ("SERP"), which provides supplemental retirement benefits to the Chief Executive Officer of the Bank. The SERP was terminated on September 16, 2020 and provides for a lump sum payment of $263,583 as of October 1, 2021. The amounts accrued and included in other liabilities related to the Plan as of December 31, 2020 and 2019 were $257,820 and $200,483, respectively.

Note 11. Benefit Plans (Continued)

Total deferred compensation expense recognized during the years ended December 31, 2020 and 2019 was $57,337 and $47,951, respectively.

Defined Contribution Retirement Plan

The Bank established a 401(k) plan covering substantially all of its employees. In order to participate, employees must be 18 years of age and have completed one year of service. As of January 1, 2018, the plan provides for the Company to make contributions which will match employee deferrals on a one-to-one basis up to 3% of an employee's eligible compensation and an additional of 50% of the next 2% of an employee's eligible compensation for a total maximum employer contribution of 4%. Participants are 100% vested in their deferrals and employer matching contributions. Additional contributions can be made at the discretion of the Board of Directors based on the Company's performance. Contributions for the years ended December 31, 2020 and 2019 were $96,347 and $76,147, respectively.

Note 12. Stock Based Compensation

On May 14, 2019, the Board of Directors adopted the 2019 Equity Incentive Plan ("2019 Plan"), which was approved at the Annual Meeting of Stockholders. The 2019 Plan allows for up to 169,280 shares to be issued to employees, executive officers or Directors in the form of restricted stock, and up to 423,200 shares to be issued to employees, executive officers or Directors in the form of stock options. At December 31, 2020, there were 169,280 restricted stock awards granted and 423,200 stock option awards granted under the 2019 Plan.

Restricted Stock Award

The specific terms of each restricted stock award are determined by the Compensation Committee at the date of the grant. Compensation expense is recognized over the vesting period of the awards based on the fair value of the stock at the date of the grant. Participants will vest in their share awards at a rate of 20% per year over a five-year period, beginning one year after the date of the plan share award. If service to the Company is terminated for any reason other than death, disability or change in control, the unvested share awards will be forfeited.

The 2019 Equity Incentive Plan Trust ("Trust") has been established to acquire, hold, administer, invest and make distributions from the Trust in accordance with provisions of the 2019 Plan and Trust. The Company contributed sufficient funds to the Trust for the Trust to acquire 169,280 shares of common stock which are held in the Trust subject to the restricted stock award vesting requirements. The 2019 Plan provides that grants to each employee and non-employee director shall not exceed 25% and 5% of the shares available under the 2019 Plan, respectively. Shares awarded to non-employee directors in the aggregate shall not exceed 30% of the shares available under the 2019 Plan.

The following table presents a summary of the activity in the Company's restricted stock for the years ended December 31, 2020 and 2019:

	Shares	Weighted Average Grant Date Fair Value
Nonvested at January 1, 2020	161,320	$ 13.40
Granted	7,960	11.90
Vested	(32,265)	13.40
Forfeited	-	-
Nonvested at December 31, 2020	137,015	$ 13.31
Fair value of vested shares	$ 428,479	

Note 12. Stock Based Compensation (Continued)

	Shares	Weighted Average Grant Date Fair Value
Nonvested at January 1, 2019	-	$ -
Granted	161,320	13.40
Vested	-	-
Forfeited	-	-
Nonvested at December 31, 2019	161,320	$ 13.40
Fair value of vested shares	$ -	

The following table outlines the vesting schedule of the nonvested restricted stock awards as of December 31, 2020:

Year Ending December 31,	Number of Restricted Shares
2021	32,265
2022	32,265
2023	37,041
2024	33,852
2025	1,592
	137,015

The Company recorded compensation expense related to restricted stock awards of $444,016 and $274,801 during the years ended December 31, 2020 and 2019, respectively. As of December 31, 2020, there was $1,537,595 of total unrecognized compensation expense related to nonvested shares granted under the 2019 Plan. The cost is expected to be recognized over a weighted average period of 3.5 years.

Stock Options

Under the above 2019 Plan, stock options are granted to provide the Company's directors and key employees with a proprietary interest in the Company as an as incentive to contribute to its success. The Board of Directors of the Company may grant options to eligible employees and non-employee directors based on these factors. The 2019 Plan participants will vest in their options at a rate no more rapid than 20% per year over a five year period, beginning one year after the grant date of the option. Vested options will have an exercise period of ten years commencing on the date of grant. If service to the Company is terminated for any reason other than death, disability or change in control, the unvested options shall be forfeited. The Company recognizes compensation expense during the vesting period based on the fair value of the option on the date of the grant. The fair value of each option award is estimated on the date of grant using a closed form option valuation (Black-Scholes) model that uses the assumptions noted in the table below. Expected volatilities are based on historical data. The Company uses historical data to estimate option exercise and post-vesting termination behavior. The expected term of the options granted represents the period of time that options granted are expected to be outstanding, which takes into account that the options are not transferable. The risk-free interest rate for the expected term of the option is based on the U.S. Treasury rate equal to the expected term of the option at the time of the grant.

The fair value of options granted to date was determined using the following assumptions as of the grant date.

Grant Date	May 14, 2019
Expected Stock Price Volatility	17.08%
Expected Dividend Yield	0.00%
Expected Term (In Years)	7.0
Risk-Free Rate	2.30%
Fair Value of Options Granted	$ 3.35

Note 12. Stock Based Compensation (Continued)

Grant Date	May 21, 2020
Expected Stock Price Volatility	23.07%
Expected Dividend Yield	0.00%
Expected Term (In Years)	7.0
Risk-Free Rate	0.68%
Fair Value of Options Granted	$ 3.07

The following table summarizes the Company's stock option activity and related information for the years ended December 31, 2020 and 2019:

December 31, 2020	**Shares**	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Term (in years)**
Outstanding at January 1, 2020	368,300	$ 13.40	9.4
Granted	54,900	11.90	9.4
Exercised	-	-	-
Forfeited	-	-	-
Outstanding at December 31, 2020	423,200	$ 13.21	8.6
Fair value of vested shares	$ 978,205		

	Shares	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Term (in years)**
Outstanding at January 1, 2019	-	$ -	
Granted	368,300	13.40	9.4
Vested	-		-
Forfeited	-		-
Outstanding at December 31, 2019	368,300	$ 13.40	9.4
Fair value of vested shares	$ -		

The Company recorded compensation expense related to stock options of $267,540 and $156,845 during the years ended December 31, 2020 and 2019, respectively. As of December 31, 2020 there was $977,962 of total unrecognized compensation expense related to nonvested stock options granted under the plan. The cost is expected to be recognized over a weighted average period of 3.6 years. The intrinsic value of a stock option is the amount that the market value of the underlying stock exceeds the exercise price of the option. Based upon a fair market value of $13.28 at December 31, 2020, the intrinsic value of the stock is currently less than the weighted average price of the option.

Note 13. Stock Repurchases

On May 14, 2019, the Board of Directors authorized the repurchase of up to 169,280 shares of the Company's outstanding common stock for the Trust in accordance with the 2019 Plan. The repurchase program was equal to the number of restricted stock awards eligible to be granted in the 2019 Plan and 169,280 shares were repurchased during the year ended December 31, 2019.

On December 2, 2019, the Board of Directors authorized a plan to repurchase up to $6,000,000 of the Company's outstanding common stock. The repurchases were made during a one-year period, in privately negotiated transactions, or in such other manner as would comply with the applicable policy, laws and regulations.

Note 13. Stock Repurchases (Continued)

The following table sets forth information in connection with repurchases of the Company's shares of common stock during the periods listed.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Value of Shares Purchased as Part of Publicly Announced Plans	Maximum Value of Shares That May Yet Be Purchased Under the Plan
December 2 – 31, 2019	23,495	$ 14.15	$ 332,545	$ 5,667,455
January 1 – 31, 2020	76,675	14.23	1,423,565	4,576,435
February 1 – 29, 2020	7,500	14.34	1,531,121	4,468,879
March 1 – 31, 2020	262,588	13.55	5,089,565	910,435
April 1 – 30, 2020	8,084	11.38	5,181,581	818,419
May 1 – 31, 2020	21,700	11.94	5,440,665	559,335
June 1 – 30, 2020	33,200	12.05	5,840,800	159,200
July 1 – 31, 2020	12,900	12.19	5,998,057	1,943
August 1 – 31, 2020	161	12.07	6,000,000	-

On August 18, 2020, upon completion of the previous plan dated December 31, 2019, the Board of Directors authorized a plan to repurchase up to an additional $3,500,000 of the Company's outstanding common stock. The repurchases will be made during a one-year period on the open market, in privately negotiated transactions, or in such other manner as will comply with applicable policy, laws and regulations.

The following table sets forth information in connection with repurchases of the Company's shares of common stock during the periods listed.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Value of Shares Purchased as Part of Publicly Announced Plans	Maximum Value of Shares That May Yet Be Purchased Under the Plan
August 18 – 31, 2020	19,864	$ 12.03	$ 239,063	$ 3,260,937
September 1 – 30, 2020	51,500	12.04	859,140	2,640,860
October 1 – 31, 2020	1,000	12.30	871,436	2,628,564
November 1 – 30, 2020	5,500	13.04	943,162	2,556,838
December 1 – 31, 2020	17,200	13.21	1,170,446	2,329,554

Note 14. Earnings Per Common Share

Basic earnings per share is calculated by dividing net income available to common stockholders by the weighted average number of common shares outstanding during the period. Net income available to common stockholders is net income to the Company. Unallocated common shares held by the ESOP are not included in the weighted average number of common shares outstanding for purposes of calculating earnings per share until they are committed to be released. Basic earnings per share excludes dilution and is computed by dividing net income by weighted average number of common shares outstanding during the period. Dilutive earnings per share reflects the potential dilution that could occur if stock options were exercised and is computed by dividing net income by the dilutive weighted average number of common shares outstanding during the period. The computation of diluted earnings per share does not assume conversion, exercise or contingent exercise of securities that would have an anti-dilutive effect.

Note 14. Earnings Per Common Share (Continued)

	Year Ended December 31,	
	2020	2019
Net income	$ 942,557	$ 907,713
Weighted average common shares outstanding, basic	3,579,966	3,942,698
Weighted average common shares outstanding, dilutive	3,579,966	3,949,443
Earnings per common share, basic and diluted	$ 0.26	0.23

Note 15. Regulatory Capital Requirements

Information presented for December 31, 2020 and 2019, reflects the Basel III capital requirements that became effective January 1, 2015 for the Bank. Under these capital requirements and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities and certain off-balance-sheet items as calculated under the regulatory accounting practices. The Bank's capital amounts and classifications are subject to qualitative judgements by regulators about components, risk- weightings and other factors.

Federal bank regulators require the Bank maintain minimum ratios of core capital to adjusted average assets of 4.0%, common equity Tier 1 capital to risk-weighted assets of 4.5%, Tier 1 capital to risk-weighted assets of 6.0% and total risk-based capital to risk-weighted assets of 8.0%. At December 31, 2020, the Bank was "well capitalized" under the regulatory framework for prompt corrective action. To be "well capitalized," the Bank must maintain minimum leverage, common equity Tier 1 risk-based, Tier 1 risk-based and total risk-based capital ratios of at least 5.0%, 6.5%, 8.0% and 10.0%, respectively. There have been no conditions or events since December 31, 2020 that management believes have changed the Bank's category.

The actual and required capital amounts and ratios of the Bank as of December 31, 2020 and 2019 were as follows:

	Actual		Capital Adequacy Purposes		To Be Well Capitalized Under the Prompt Corrective Action Provision	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(dollars in thousands)			
As of December 31, 2020:						
Common equity tier 1 capital (to risk-weighted assets)	$ 43,798	28.38%	$ 6,944	≥4.5%	$ 10,030	≥6.5%
Total risk-based capital (to risk-weighted assets)	45,570	29.53%	12,345	≥8.0%	15,431	≥10.0%
Tier 1 capital (to risk-weighted assets)	43,798	28.38%	9,259	≥6.0%	12,345	≥8.0 %
Tier 1 capital (to average assets)	43,798	18.66%	9,387	≥4.0%	11,734	≥5.0 %
As of December 31, 2019:						
Common equity tier 1 capital (to risk-weighted assets)	$ 41,635	27.74%	$ 6,755	≥4.5%	$ 9,757	≥6.5 %
Total risk-based capital (to risk-weighted assets)	43,054	28.68%	12,008	≥8.0%	15,010	≥10.0%
Tier 1 capital (to risk-weighted assets)	41,635	27.74%	9,006	≥6.0%	12,008	≥8.0 %
Tier 1 capital (to average assets)	41,635	19.08%	8,731	≥4.0%	10,913	≥5.0 %

The Basel III rules limit capital distributions and certain discretionary bonus payments to management if the institution does not hold a "capital conservation buffer" consisting of 2.5% of common equity Tier I capital to risk-weighted assets above the amount necessary to meet its minimum risk-based capital requirements. The capital conservation buffer requirement is 2.5% of risk-weighted assets.

Note 15. Regulatory Capital Requirements (Continued)

As a result of the recently enacted Economic Growth, Regulatory Relief, and Consumer Protection Act, the federal banking agencies were required to develop a "Community Bank Leverage Ratio" (the ratio of a Bank's Tier 1 capital to average total consolidated assets) for financial institutions with assets of less than $10 billion. A "qualifying community bank" that exceeds this ratio will be deemed to be in compliance with all other capital and leverage requirements, including the capital requirements to be considered "well capitalized" under Prompt Corrective Action statutes. The federal banking agencies may consider a financial institution's risk profile when evaluating whether it qualifies as a community bank for purposes of the capital ratio requirement. A financial institution can elect to be subject to this new definition. The federal banking agencies set the minimum capital for the Community Bank Leverage Ratio at 9.00%. Pursuant to the CARES Act, the federal banking agencies in April 2020 issued interim final rules to set the Community Bank Leverage Ratio at 8% beginning in the second quarter of 2020 through the end of 2020. Beginning in 2021, the Community Bank Leverage Ratio will increase to 8.5% for the calendar year. Community banks will have until Jan. 1, 2022, before the Community Bank Leverage Ratio requirement will return to 9%. The Bank did not elect to adopt the Community Bank Leverage Ratio.

Note 16. Fair Value Measurements

ASC Topic 820 provides a framework for measuring and disclosing fair value under U.S. GAAP. ASC Topic 820 requires disclosures about the fair value of assets and liabilities recognized in the balance sheet in periods subsequent to initial recognition, whether the measurements are made on a recurring basis (for example, available-for-sale investment securities) or a nonrecurring basis (for example, impaired loans).

ASC Topic 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC Topic 820 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The Bank utilizes fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. Securities available-for-sale is recorded at fair value on a recurring basis. Additionally, from time to time, the Bank may be required to record at fair value all other assets on a nonrecurring basis, such as loans held for sale, loans held for investment and certain other assets. These nonrecurring fair value adjustments typically involve application of lower of cost or market accounting or write-downs of individual assets.

ASC Topic 820 establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy is as follows:

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar instruments in markets that are not active or by model-based techniques in which all significant inputs are observable in the market for the asset or liability, for substantially the full term of the financial instrument.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement and based on the Bank's own assumptions about market participants' assumptions.

The following is a description of the valuation methods used for instruments measured at fair value as the general classification of such instruments pursuant to the applicable valuation method.

Note 16. Fair Value Measurements (Continued)

Fair value measurements on a recurring basis

Securities available for sale – If quoted prices are available in an active market for identical assets, securities are classified within Level 1 of the hierarchy. If quoted market prices are not available, then fair values are estimated using pricing models, quoted prices of securities with similar characteristics or discounted cash flows and securities dare included within Level 2 of the hierarchy. As of December 31, 2020 and 2019, the Bank has categorized its investment securities available for sale as follows:

	Level 1	Level 2	Level 3	Total
December 31, 2020				
Securities available for sale:				
U.S. Government Agency and Federal obligations	$ -	$ 2,554,013	$ -	$ 2,554,013
Residential mortgage-backed securities	-	13,989,511	-	13,989,511
December 31, 2019				
Securities available for sale:				
U.S. Government Agency and Federal obligations	$ -	$ 9,544,342	$ -	$ 9,544,342
Residential mortgage-backed securities	-	26,010,539	-	26,010,539
Municipal securities	-	1,535,710	-	1,535,710

Fair value measurements on a nonrecurring basis

Impaired loans – The Bank measures impairment generally based on the fair value of the loan's collateral. Fair value is generally determined based upon independent appraisals of the properties, or discounted cash flows based upon the expected proceeds. These assets are included as Level 3 fair values. As of December 31, 2020 and 2019 the fair values consisted of loan balances of $223,413 and $2,828,148 that have been written down by $7,598 and $681, respectively, as a result of specific loan loss allowances.

Foreclosed real estate – The Bank's foreclosed real estate is measured at fair value less estimated cost to sell. As of December 31, 2020 and 2019, the fair value of foreclosed real estate was estimated to be $775,000 and $845,000, respectively. Fair value was determined based on offers and/or appraisals. Cost to sell the real estate was based on standard market factors. The Bank has categorized its foreclosed real estate as Level 3.

	Level 1	Level 2	Level 3	Total
December 31, 2020				
Impaired loans	$ -	$ -	$ 215,815	$ 215,815
Foreclosed real estate	-	-	775,000	775,000
December 31, 2019				
Impaired loans	$ -	$ -	$ 2,827,467	$ 2,827,467
Foreclosed real estate	-	-	845,000	845,000

The following table presents quantitative information about Level 3 fair value measurements for selected financial instruments measured at fair value on a non-recurring basis at December 31, 2019 and 2018:

	Fair Value	Value Technique(s)	Unobservable Inputs	Range or Rate Used
December 31, 2020				
Impaired loans	$ 215,815	Appraised value	Discount to reflect current market conditions	5.00%
		Discounted cash flows	Discount rates	5.75 - 7.50%
Foreclosed real estate	$ 775,000	Appraised value	Discount to reflect current market conditions	10.92%
December 31, 2019				
Impaired loans	$ 2,827,467	Appraised value	Discount to reflect current market conditions	5.00- 10.00%
		Discounted cash flows	Discount rates	7.50%
Foreclosed real estate	845,000	Appraised value	Discount to reflect current market conditions	10.11%

Note 16. Fair Value Measurements (Continued)

The remaining financial assets and liabilities are not reported on the balance sheet at fair value on a recurring basis. The calculation of estimated fair values is based on market conditions at a specific point in time and may not reflect current or future fair values.

The estimated fair values of the Bank's financial instruments, whether carried at cost or fair value are as follows:

		Fair Value Measurements at December 31, 2020 Using			
	Carrying Value	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
			(dollars in thousands)		
Financial assets:					
Cash and cash equivalents	$ 47,608	$ 47,608	$ -	$ -	$ 47,608
Time deposits in other banks	6,448	-	6,726	-	6,726
Securities available for sale	16,544	-	16,544	-	16,544
Federal Home Loan Bank stock	411	-	411	-	411
Loans held for sale	6,074	-	6,226	-	6,226
Loans, net (1)	148,579	-	-	152,294	152,294
Accrued interest receivable	605	-	605	-	605
Financial liabilities:					
Deposits	174,780	-	170,063	-	170,063
Borrowings	5,000		5,199		5,199

		Fair Value Measurements at December 31, 2019 Using			
	Carrying Value	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
			(dollars in thousands)		
Financial assets:					
Cash and cash equivalents	$ 5,987	$ 5,987	$ -	$ -	$ 5,987
Time deposits in other banks	7,936	-	8,127	-	8,127
Securities available for sale	37,091	-	37,091	-	37,091
Federal Home Loan Bank stock	300	-	300	-	300
Loans held for sale	1,730	-	1,823	-	1,823
Loans, net (1)	158,245	-	-	161,954	161,954
Accrued interest receivable	655	-	655	-	655
Financial liabilities:					
Deposits	156,441	-	145,617	-	145,617
Borrowings	2,500	-	2,550	-	2,550

(1) Carrying amount is net of unearned income and the allowance for loan losses.

Note 17. Commitments and Contingencies

The Bank is required to maintain certain average reserve balances as established by the Federal Reserve Bank. The amounts of this reserve balance for the reserve computation period which was satisfied through the restriction of vault cash held at the Bank's branches. No additional reserves were required to be maintained at the Federal Reserve Bank of Richmond.

The Bank is party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to originate loans. These loans involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized on the balance sheet.

The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for loan commitments is represented by the contractual amount of these instruments. The Bank uses the same credit policies for these instruments as it does for on-balance sheet instruments. At December 31, 2020 and 2019, the Bank had in other liabilities $45,000 and $40,000, respectively, of accrued credit losses related to these financial instruments with off-balance sheet risk.

The commitment to originate loans is an agreement to lend to a customer provided there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates and may require the payment of a fee. The Bank expects that a large majority of its commitments will be fulfilled subsequent to the balance sheet date and therefore, represent future cash requirements. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary, is based on management's credit evaluation of the borrower.

Loan commitments representing off-balance sheet risk were as follows:

	December 31,	
	2020	2019
Commitments to extend credit		
Residential construction	$ 9,845,921	$ 11,893,781
Residential real estate	153,000	500,000
Commercial real estate and other construction	2,929,644	2,834,834
Commitments under available lines of credit		
Home equity lines of credit	4,619,267	5,301,358
Commercial lines of credit	1,210,001	2,475,839
Consumer lines of credit	330,435	876,623
Letters of credit	467,612	491,432
	$ 19,555,880	$ 24,373,867

In the normal course of business, the Bank sells loans in the secondary market. As is customary in such sales, the Bank provides indemnification to the buyer under certain circumstances. This indemnification may include the obligation to repurchase loans or refund fees by the Bank, under certain circumstances. In most cases, repurchases and losses are rare, and no provision is made for losses at the time of the sale. When repurchases and losses are probable and reasonably estimable, a provision is made in the financial statements for such estimated losses. There was no provision for losses from repurchases for December 31, 2020 and 2019.

Note 18. Condensed Parent Company Only Financial Information

Presented below are the condensed statements of financial condition as of December 31, 2020 and 2019, and related condensed statements of operations and condensed statements of cash flows for CBM Bancorp, Inc. for the years ended December 31, 2020 and 2019:

Condensed Statements of Financial Condition

	December 31, 2020	December 31, 2019
Assets		
Cash in bank subsidiary	$ 6,610,083	$ 15,034,833
Interest bearing deposits in other banks	79,768	-
ESOP loan receivable	2,369,920	2,708,480
Investment in bank subsidiary	44,470,155	42,140,741
Other assets	32,789	57,454
Total assets	$ 53,562,715	$ 59,941,508
Liabilities and Stockholders' Equity		
Liabilities		
Other liabilities	$ -	$ 6,132
Total liabilities	-	$ 6,132
Stockholders' Equity		
Common stock	36,906	42,085
Additional paid in capital	34,735,278	41,210,056
Retained earnings	22,397,154	23,243,847
Unearned common stock held by:		
Employee Stock Ownership Plan	(2,369,920)	(2,708,480)
2019 Equity Incentive Plan	(1,908,570)	(2,357,994)
Accumulated other comprehensive income	671,867	505,862
Total stockholders' equity	53,562,715	59,935,376
Total liabilities and stockholders' equity	$ 53,562,715	$ 59,941,508

Condensed Statements of Operations

	For the Years Ended December 31,	
	2020	2019
Interest income		
Income on ESOP loan	$ 142,195	$ 159,970
Interest on bank deposits	173,611	271,425
Total interest income	315,806	431,395
Non-interest expense		
Compensation expense	135,424	-
Professional fees	188,153	233,774
Other operating expenses	99,000	102,388
Total non-interest expense	422,577	336,162
Net (loss) income before tax (benefit) expense	(106,771)	95,233
Income tax (benefit) expense	(31,846)	26,206
(Loss) income before equity in undistributed earnings of Bank	(74,925)	69,027
Equity in undistributed earnings of Bank	1,017,482	838,686
Net income	$ 942,557	$ 907,713

Note 18. Condensed Parent Company Only Financial Information (Continued)

Condensed Statements of Cash Flows

	For the Years Ended December 31,	
	2020	2019
Cash flows from operating activities:		
Net income	$ 942,557	$ 907,713
Adjustments to reconcile net income to net cash provided by operating activities		
Equity in undistributed net income of Bank	(1,017,482)	(838,686)
Decrease (increase) in other assets	24,666	(47,381)
(Decrease) increase in other liabilities	(6,132)	632
Net cash (used in) provided by operating activities	(56,391)	22,278
Cash flows from investing activities:		
Principal collected on ESOP loan	338,560	338,560
Net cash provided by (used in) investing activities	338,560	338,560
Cash flows from financing activities:		
Repurchase of common stock for 2019 Equity Incentive Plan	-	(2,357,994)
Repurchase of common stock	(6,837,901)	(332,545)
Cash dividends on common stock	(1,789,250)	-
Net cash used in financing activities	(8,621,151)	(2,690,539)
Net decrease in cash and cash equivalents	(8,344,982)	(2,329,701)
Cash and cash equivalents, beginning balance	15,034,833	17,634,534
Cash and cash equivalents, ending balance	$ 6,689,851	$ 15,034,833