CNB Bank Shares, Inc.

ANNUAL REPORT 2019

HELPING TO OPEN DOORS to the road ahead

Trust in a bank develops over time - not in a few months or years, but over decades, and in some cases, centuries. Our roots go back to the mid-nineteenth century with the founding of a bank in Carrollton, IL, in 1854.

It was operated out of David Pierson's mercantile on the east side of the public square. The first bank in Greene County, it was simply called "David Pierson, Banker". Pierson owned the first iron safe in the county and made it available to those who wished to store money securely. Many of the local farmers were paid in gold.

Due to its deteriorated condition, the building from which Pierson operated his bank (directly south and across the street from the CNB Bank branch in Carrollton) was demolished. Bank Management had the demolition crew remove the vault door from the rubble, load it on a truck and deliver it to Monday Security Corp to be restored. The door now chronicles the ownership of the bank, dating from the original office through the current bank. It is displayed in the entryway of the newly remodeled CNB branch facility in Jerseyville. CNB Bank & Trust is proud of its heritage. This vault door represents the strength and integrity that customers have come to expect from CNB.

CNB Bank & Trust, N.A.

Helping to Open Doors • Since 1854

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Anywhere access to CNB Bank Shares, Inc. 2019 Annual Report, is available online at www.cnbil.com.

DEAR FELLOW STOCKHOLDERS,

The letter from management for last year's Annual Report was authored during the weekend of February 16-18, 2019, while staff from our two banks orchestrated the computer conversion which effectively consolidated them into one, $1.3 billion bank. A great deal of preparation is required to blend two banks. Much of the focus is on making sure the computer files merge effectively, with a goal of little or no disruption in how our customers interact and transact with the combined bank. There are also numerous customer-facing and back-room processes that need to adapt to the inevitable differences in how the prior institutions evolved.

Since banking is a heavily regulated industry, and rightly so, the similarities in operations typically outweigh the differences. Still, over time, respective management decisions and training approaches result in at least slightly different ways to comply with regulations and provide customer service. As this was our sixth computer conversion/merger with another institution since 1996, we do have experience on what to do in advance, and what to anticipate post-merger. But there are always surprises, and this one was no exception. Yet our combined staff worked through the issues, and are confident that by selecting solutions that are customer-focused and still compliant with regulatory requirements, we can deliver best-in-brand service to the communities we serve.

An example of these efforts was the necessity to comply with certain requirements of FDICIA (the FDIC Improvement Act of 1991) due to eclipsing the $1 billion threshold. Management will expand our assessment of the effectiveness of internal controls, and regularly receive attestation of the same by our independent auditors. Compliance staff of the combined bank have been busy over the past year preparing for the expanded requirements by evaluating and documenting internal controls, and creating our testing plans for 2020.

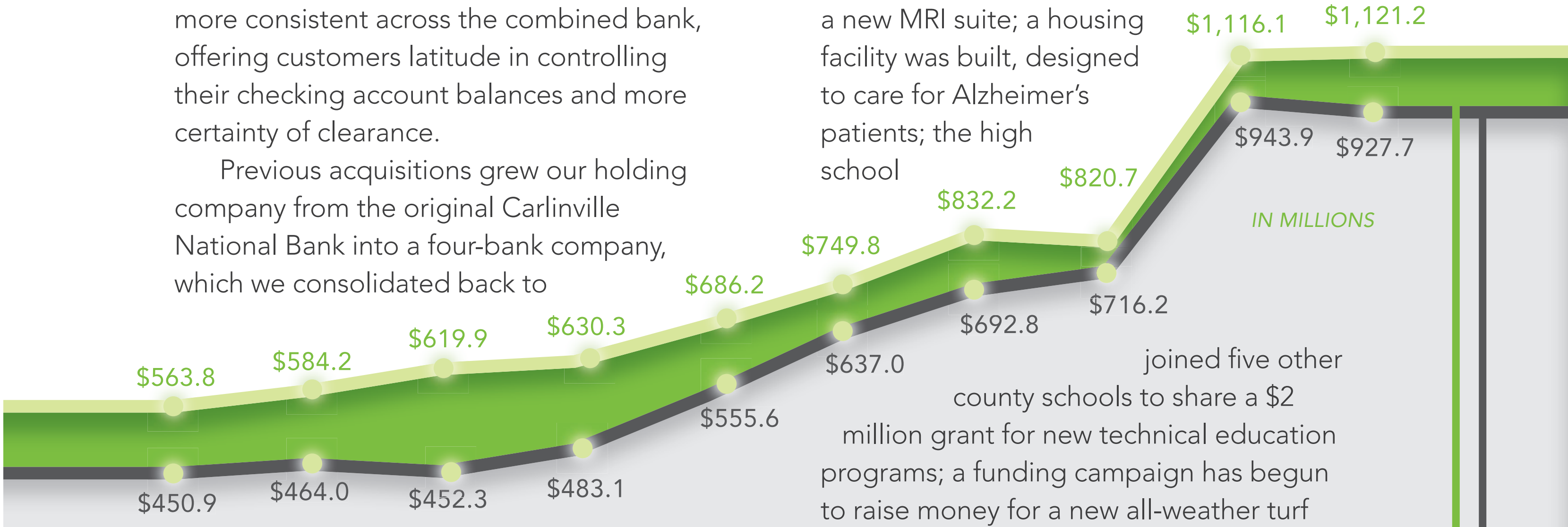
An Enterprise Risk Management system of analysis and reporting has been developed covering all operations and performance areas of the Bank. Naturally, as staff prepared for merger, we had to plan for an efficient combination of all policies, procedures, and disclosures. Strategic planning, capital planning, asset/liability management, and Audit Committee oversight is also coordinated by the **Risk Management Department**, as well as maintenance of the investment portfolio which now exceeds $235 million of relatively liquid government and municipal securities.

After completion of the merger, including addition of new profit centers, our staff accelerated the search for a dashboard platform system to provide better analytics and improved reporting to management and the Board. New software has been installed that facilitates our budgeting process by profit center, allowing us to monitor performance on a daily basis and better focus efforts on areas we can improve.

Our **Operations Department** was also busy with other module upgrades to computer systems, including "Publisher Software" which allows secure delivery of electronic loan files to auditors and examiners for their reviews; Wire Manager/WireXchange and Guardian Analytics software to streamline what was a manual process and provide better wire transfer security for our customers; Notifi Alerts for online/mobile customers which allows them to set-up custom alerts for items such as low balance, direct deposits, transaction limits, etc. Also, the Operations Department implemented a new overdraft program that is more consistent across the combined bank, offering customers latitude in controlling their checking account balances and more certainty of clearance.

Previous acquisitions grew our holding company from the original Carlinville National Bank into a four-bank company, which we consolidated back to one bank in 2011. At that time we organized Sales and Service efforts into three regions, which helps provide operational consistency while recognizing and responding to the differences between the markets we serve.

Region 1 includes our company's headquarters office in Carlinville, the earlier acquisitions in Hillsboro and Taylorville, and the more recently acquired locations in Virden and Litchfield; basically, the eastern portion of our central Illinois footprint. The backbone of the economy in this region is agricultural production (primarily corn and soybeans) and retail support for farmers. Producers suffered through an extremely wet and late spring in early 2019. Yet the remainder of the growing season was ideal, and fall crop yields turned out to be above average. That good fortune, coupled with the Market Facilitation Program payments that farmers received to help offset impact from the China trade strategies, allowed many to improve their finances. Also, recent area farmland auctions remain strong. In Carlinville, the hospital added a new MRI suite; a housing facility was built, designed to care for Alzheimer's patients; the high school joined five other county schools to share a $2 million grant for new technical education programs; a funding campaign has begun to raise money for a new all-weather turf football field, to also be used for soccer and band practice, and PE classes; CNB supports all these efforts. In Taylorville, 2019 was a year of recovery from the F3 tornado which hit on December 1, 2018, damaging more than 500 structures, 34 of which were destroyed. CNB helped with the Relief Fund that received more than $700,000. Other recent Taylorville projects include the hospital's remodeling and expansion, slated for completion in 2021; and a new $25 million water treatment plant with a state-of-the-art nitrate removal system. Hillsboro's economy is helped by the reopening of the Deer Run Coal Mine, employing 60 miners; and the Public Library is applying for grants to help fund a $600,000 renovation project. Litchfield is moving forward with a new $6 million



industrial park project on the west side of the Interstate, aided by a $2.5 million EDA grant; a 41-lot residential development near Lake Lou Yeager; McKay Auto Parts expansion including purchase of a 54,000 square foot warehouse and construction of a new retail store; and Aldi's move to a 22,000 square foot store in the Plaza. In Virden, construction was completed for the new North Mac High School, complete with an all-weather turf football field, and a state-of-the-art media center.

Region 2 is largely comprised by our "second wave" of acquisitions, anchored in Jerseyville, Alton, and Carrollton; Shipman and Brighton; and expanded to Pittsfield, Jacksonville, Chapin, and Clayton, MO (the more western side of our down-state footprint). This region is large geographically and economically, serving both rural and urban communities, and accounting for approximately 45% of CNB's deposits and 53% of the Bank's loans. As the country's economy improved following the Great Recession, competition in these markets has grown considerably. Naturally, all the development projects in a city the size of greater St. Louis (of which Clayton is the county seat) are too numerous to list in a report of this scope. Suffice it to say, our lending and cash management services here for commercial entities has helped to diversify CNB from it's previous agricultural concentrations. A major project under development to be located just outside of Jerseyville is the Mid-American International Gateway Industrial Park. It will be a distribution hub for many cities throughout the Midwest, served by the Kansas City Southern rail network; the Park will cover approximately 1,600 acres, and total investment is predicted to exceed $500 million. CNB's efforts in Jacksonville during 2019 were primarily focused on assimilation with the prior Jacksonville Savings Bank.

Andrew Abraham (Clayton) on the ice at the new Chesterfield Sports Complex in Chesterfield, MO. CNB participated in providing funding to the Chesterfield Hockey Association.

Region 3 is in the southern Cook County communities of Oak Forest, Palos Heights, and Tinley Park. All of those branches were de novo start-ups in 2010, 2014, and 2018 respectively. Serving the suburban economy here further diversifies CNB's balance sheet. Growth has been steady and strong in this region, with total loans now exceeding $240 million, funded by deposits totaling more than $284 million. Each new branch reached profitability within 15 months. Building trade groups report a backlog of work, small businesses demonstrate growing revenues, and vacancies in commercial store fronts are

Region 3 team members featured in the Chicago Tribune Ad "Best of Chicago's Southland" *(Back Row from left:)* Michael Liskiewicz, Dan Walsh, Tom Jelinek *(Front Row:)* Kelly Wood, Roberta Wyatt, Andrew Tinberg, Barbara Bergamo, Robert Straz

A special section featuring the BEST OF CHICAGO'S SOUTHLAND "CNB named Best Bank" was published by the Chicago Tribune on August 29, 2019.

steadily declining. Home values continue their decade-long recovery, albeit lagging the national average. The three locations experienced record highs in lobby and ATM transactions, posting more than 20% growth in deposits and 26% increase in profitability. Examples of specific area projects include the anticipated construction of a Holiday Inn Express hotel in the Oak Forest Industrial Park; a new 127 room full-service Holiday Inn to be built in Tinley Park; and a new $33 million Spectrum Senior Living Center recently opened in Palos Heights.

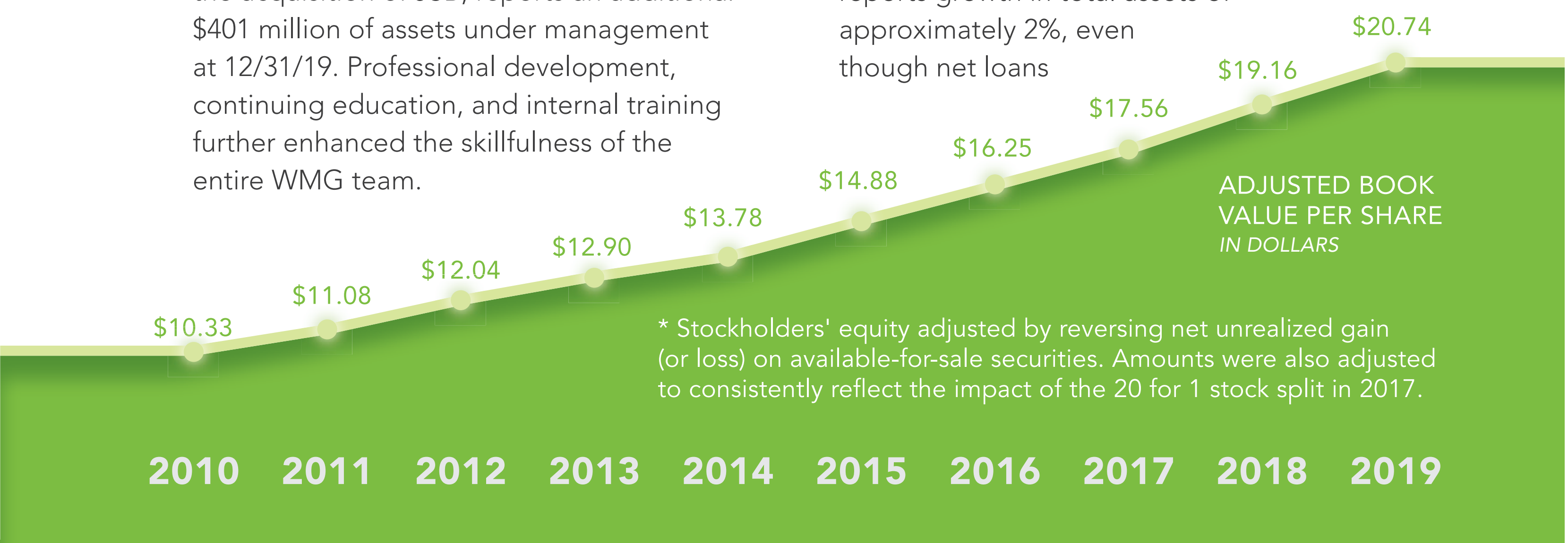
The **CNB Marketing Department** also got in the act for software upgrade as they coordinated development and implementation of a new website. It offers enhanced products and services pages to customers, as well as newsroom and events pages. The CNB blog is a new feature that provides viewers with expanded information about bank events and announcements. The website has an average of 11,000 active monthly users. Links to social media that CNB participates with are easily accessed from website pages, helping to cultivate customer relationships within all communities served by CNB. In addition, the Marketing Department engaged with Answer Midwest, an after-hour call center provider located in Alton. It is designed to assist after-hour callers with their questions and concerns, and with product-related assistance. A recently added feature is a voluntary 5-question survey to help us improve customer service in general, and the call center in particular.

An important division of CNB's marketing efforts is Customer Relationship Management (CRM). We utilize a CRM software package that helps us determine "best fit" of CNB products based on customer profiles. The software also helps business development staff efficiently manage through the sales cycle, and eventual onboarding of new customers. CRM staff coordinates training throughout the CNB branch network to assure consistent service standards are followed, and new employees are properly onboarded. As part of the process to merge the two banks, we reviewed the account types of each, resulting in selecting the services of StrategyCorps to incorporate their BaZing checking account product, which provides CNB customers the opportunity to access numerous discounts from area merchants. A new project is the development of "universal banker" positions in CNB lobbies to provide more efficient customer service for both deposit and loan inquiries. This strategy, combined with streamlining processes to achieve faster account opening, will improve customer service both in the lobby and online.

The **Trust Department/Wealth Management Group** grew assets under administration to more than $265 million. Significant database realignments and a hardware migration were completed seamlessly, and process improvements were implemented to better serve our expanding customer base. The **Financial Resources Group**, which became a part of CNB with the acquisition of JSB, reports an additional $401 million of assets under management at 12/31/19. Professional development, continuing education, and internal training further enhanced the skillfulness of the entire WMG team.

The **Residential Mortgage Department** experienced significant growth in 2019 due to the merger with Jacksonville Savings Bank. Conventional mortgage origination volume for CNB essentially doubled from 2018 levels in terms of the number of loans originated. CNB's use of federally sponsored first-time homebuyer programs, such as the USDA's Rural Development Guaranteed Housing Loan Program and the Federal Home Loan Bank of Chicago's Downpayment Plus Program, also expanded in 2019 as a result of the Bank's larger footprint. CNB's approach to mortgage lending is primarily designed to service what we originate, so our mortgage servicing portfolio volume also grew proportionately. The department was reorganized in late 2019 as a result of the retirement of the long-tenured Head of Production; supervisors were named over both the Loan Processing and Loan Servicing divisions, and a dedicated underwriter position was created to ensure consistent and compliant mortgage originations.

The Independent Auditor's Report begins on page 9. The Consolidated Balance Sheets on the following page reports growth in total assets of approximately 2%, even though net loans



declined 1.8%. Note 4 beginning on page 25 shows commercial real estate loans up 13.6%, while demand in all other categories declined somewhat. Liquidity improved compared to year-end 2018 as cash and due from banks grew more than 26%, and the investment portfolio by 9.7%. Asset funding was aided by a modest increase in total deposits of 0.5%. Note 6 on page 32 reveals a shift in customer balances to regular savings accounts from time deposits and transaction accounts, which is customary in a declining interest rate environment. Most important for investors was the 12.6% increase in retained earnings.

The calculation of tangible book value is total capital, less net identifiable intangible assets and goodwill; this amount, divided by the total of common stock (net of treasury shares) and preferred shares as if converted (100 to 1), reveals a tangible book value at 12/31/19 of $17.35 per share. The tangible book value at 12/31/18 was $14.73 per share. Note 11 on page 35 describes the Castle Creek Capital transaction of 1/17/18: at that time, the tangible book value per share was $13.99, and the purchase price of $19.86 per share was 1.42 times tangible book. Applying the 1.42 multiple to tangible book value at year-end 2018 and 2019 calculates to $20.91 and $24.63 respectively. CNBSI stock trades under the ticker symbol CNBN; during 2019 the stock price range was $17.85 to $22.00. For 2019 the basic earnings per share (EPS) was $2.46, which compares to $1.80 basic EPS for 2018. The diluted EPS for 2019 was $2.08, compared to $1.62 diluted EPS for 2018.

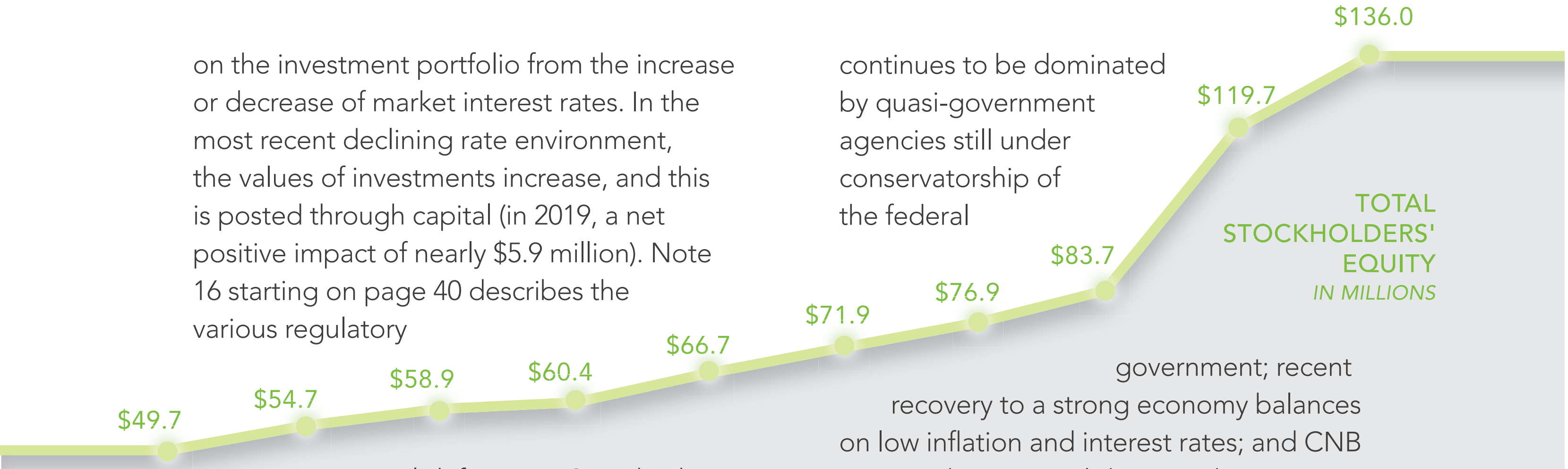
RECORD YEAR

43.6%

INCREASE IN PROFITABILITY OVER 2018

Turning to the Statements of Income on page 11, you will see a $9.5 million increase in total interest income, largely offset by a $5.3 million increase in total interest expense. The Federal Reserve pushed interest rates up between 2015 and 2018, resulting in many of our assets and liabilities being repriced higher, which accounts for the increase in both interest income and expense. During 2019 the Fed brought rates back down; such swings in rates always tend to result in greater competitive pressure on pricing. This is reflected in a decline in the ratio of net interest income divided by total interest income, 81.7% in 2018 versus 75.6% in 2019. Still, although margins are being squeezed, CNB enjoyed a 10.3% increase in net interest income. Additionally, provisions to the loan loss reserve were able to be reduced more than $1 million compared to 2018. Noninterest income improved 30.6%, with healthy increases in nearly every category. This was partially offset by a 5.8% increase in total noninterest expense, which included expenses related to the merger of the two banks. The after tax result was a record year of profitability for CNB, an increase of 43.6% over the 2018 level.

The Statements of Stockholders' Equity on page 13 shows that most of the net income was retained, yet more than $2.5 million was distributed as cash dividends, an increase of 14.5% over the prior year. Also on this report and the one prior to it, you can see the rather large increase to equity attributable to other comprehensive income. This accounting requirement is the calculation of the effect



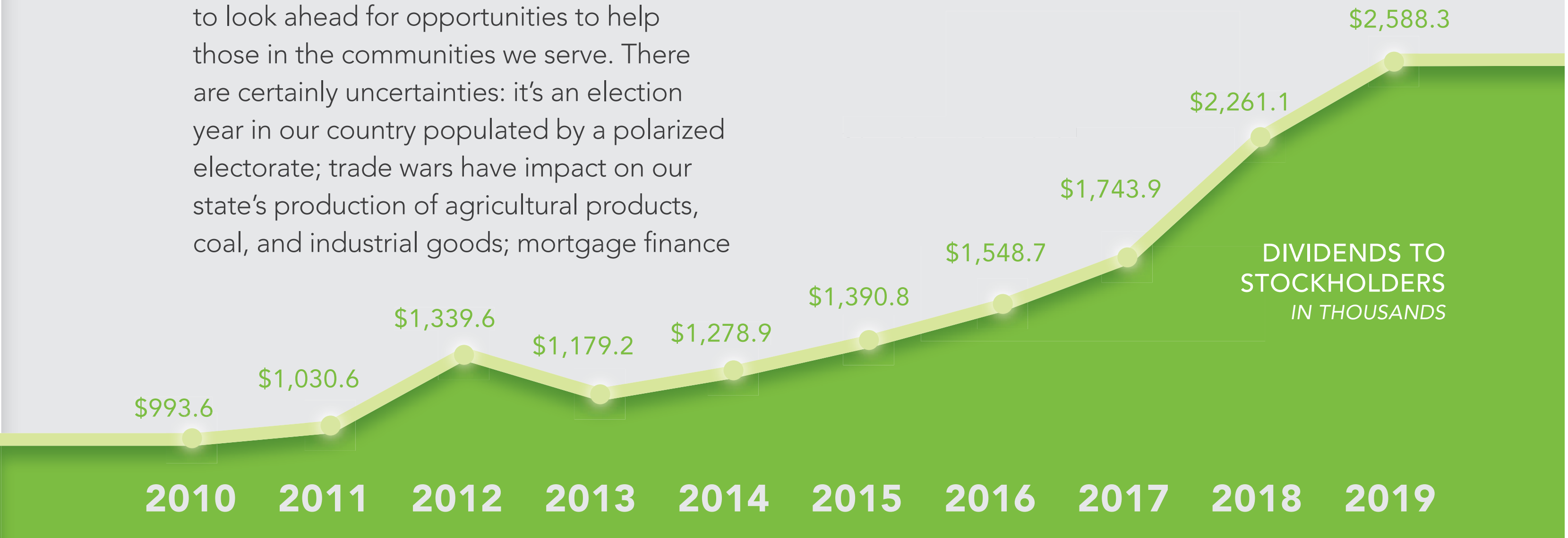
on the investment portfolio from the increase or decrease of market interest rates. In the most recent declining rate environment, the values of investments increase, and this is posted through capital (in 2019, a net positive impact of nearly $5.9 million). Note 16 starting on page 40 describes the various regulatory capital definitions; CNB, both for the Bank and consolidated calculations, improved in most all of those ratios, and therefore remains well above regulatory capital minimums.

Net income is also shown as a significant component in the Statements of Cash Flows on page 14. While loans declined nearly $15 million, this report shows those funds were invested, as purchases of securities in the investment portfolio exceeded calls and maturities by just over $14.5 million. Also worth highlighting is the increase in mortgage loan originations, up from $32.7 million in 2018 to $40.4 million in 2019.

As the cover to this Report implies, the Board, management and staff of CNB strive to look ahead for opportunities to help those in the communities we serve. There are certainly uncertainties: it's an election year in our country populated by a polarized electorate; trade wars have impact on our state's production of agricultural products, coal, and industrial goods; mortgage finance continues to be dominated by quasi-government agencies still under conservatorship of the federal government; recent recovery to a strong economy balances on low inflation and interest rates; and CNB exists within a consolidating industry. But our road has been paved with consistent performance, and as we help to open doors to people's dreams for their families and businesses, we pledge to stay the course and build towards an even brighter future.

James T. Ashworth
President & Vice Chairman, CNB Bank Shares, Inc.

Shawn Davis
President & CEO, CNB Bank & Trust, N.A.



Cummings, Ristau & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

The Board of Directors
CNB Bank Shares, Inc.:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of CNB Bank Shares, Inc. and subsidiary, which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CNB Bank Shares, Inc. and subsidiary as of December 31, 2019 and 2018, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Cummings, Ristau & Associates, P.C.

St. Louis, Missouri
February 13, 2020

CNB BANK SHARES, INC. AND SUBSIDIARY

Consolidated Balance Sheets

December 31, 2019 and 2018

ASSETS	2019	2018
Cash and due from banks (note 2)	**$ 28,191,882**	14,066,757
Interest-earning deposits in other financial institutions	**73,488,913**	66,244,670
Investments in available-for-sale debt securities (note 3)	**235,539,729**	214,727,516
Mortgage loans held for sale	**3,283,145**	442,000
Loans (notes 4 and 9)	**927,688,563**	943,908,478
Less:		
Deferred loan fees, net of related costs	**(859,575)**	(672,993)
Unamortized discount on purchased loans	**(739,364)**	(1,830,680)
Reserve for possible loan losses	**(11,655,035)**	(10,382,768)
Net loans	**914,434,589**	931,022,037
Bank premises and equipment, net (note 5)	**18,468,608**	16,967,116
Accrued interest receivable	**9,222,929**	9,333,717
Bank-owned life insurance policies (note 12)	**12,636,452**	12,422,272
Identifiable intangible assets, net of accumulated amortization of $3,392,228 and $6,900,493 at December 31, 2019 and 2018, respectively	**4,871,203**	5,426,582
Goodwill	**21,415,712**	21,415,712
Other assets (note 7)	**12,414,283**	15,735,202
	$ 1,333,967,445	1,307,803,581

LIABILITIES AND STOCKHOLDERS' EQUITY	2019	2018
Deposits (note 6):		
Noninterest-bearing	**$ 185,680,249**	185,714,853
Interest-bearing	**935,487,847**	930,382,704
Total deposits	**1,121,168,096**	1,116,097,557
Short-term borrowings (note 8)	**28,621,537**	25,029,171
Accrued interest payable	**2,496,247**	1,724,579
Federal Home Loan Bank borrowings (note 9)	**22,333,509**	21,666,069
Notes payable (note 10)	**6,550,000**	7,546,925
Other liabilities (note 12)	**16,800,920**	16,077,794
Total liabilities	**1,197,970,309**	1,188,142,095
Commitments and contingencies (notes 13 and 15)		
Stockholders' equity (notes 11, 14, and 16):		
Preferred stock and related surplus, $0.01 par value; 200,000 shares authorized, 9,745 shares issued and outstanding	**19,352,310**	19,352,310
Common stock, $0.05 par value; 20,000,000 shares authorized, 5,779,659 shares issued and outstanding	**288,983**	288,983
Surplus	**19,481,484**	19,499,123
Retained earnings	**98,075,865**	87,128,813
Treasury stock, at cost – 430,107 and 450,707 shares at December 31, 2019 and 2018, respectively	**(6,014,200)**	(5,524,609)
Accumulated other comprehensive income (loss) – net unrealized holding gains (losses) on available-for-sale securities	**4,812,694**	(1,083,134)
Total stockholders' equity	**135,997,136**	119,661,486
	$ 1,333,967,445	1,307,803,581

See accompanying notes to consolidated financial statements.

CNB BANK SHARES, INC. AND SUBSIDIARY

Consolidated Statements of Income

Years ended December 31, 2019 and 2018

	2019	2018
Interest income:		
Interest and fees on loans (note 4)	**$ 51,137,055**	43,634,067
Interest on debt securities:		
Taxable	**4,351,236**	3,053,742
Exempt from federal income taxes	**2,694,269**	2,362,985
Interest on short-term investments	**1,149,670**	736,962
Total interest income	**59,332,230**	49,787,756
Interest expense:		
Interest on deposits (note 6)	**13,321,756**	8,273,617
Interest on short-term borrowings (note 8)	**338,860**	241,595
Interest on longer-term Federal Home Loan Bank borrowings (note 9)	**458,731**	357,595
Interest on notes payable (note 10)	**348,721**	249,025
Total interest expense	**14,468,068**	9,121,832
Net interest income	**44,864,162**	40,665,924
Provision for possible loan losses (note 4)	**2,091,095**	3,101,114
Net interest income after provision for possible loan losses	**42,773,067**	37,564,810
Noninterest income:		
Service charges on deposit accounts	**1,982,008**	1,626,693
Card-based revenue	**1,352,252**	1,448,937
Income from fiduciary activities	**1,424,848**	1,134,594
Mortgage banking revenues	**1,833,128**	1,423,936
Increase in cash surrender value of life insurance policies	**216,868**	153,621
Net gains on sales of investment securities (note 3)	–	31,066
Other noninterest income (note 5)	**3,520,805**	2,091,169
Total noninterest income	**10,329,909**	7,910,016
Noninterest expense:		
Salaries and employee benefits (notes 11 and 12)	**21,611,043**	18,780,691
Occupancy and equipment expense (note 5)	**5,235,665**	4,137,096
Legal and professional fees	**871,546**	3,087,661
Postage, printing, and supplies	**890,624**	702,376
Amortization of intangible assets	**930,970**	832,840
Other real estate owned expense	**168,655**	98,669
Advertising expense	**832,703**	786,299
FDIC insurance assessments	**424,073**	610,670
Other noninterest expense	**4,118,979**	4,113,809
Total noninterest expense	**35,084,258**	33,150,111
Income before applicable income taxes	**18,018,718**	12,324,715
Applicable income tax expense (note 7)	**4,483,361**	2,901,491
Net income	**$ 13,535,357**	9,423,224

See accompanying notes to consolidated financial statements.

CNB BANK SHARES, INC. AND SUBSIDIARY

Consolidated Statements of Comprehensive Income

Years ended December 31, 2019 and 2018

	2019	2018
Net income	$ 13,535,357	9,423,224
Other comprehensive income (loss) before tax:		
Net unrealized gains (losses) on available-for-sale debt securities	7,463,074	(1,070,932)
Reclassification adjustments for net security sale gains included in noninterest income in the consolidated statements of income	–	(31,066)
Other comprehensive income (loss) before tax	7,463,074	(1,101,998)
Income tax related to items of other comprehensive income (loss), net of $6,524 in 2018, relating to amounts reclassified out of accumulated other comprehensive income (loss)	1,567,246	(231,420)
Total other comprehensive income (loss), net of tax	5,895,828	(870,578)
Total comprehensive income	$ 19,431,185	8,552,646

See accompanying notes to consolidated financial statements.

CNB BANK SHARES, INC. AND SUBSIDIARY

Consolidated Statements of Stockholders' Equity

Years ended December 31, 2019 and 2018

	Preferred stock and related surplus	Common stock	Surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income (loss)	Total stock-holders' equity
Balance at December 31, 2017	$ –	262,710	8,929,106	79,966,720	(5,265,582)	(212,556)	83,680,398
Net income	–	–	–	9,423,224	–	–	9,423,224
Compensation expense recorded for stock options granted	–	–	25,342	–	–	–	25,342
Cash dividends paid – $0.39 per share	–	–	–	(2,261,131)	–	–	(2,261,131)
Issuance of 9,745 shares of preferred stock	19,352,310	–	–	–	–	–	19,352,310
Issuance of 525,459 shares of common stock	–	26,273	10,410,284	–	–	–	10,436,557
Purchase of 75,027 common shares for treasury	–	–	–	–	(1,412,143)	–	(1,412,143)
Stock options exercised – 100,640 common shares from treasury	–	–	134,391	–	1,153,116	–	1,287,507
Unrealized net holding losses on available-for-sale securities, net of related tax effect	–	–	–	–	–	(870,578)	(870,578)
Balance at December 31, 2018	19,352,310	288,983	19,499,123	87,128,813	(5,524,609)	(1,083,134)	119,661,486
Net income	–	–	–	**13,535,357**	–	–	**13,535,357**
Compensation expense recorded for stock options granted	–	–	**44,401**	–	–	–	**44,401**
Cash dividends paid – $0.41 per share	–	–	–	**(2,588,305)**	–	–	**(2,588,305)**
Purchase of 96,760 common shares for treasury	–	–	–	–	**(2,022,284)**	–	**(2,022,284)**
Stock options exercised – 117,360 common shares from treasury	–	–	**(62,040)**	–	**1,532,693**	–	**1,470,653**
Unrealized net holding gains on available-for-sale securities, net of related tax effect	–	–	–	–	–	**5,895,828**	**5,895,828**
Balance at December 31, 2019	**$ 19,352,310**	**288,983**	**19,481,484**	**98,075,865**	**(6,014,200)**	**4,812,694**	**135,997,136**

See accompanying notes to consolidated financial statements.

CNB BANK SHARES, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

Years ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Net income	$ 13,535,357	9,423,224
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,530,002	2,586,798
Provision for possible loan losses	2,091,095	3,101,114
Net security sale gains	–	(31,066)
Net cash gains on sales of mortgage loans in secondary market	(640,057)	(414,873)
Capitalized mortgage servicing rights	(375,592)	(281,497)
Net losses (gains) and write-downs on sales of other real estate owned	(97,186)	(55,461)
Deferred income tax expense (benefit)	20,446	(5,497)
Stock option expense	44,401	25,342
Decrease (increase) in accrued interest receivable	110,788	(685,063)
Increase in accrued interest payable	771,668	537,808
Mortgage loans originated for sale in secondary market	(40,400,345)	(32,741,956)
Proceeds from mortgage loans sold in secondary market	38,199,257	33,407,409
Increase in cash surrender value of life insurance policies, net of mortality costs	(216,868)	(155,618)
Other operating activities, net	1,817,192	(5,297,975)
Net cash provided by operating activities	17,390,158	9,412,689
Cash flows from investing activities:		
Net cash paid for acquisition of subsidiary (note 17)	–	(30,044,491)
Proceeds from calls and maturities of and principal payments on available-for-sale debt securities	38,047,677	23,711,851
Purchases of available-for-sale debt securities	(52,626,080)	(6,741,403)
Proceeds from sales of available-for-sale debt securities	–	23,648,022
Redemption of Federal Home Loan Bank stock	338,618	640,773
Net decrease (increase) in loans	14,956,680	(35,832,467)
Purchases of bank premises and equipment, net	(3,180,752)	(1,106,640)
Proceeds from sale of other real estate owned	1,270,895	400,007
Capitalized costs of additions to other real estate	(24,000)	–
Proceeds from redemption of life insurance contract	2,688	–
Net cash used in investing activities	(1,214,274)	(25,324,348)
Cash flows from financing activities:		
Net increase in deposits	5,070,539	21,951,310
Net increase in short-term borrowings	3,592,366	6,454,369
Proceeds from notes payable	–	6,700,000
Principal payments on notes payable	(996,925)	(1,000,000)
Proceeds from Federal Home Loan Bank borrowings	5,650,000	7,000,000
Payments of Federal Home Loan Bank borrowings	(4,982,560)	(26,741,621)
Stock options exercised	1,470,653	1,287,507
Issuance of preferred stock	–	19,352,310
Issuance of common stock	–	10,436,557
Purchase of treasury stock	(2,022,284)	(1,412,143)
Dividends paid	(2,588,305)	(2,261,131)
Net cash provided by financing activities	5,193,484	41,767,158
Net increase in cash and cash equivalents	21,369,368	25,855,499
Cash and cash equivalents at beginning of year	80,311,427	54,455,928
Cash and cash equivalents at end of year	$ 101,680,795	80,311,427

See accompanying notes to consolidated financial statements.

CNB BANK SHARES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CNB Bank Shares, Inc. (the Company) provides a full range of banking services to individual and corporate customers throughout south-central Illinois, suburban southwestern Chicago, and the St. Louis metropolitan area, through its wholly owned subsidiary bank, CNB Bank & Trust, N.A. (the Bank). The Company and Bank are subject to competition from other financial and nonfinancial institutions providing financial products throughout the Company's market areas. Additionally, the Company and Bank are subject to the regulations of certain federal and state agencies and undergo periodic examinations by those regulatory agencies.

The accounting and reporting policies of the Company and Bank conform to generally accepted accounting principles within the financial services industry. In compiling the consolidated financial statements, management is required 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 consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates that are particularly susceptible to change in a short period of time include the determination of the reserve for possible loan losses; valuation of other real estate owned, stock options, and acquisition assets and liabilities; and determination of possible impairment of intangible assets. Actual results could differ from those estimates.

Following is a description of the more significant of the Company's accounting policies:

Principles of Consolidation

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

Basis of Accounting

The Company and Bank utilize the accrual basis of accounting, which includes in the total of net income all revenues earned and expenses incurred, regardless of when actual cash payments are received or paid. The Company is also required to report comprehensive income, of which net income is a component. Comprehensive income is defined as the change in equity (net assets) of a business enterprise during a period from transactions and other events and circumstances from nonowner sources, including all changes in equity during a period, except those resulting from investments by, and distributions to, owners, and cumulative effects of any changes in accounting principles. The components of accumulated other comprehensive income (loss) are as follows at December 31, 2019 and 2018:

	2019	2018
Net unrealized gains (losses) on available-for-sale securities	**$ 6,092,018**	(1,371,056)
Deferred tax effect	**(1,279,324)**	287,922
	$ 4,812,694	(1,083,134)

Cash Flow Information

For purposes of the consolidated statements of cash flows, cash equivalents include cash and due from banks and interest-earning deposits in other financial institutions (all of which are payable upon demand). Certain balances maintained in other financial institutions generally exceed the level of deposits insured by the Federal Deposit Insurance Corporation (FDIC). Following is certain supplemental information relating to the Company's consolidated statements of cash flows for the years ended December 31, 2019 and 2018:

	2019	2018
Cash paid for:		
Interest	**$ 13,696,400**	8,584,024
Income taxes	**3,969,000**	3,539,000
Noncash transactions:		
Transfers to other real estate owned in settlement of loans	**677,745**	487,016
Transfer to bank premises from other real estate owned	–	79,865
Transfer from bank premises to other real estate owned	**367,021**	–
Loans made to facilitate the sale of other real estate owned	**46,756**	52,003

Investments in Debt Securities

The Company classifies its debt securities into one of three categories at the time of purchase: trading, available-for-sale, or held-to-maturity. Trading securities would be bought and held principally for the purpose of selling them in the near term. Held-to-maturity securities are those securities which the Company has the ability and intent to hold until maturity. All other debt securities not included in trading or held-to-maturity are classified as available-for-sale.

Trading and available-for-sale securities are recorded at fair value. Held-to-maturity securities (for which no securities were so designated at December 31, 2019 and 2018) would be recorded at amortized cost, adjusted for the amortization of premiums or accretion of discounts. Holding gains and losses on trading securities (for which no securities were so designated at December 31, 2019 and 2018) would be included in earnings. Unrealized holding gains and losses, net of the related tax effect, on available-for-sale securities are excluded from earnings and reported as a component of other comprehensive income in stockholders' equity until realized. Transfers of securities between categories would be recorded at fair value at the date of transfer. Unrealized holding gains and losses would be recognized in earnings for any transfers into the trading category.

Mortgage-backed securities represent participating interests in pools of long-term first mortgage loans originated and serviced by the issuers of the securities. Amortization of premiums and accretion of discounts for mortgage-backed securities are recognized as interest income using the interest method, which considers the timing and amount of prepayments of the underlying mortgages in estimating future cash flows for individual mortgage-backed securities. For other debt securities, premiums and discounts are amortized or accreted over the lives of the respective securities, with consideration of historical and estimated prepayment rates, as an adjustment to yield using the interest method. Dividend and interest income is recognized when earned. Realized gains and losses from the sale of any securities classified as available-for-sale are included in earnings and are derived using the specific identification method for determining the cost of securities sold.

Declines in the fair value of debt securities below their cost that are deemed to be other-than-temporary are reflected in operations as realized losses. In estimating other-than-temporary impairment losses, management systematically evaluates investment securities for other-than-temporary declines in fair value on a quarterly basis. The analysis requires management to consider various factors, which include the present value of the cash flows expected to be collected compared to the amortized cost of the security, the duration and magnitude of the decline in value, the financial condition of the issuer or issuers, the structure of the security, and the intent to sell the security or whether it is more likely than not that the Company would be required to sell the security before its anticipated recovery in market value.

Loans

Interest on loans is credited to income based on the principal amount outstanding. Loans are considered delinquent whenever interest and/or principal payments have not been received when due. The recognition of interest income is generally discontinued when a loan becomes 90 days delinquent or when, in management's judgment, the interest is not collectible in the normal course of business. Subsequent payments received on such loans are applied to principal if any doubt exists as to the collectibility of such principal; otherwise, such receipts are recorded as interest income. Loans are returned to accrual status when management believes full collectibility of principal and interest is expected. The Bank considers a loan impaired when all amounts due, both principal and interest, will not be collected in accordance with 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. When measuring impairment for such loans, the expected future cash flows of an impaired loan are discounted at the loan's effective interest rate. Alternatively, impairment is measured by reference to an observable market price, if one exists, or the fair value of the collateral for a collateral-dependent loan; however, the Company measures impairment based on the fair value of the collateral, using observable market prices, if foreclosure is probable.

Loan origination fees and certain direct loan origination costs are deferred and recognized as an adjustment to interest income over the lives of the related loans using the interest method.

The reserve for possible loan losses is available to absorb loan charge-offs. The reserve is increased by provisions charged to operations and is reduced by loan charge-offs less recoveries. Loans are partially or fully charged off when Bank management believes such amounts are uncollectible, either through collateral liquidation or cash payment. Management utilizes a systematic, documented approach in determining the appropriate level of the reserve for possible loan losses. The level of the reserve reflects management's continuing evaluation of industry concentrations; specific credit risks; loan loss experience; current loan portfolio quality; present economic, political, and regulatory conditions; and probable losses inherent in the current loan portfolio. The determination of the appropriate level of the reserve for possible loan losses inherently involves a degree of subjectivity and requires the Bank to make significant estimates of current credit risks and future trends, all of which may undergo material changes. Changes in economic conditions affecting borrowers, new information regarding existing loans, identification of additional problem loans, and other factors, both within and outside of the Bank's control, may require an increase in the reserve for possible loan losses.

Management believes the reserve for possible loan losses is adequate to absorb losses in the loan portfolio. While management uses available information to recognize losses on loans, future additions to the reserve may be necessary based on changes in economic conditions. Additionally, various regulatory agencies, as an integral part of the examination process, periodically review the Bank's reserve for possible loan losses. Such agencies may require the Bank to add to the reserve for possible loan losses based on their judgments and interpretations about information available to them at the time of their examinations.

Loans Acquired Through Transfer

Loans acquired through the completion of a transfer, including loans acquired in a business combination, that have evidence of deterioration of credit quality since origination and for which it is probable, at acquisition, that the Company will be unable to collect all contractually required payments receivable are initially recorded at fair value (as determined by the present value of expected future cash flows) with no valuation allowance. The difference between the undiscounted cash flows expected at acquisition and the investment in the loans, or the “accretable yield,” is recognized as interest income using a model which approximates a level-yield method over the life of the loans. Contractually required payments for interest and principal that exceed the undiscounted cash flows expected at acquisition, or the “nonaccretable difference,” are not recognized as a yield adjustment or as a loss accrual or a valuation allowance. Decreases in expected cash flows due to an inability to collect contractual cash flows are recognized as impairment through the provision for loan losses account. Any reserve for loan losses on these loans reflects only losses incurred after the acquisition (meaning the present value of all cash flows expected at acquisition that ultimately are not to be received). Any disposals of loans, including sales of loans, payments in full, or foreclosures, result in the removal of the loan from the loan pool at the carrying amount, with differences in actual results reflected in interest income. Following is a summary of activity in the unamortized discount on purchased loans from the Company’s 2018 acquisition of Jacksonville Bancorp, Inc. for the years ended December 31, 2019 and 2018:

Original purchase discount for loans	$ 2,728,287
Accretable yield for 2018 recorded as interest income	(545,655)
Nonaccretable yield adjustment for payoff on a purchased impaired credit	(351,952)
Balance of purchase discount on loans at December 31, 2018	1,830,680
Accretable yield for 2019 recorded as interest income	(1,091,316)
Balance of purchase discount on loans at December 31, 2019	$ 739,364

Bank Premises and Equipment

Bank premises and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization of premises and equipment is computed over the expected lives of the assets or related lease term for leasehold improvements using the straight-line method. Estimated useful lives are generally 39 years for premises and 3 to 15 years for building and leasehold improvements, furniture, fixtures, and equipment. Expenditures for major renewals and improvements of bank premises and equipment are capitalized (including related interest costs), and those for maintenance and repairs are expensed as incurred.

Bank premises and equipment and other long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. In such situations, recoverability of assets to be held and used would be measured by a comparison of the carrying amount of the assets to future net cash flows expected to be generated by the assets. If such assets were considered to be impaired, the impairment to be recognized would be measured by the amount by which the carrying amount of the assets exceeded the fair value of the assets, using observable market prices. Assets to be disposed are reported at the lower of the carrying amount or fair value, less estimated selling costs.

Other Real Estate Owned

Other real estate owned represents property acquired through foreclosure, or deeded to the Bank in lieu of foreclosure, for loans on which the borrowers have defaulted as to payment of principal and interest. Properties acquired are initially recorded at the lower of the Bank’s carrying amount or fair value using observable market prices (less estimated selling costs), and carried in other assets in the consolidated balance sheets. Other real estate owned (all of which was residential real estate properties) at December 31, 2019 and 2018 totaled $120,000 and $271,699, respectively. Valuations are periodically performed by management, and an allowance for losses is established by means of a charge to noninterest expense if the carrying value of a property exceeds its fair value, less estimated selling costs. Subsequent increases in the fair value less estimated selling costs are recorded through a reversal of the allowance, but not below zero. Costs related to development and improvements of property are capitalized, while costs relating to holding the property are expensed. The Bank had $131,000 and $44,000 of residential real estate loans in process of foreclosure at December 31, 2019 and 2018, respectively.

Intangible Assets

Identifiable intangible assets include the mortgage servicing rights described below under "Mortgage Banking Operations" and core deposit premiums relating to the Company's various bank acquisitions, which are being amortized into noninterest expense on straight-line and accelerated bases over periods ranging from 10 to 15 years. Amortization of the core deposit intangible assets existing at December 31, 2019 will be $467,784 in 2020, $467,784 in 2021, $467,784 in 2022, $467,784 in 2023, $467,784 in 2024, and $1,637,244 thereafter.

The excess of the Company's consideration given in each subsidiary acquisition transaction over the fair value of the net assets acquired is recorded as goodwill, an intangible asset on the consolidated balance sheets. Goodwill is the Company's only intangible asset with an indefinite useful life, and the Company is required to test the intangible asset for impairment on an annual basis. Impairment is measured as the excess of carrying value over the fair value of an intangible asset with an indefinite life. No impairment write-downs were required in 2019 or 2018.

Federal Home Loan Bank and Federal Reserve Bank Stock

Included in other assets are the Bank's investments in the common stock of the Federal Home Loan Bank of Chicago, which is administered by the Federal Housing Finance Board, and Federal Reserve Bank stock. As member of the Federal Home Loan Bank system, the Bank is required to maintain a minimum investment in the capital stock of the Federal Home Loan Bank of Chicago. National banks are also required to maintain stock in the Federal Reserve Bank. The Federal Home Loan Bank and Federal Reserve Bank stock is recorded at cost, which represents redemption value. At December 31, 2019 and 2018, the carrying amount of this investment was $2,019,250 and $2,357,868, respectively.

Securities Sold Under Repurchase Agreements

The Bank enters into sales of securities under agreements to repurchase at specified future dates. Such repurchase agreements are considered financing arrangements and, accordingly, the obligation to repurchase assets sold is reflected as a liability in the consolidated balance sheets. Repurchase agreements are collateralized by debt securities which are under the control of the Bank.

Reserve for Unfunded Commitments

A reserve for unfunded commitments is maintained at a level believed by management to be sufficient to absorb estimated probable losses related to unfunded credit facilities (including unfunded loan commitments and letters of credit) and is included in other liabilities in the consolidated balance sheets. The determination of the appropriate level of the reserve is based upon an evaluation of the unfunded credit facilities, including an assessment of historical commitment utilization experience and credit risk grading. Net adjustments to the reserve for unfunded commitments are included in other noninterest expense in the consolidated statements of income.

Income Taxes

The Company and Bank file consolidated federal and state income tax returns. Applicable income taxes are computed based on reported income and expenses, adjusted for permanent differences between reported and taxable income. Penalties and interest assessed by income taxing authorities are included in income tax expense in the year assessed, unless such amounts relate to an uncertain tax position. The Company had no uncertain tax positions at December 31, 2019 and 2018.

The Company uses the asset and liability method of accounting for income taxes, in which deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period which includes the enactment date.

The Company has not had its consolidated federal income tax returns examined by the taxing authorities for several years, while the State of Illinois has recently completed an examination of the Company's 2017, 2016, and 2015 state income tax returns. The Company's consolidated federal and state income tax returns are generally subject to examination by the Internal Revenue Service and State of Illinois for three years after they are filed. No material adjustments were forthcoming from the State of Illinois' recent examination.

Mortgage Banking Operations

The Bank's mortgage banking operations include the origination of long-term, fixed-rate residential mortgage loans for sale in the secondary market. Upon receipt of an application for a residential real estate loan, the Bank generally locks in an interest rate with the applicable investor and, at the same time, locks into an interest rate with the customer. This practice minimizes the exposure to risk resulting from interest rate fluctuations. Upon disbursement of the loan proceeds to the customer, the loan is delivered to the applicable investor. Sales proceeds are generally received shortly thereafter. Therefore, no loans held for sale are included in the Bank's loan portfolios at any point in time, except those loans for which the sale proceeds have not yet been received. Such loans are maintained at the lower of cost or fair value, based on the outstanding commitment from the applicable investors for such loans.

Loan origination fees are recognized upon the sale of the related loans and included in the consolidated statements of income as noninterest income from mortgage banking operations. Additionally, loan administration fees, representing income earned from servicing certain loans sold in the secondary market, are calculated on the outstanding principal balances of the loans serviced and recorded as noninterest income as earned.

For certain loans sold in the secondary market, the Bank retains the rights to service such loans. Accordingly, the Bank has recognized as separate assets the rights to service mortgage loans for others at the origination date of the loan. These capitalized mortgage servicing rights are included as identifiable intangible assets in the consolidated financial statements and are reviewed on a quarterly basis for impairment, based on the estimated fair value of those rights. The value of mortgage servicing rights is determined based on the present value of estimated future cash flows, using assumptions as to a current market discount rate, prepayment speeds, and servicing costs per loan. Mortgage servicing rights are amortized in proportion to, and over the period of, estimated net servicing income.

At December 31, 2019 and 2018, the Bank serviced loans totaling $321,058,004 and $336,796,517, respectively, and the net unamortized balances of mortgage servicing rights were $895,039 and $961,034, respectively. No valuation reserve was required on the mortgage servicing rights at December 31, 2019 and 2018, as Company management believes that the 0.28% and 0.29% of total serviced loans represented by the mortgage servicing rights at December 31, 2019 and 2018, respectively, are less than the amount for which such servicing rights could be sold.

Financial Instruments

For purposes of information included in note 15 regarding disclosures about financial instruments, financial instruments are defined as cash, evidence of an ownership interest in an entity, or a contract that both (a) imposes on one entity a contractual obligation to deliver cash or another financial instrument to a second entity or to exchange other financial instruments on potentially unfavorable terms with the second entity, and (b) conveys to that second entity a contractual right to receive cash or another financial instrument from the first entity or to exchange other financial instruments on potentially favorable terms with the first entity.

Stock Options

Compensation costs relating to share-based payment transactions are recognized in the Company's consolidated financial statements over the period of service to which such compensation relates (generally the vesting period), and are measured based on the fair value of the equity or liability instruments issued. The grant date values of employee share options are estimated using option-pricing models adjusted for the unique characteristics of those instruments. If an equity award is modified after the grant date, incremental compensation cost would be recognized in an amount equal to the excess of the fair value of the modified award over the fair value of the original award immediately before the modification.

Fair Value Measurements

The Company uses fair value measurements to determine fair value disclosures. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Company uses various methods, including market, income, and cost approaches. Based on these approaches, the Company often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Company is required to provide the following information according to the fair value hierarchy. Financial assets and liabilities carried or reported at fair value will be classified and disclosed in one of the following three categories:

- Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

- Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

- Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or value assigned to such assets or liabilities.

While certain assets and liabilities may be recorded at the lower of cost or fair value as described above on a nonrecurring basis (e.g., impaired loans, loans held for sale, other real estate owned), the only assets or liabilities recorded at fair value on a recurring basis are the Company's Bank-owned life insurance policies and investments in available-for-sale debt securities. No other assets and liabilities are recorded at fair value on a recurring or nonrecurring basis. The Bank-owned life insurance policies are valued at their cash surrender value using Level 1 valuation inputs. The Company's available-for-sale debt securities are measured at fair value using Level 2 valuation inputs. For the securities valued using Level 2 inputs, the market valuation utilizes several sources which include observable inputs rather than "significant unobservable inputs" and, therefore, fall into the Level 2 category, and are based on dealer quotes, market spreads, the U.S. Treasury yield curve, trade execution data, market consensus, prepayment speeds, credit information, and the bonds' terms and conditions at the security level.

The following tables summarize the Company's assets and liabilities measured at fair value on a recurring basis as of December 31, 2019 and 2018:

	December 31, 2019			
	Quoted prices in active markets for identical assets (Level 1)	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total fair value**
Assets:				
Investments in available-for-sale debt securities:				
Obligations of U.S. government agencies and corporations	**$ –**	**21,763,345**	**–**	**21,763,345**
Obligations of states and political subdivisions	**–**	**101,555,467**	**–**	**101,555,467**
Mortgage-backed securities	**–**	**112,220,917**	**–**	**112,220,917**
Total available-for-sale debt securities	**–**	**235,539,729**	**–**	**235,539,729**
Life insurance policies	**12,636,452**	**–**	**–**	**12,636,452**
	$ 12,636,452	**235,539,729**	**–**	**248,176,181**

	December 31, 2018			
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value
Assets:				
Investments in available-for-sale debt securities:				
Obligations of U.S. government agencies and corporations	$ –	23,787,193	–	23,787,193
Obligations of states and political subdivisions	–	101,832,944	–	101,832,944
Mortgage-backed securities	–	89,107,379	–	89,107,379
Total available-for-sale debt securities	–	214,727,516	–	214,727,516
Life insurance policies	12,422,272	–	–	12,422,272
	$ 12,422,272	214,727,516	–	227,149,788

Reclassifications
Certain reclassifications have been made to the 2018 consolidated financial statement amounts to conform to the 2019 presentation. Such reclassifications have no effect on the previously reported consolidated net income or stockholders' equity.

Subsequent Events
The Company has considered all events occurring subsequent to December 31, 2019 for possible disclosure through February 13, 2020, the date these consolidated financial statements were available to be issued.

NOTE 2 – CASH AND DUE FROM BANKS

The Bank is generally required to maintain certain daily reserve balances on hand in accordance with regulatory requirements. The reserve balances maintained in accordance with such requirements at December 31, 2019 and 2018 were approximately $1,328,000 and $2,879,000, respectively.

NOTE 3 – INVESTMENTS IN DEBT SECURITIES

The amortized cost, gross unrealized gains and losses, and estimated fair value of debt securities classified as available-for-sale at December 31, 2019 and 2018 are as follows:

2019	**Amortized cost**	**Gross unrealized gains**	**Gross unrealized losses**	**Estimated fair value**
Obligations of U.S. government agencies and corporations	**$ 21,275,423**	**557,496**	**(69,574)**	**21,763,345**
Obligations of states and political subdivisions	**98,199,135**	**3,391,199**	**(34,867)**	**101,555,467**
Mortgage-backed securities	**109,973,153**	**2,389,407**	**(141,643)**	**112,220,917**
	$ 229,447,711	**6,338,102**	**(246,084)**	**235,539,729**

2018	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Obligations of U.S. government agencies and corporations	$ 24,112,625	57,351	(382,783)	23,787,193
Obligations of states and political subdivisions	101,657,535	919,103	(743,694)	101,832,944
Mortgage-backed securities	90,328,412	158,215	(1,379,248)	89,107,379
	$ 216,098,572	1,134,669	(2,505,725)	214,727,516

The amortized cost and estimated fair value of debt securities classified as available-for-sale at December 31, 2019, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because certain issuers have the right to call or prepay obligations with or without prepayment penalties.

	Amortized cost	Estimated fair value
Due one year or less	**$ 12,540,344**	**12,585,757**
Due one year through five years	**36,251,324**	**36,820,096**
Due five years through ten years	**45,426,381**	**47,403,548**
Due after ten years	**25,256,509**	**26,509,411**
Mortgage-backed securities	**109,973,153**	**112,220,917**
	$ 229,447,711	**235,539,729**

Provided below is a summary of securities which were in an unrealized loss position at December 31, 2019 and 2018:

	Less than 12 months		**12 months or more**		**Total**	
2019	**Estimated fair value**	**Unrealized losses**	**Estimated fair value**	**Unrealized losses**	**Estimated fair value**	**Unrealized losses**
Obligations of U.S. government agencies and corporations	**$ 4,722,525**	**37,543**	**5,868,330**	**32,031**	**10,590,855**	**69,574**
Obligations of states and political subdivisions	**1,479,749**	**7,350**	**1,417,993**	**27,517**	**2,897,742**	**34,867**
Mortgage-backed securities	**7,114,439**	**21,301**	**11,399,198**	**120,342**	**18,513,637**	**141,643**
	$ 13,316,713	**66,194**	**18,685,521**	**179,890**	**32,002,234**	**246,084**

	Less than 12 months		12 months or more		Total	
2018	Estimated fair value	Unrealized losses	Estimated fair value	Unrealized losses	Estimated fair value	Unrealized losses
Obligations of U.S. government agencies and corporations$	$ 2,234,950	12,509	15,097,976	370,274	17,332,926	382,783
Obligations of states and political subdivisions	24,245,180	268,080	19,959,781	475,614	44,204,961	743,694
Mortgage-backed securities	26,234,307	189,569	31,283,713	1,189,679	57,518,020	1,379,248
	$ 52,714,437	470,158	66,341,470	2,035,567	119,055,907	2,505,725

The obligations of U.S. government agencies and corporations and mortgage-backed securities with unrealized losses are primarily issued from and guaranteed by the Federal Home Loan Bank, Federal National Mortgage Association, or Federal Home Loan Mortgage Corporation. Obligations of states and political subdivisions in an unrealized loss position are primarily comprised of bonds with adequate credit ratings, underlying collateral, and/or cash flow projections. The unrealized losses associated with these securities are not believed to be attributed to credit quality, but rather to changes in interest rates and temporary market movements. In addition, the Company does not intend to sell the securities with unrealized losses, and it is not more likely than not that the Company will be required to sell them before recovery of their amortized cost bases, which may be at maturity.

The carrying value of debt securities pledged to secure public funds, securities sold under repurchase agreements, certain short- and long-term borrowings, and for other purposes amounted to approximately

$141,510,000 and $148,884,000 at December 31, 2019 and 2018, respectively. The Bank has also pledged letters of credit from the Federal Home Loan Bank of Chicago totaling $34,020,000 as additional collateral to secure public funds at December 31, 2019 and 2018.

During 2018, certain available-for-sale securities were sold for proceeds totaling $23,648,022, resulting in gross gains of $106,995 and gross losses of $75,929. No available-for-sale securities were sold during 2019.

NOTE 4 – LOANS

The composition of the loan portfolio at December 31, 2019 and 2018 is as follows:

	2019	2018
Commercial:		
Real estate	**$ 258,456,787**	227,498,414
Agricultural production	**93,070,885**	104,647,993
Other	**149,154,369**	161,814,664
Real estate:		
Construction	**47,242,208**	50,010,853
Residential	**180,604,452**	188,431,580
Farmland	**174,205,504**	183,257,890
Consumer	**24,954,358**	28,247,084
	$ 927,688,563	943,908,478

The Bank grants commercial, industrial, residential, agricultural, and consumer loans throughout south-central Illinois, suburban southwestern Chicago, and the St. Louis, Missouri metropolitan area. With the exception of agricultural credits, the Bank does not have any particular concentration of credit in any one economic sector; however, a substantial portion of the portfolio is concentrated in and secured by real estate in the Bank's market areas. The ability of the Bank's borrowers to honor their contractual obligations is dependent upon the local economies and their effect on the real estate market. Included in consumer loans are overdrafts of $339,561 and $282,109 at December 31, 2019 and 2018, respectively.

The following describe the risk characteristics relevant to each of the portfolio segments:

Commercial real estate loans are secured by various commercial property types (including office and industrial buildings, warehouses, small retail shopping centers, and various special purpose properties, including hotels, restaurants, and nursing homes), a majority of which are owner-occupied and in the Bank's market areas. The Bank originates commercial real estate loans with a typical term of three or five years with a fixed or adjustable rate feature generally tied to a designated public index. These loans are typically amortized over 15 or 25 years. Strict underwriting standards are in place that include, but are not limited to, independent appraisals, cash flow analyses, creditworthiness, experience, and management. For owner-occupied properties, the primary source of cash flow is from the ongoing operations and activities conducted by the party that owns the property. Nonowner-occupied properties are those loans where the primary source of repayment is derived from rental income associated with the property or the proceeds of the sale, refinancing, or permanent financing of the property.

Agricultural loans, i.e., those loans which fund crop production, livestock production, and capital purchases, are structured to coincide with the purpose or seasonality. Collateral support, determined repayment ability, and creditworthiness are all considered in the loan approval process.

Commercial business loans vary in type and include secured and unsecured commercial business loans for the purpose of financing equipment acquisition, expansion, working capital, and other general business purposes, including issuing letters of credit. The Company's commercial business loan portfolio is comprised of loans for a variety of purposes and generally is secured by equipment, machinery, and other business assets. The terms of these loans are generally for less than seven years. The loans are either negotiated on a fixed-rate basis or carry variable interest rates that float in accordance with a designated public index. Commercial credit decisions are based upon a complete credit review of the borrower. A determination is made as to the borrower's ability to repay in accordance with the proposed loan terms, as well as an overall assessment of the credit risks involved. Personal guarantees of borrowers are generally required. In evaluating a commercial business loan, the Bank considers debt service capabilities, actual and projected cash flows, and the borrower's inherent industry risks.

Construction lending generally involves a greater degree of risk than the Bank's other real estate lending. The construction phase of a loan generally lasts 9 to 18 months. As with the Bank's other loan types, the underwriting standards require proper loan-to-value coverage and the borrower's ability to service the debt. Prior to approval of the construction loan, the Bank determines that the borrower has the approval, capacity, and wherewithal to handle the permanent financing.

Residential real estate loans are predominantly collateralized by properties located in the Bank's market areas. The Bank adheres to strict underwriting standards that have been reviewed by the Board of Directors and the banking regulators. The underwriting standards include, but are not limited to, repayment capacity, creditworthiness, proper loan-to-value coverage, and proper lien positions supported by title policies.

Multifamily real estate loans are generally secured by apartment buildings and rental properties. Multifamily real estate loans are typically offered with interest rates that are fixed or adjust with a designated public index. When originating multifamily real estate loans, the Bank evaluates the qualifications and financial condition of the borrower, profitability, and expertise, as well as the value and condition of the mortgaged property securing the loans. The Bank also considers the financial resources of the borrower, the borrower's experience in owning and managing similar properties, the cash flow the property generates (i.e., the gross rental income minus associated expenses), and the borrower's global obligations to determine sustainable repayment capacity. Multifamily real estate loans are carefully underwritten to determine proper valuation of the property, as well as the ability to service the debt.

Home equity lines of credit are designed for owner-occupied homes. These are typically junior liens, thus the Bank pays particular attention to the loan-to-value coverage and the debt service capacity of the borrower. Strict underwriting standards are followed to ensure safe and sound lending.

Farm real estate loans are not unique to the Bank's market areas. The underwriting criteria is much the same as for other loans; i.e., loan-to-value coverage, repayment ability, and creditworthiness are paramount. Farm real estate loans may be structured to coincide with the seasonal nature of agriculture. In determining the loan-to-value coverage, the Bank utilizes appraisers that are familiar with agricultural real estate values.

Consumer loans are underwritten in a manner that verifies the borrower's capacity to pay, creditworthiness, and proper valuation of the collateral. The structure of the loan is dependent on the purpose and collateral being pledged as security.

At December 31, 2019 and 2018, the Bank has loans outstanding to the agricultural sector of $267,276,389 and $287,905,883, respectively, which comprised 28.8% and 30.5%, respectively, of the Bank's total loan portfolio. The Bank's agricultural credits are concentrated in the south-central Illinois area and are generally fully secured with either growing crops, farmland, livestock, and/or machinery and equipment. Such loans are subject to the overall national effects of the agricultural economy, as well as the local effects relating to their south-central Illinois location.

The aggregate amount of loans to executive officers and directors and loans made for the benefit of executive officers and directors was $880,190 and $4,658,748 at December 31, 2019 and 2018, respectively. Such loans were made in the normal course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other persons, and did not involve more than the normal risk of collectibility. A summary of activity for loans to executive officers and directors for the year ended December 31, 2019 is as follows:

Balance, December 31, 2018	$ 4,658,748
New loans made	442,213
Payments received	(4,220,771)
Balance, December 31, 2019	$ 880,190

Following is an analysis of the reserve for possible loan losses by loan type and those that have been specifically evaluated or evaluated in aggregate at December 31, 2019 and 2018:

	2019							
	Commercial			Real estate				
	Real estate	Agricultural production	Other	Construction	Residential	Farmland	Consumer	Total
Reserve for possible loan losses:								
Beginning balance	$ 2,667,678	1,886,570	2,703,296	494,765	1,321,462	951,242	357,755	10,382,768
Charge-offs	(213,412)	(136,000)	(245,383)	–	(305,558)	–	(79,422)	(979,775)
Recoveries	27,413	1,500	47,604	–	30,644	–	53,786	160,947
Provision	820,180	413,497	363,533	(118,822)	547,082	(166,480)	232,105	2,091,095
Ending balance	$ 3,301,859	2,165,567	2,869,050	375,943	1,593,630	784,762	564,224	11,655,035
Reserve allocations:								
Individually evaluated for impairment	$ 375,000	276,412	238,340	–	274,778	105,000	24,292	1,293,822
Collectively evaluated for impairment	2,926,859	1,889,155	2,630,710	375,943	1,318,852	679,762	539,932	10,361,213
Ending balance	$ 3,301,859	2,165,567	2,869,050	375,943	1,593,630	784,762	564,224	11,655,035
Loans:								
Individually evaluated for impairment	$ 21,885,406	10,484,531	17,701,246	6,602,802	8,130,462	29,619,439	373,185	94,797,071
Collectively evaluated for impairment	236,571,381	82,586,354	131,453,123	40,639,406	172,473,990	144,586,065	24,581,173	832,891,492
Ending balance	$ 258,456,787	93,070,885	149,154,369	47,242,208	180,604,452	174,205,504	24,954,358	927,688,563

	2018							
	Commercial			Real estate				
	Real estate	Agricultural production	Other	Construction	Residential	Farmland	Consumer	Total
Reserve for possible loan losses:								
Beginning balance	$ 2,270,032	1,620,986	2,568,683	354,136	971,471	530,721	263,410	8,579,439
Charge-offs	(201,144)	(460,533)	(719,580)	–	(200,939)	(1,143)	(135,755)	(1,719,094)
Recoveries	240,337	20,664	67,408	–	21,035	1,143	70,722	421,309
Provision	358,453	705,453	786,785	140,629	529,895	420,521	159,378	3,101,114
Ending balance	$ 2,667,678	1,886,570	2,703,296	494,765	1,321,462	951,242	357,755	10,382,768
Reserve allocations:								
Individually evaluated for impairment	$ 217,845	252,022	135,596	–	232,645	300,447	4,727	1,143,282
Collectively evaluated for impairment	2,449,833	1,634,548	2,567,700	494,765	1,088,817	650,795	353,028	9,239,486
Ending balance	$ 2,667,678	1,886,570	2,703,296	494,765	1,321,462	951,242	357,755	10,382,768
Loans:								
Individually evaluated for impairment	$ 16,480,565	9,292,180	11,590,753	–	3,163,645	18,005,512	28,510	58,561,165
Loans acquired with deteriorated credit quality	1,176,936	246,235	500,519	–	1,243,149	233,224	50,620	3,450,683
Collectively evaluated for impairment	209,840,913	95,109,578	149,723,392	50,010,853	184,024,786	165,019,154	28,167,954	881,896,630
Ending balance	$ 227,498,414	104,647,993	161,814,664	50,010,853	188,431,580	183,257,890	28,247,084	943,908,478

A summary of impaired loans by type for the years ended December 31, 2019 and 2018 is as follows:

	2019						
	Unpaid principal balance	Recorded investment with no reserve	Recorded investment with reserve	Total recorded investment	Related reserve	Average recorded investment	Interest income recognized
Commercial:							
Real estate	$ 2,443,310	459,374	1,871,301	2,330,675	375,000	4,489,453	17,966
Agricultural production	600,918	57,165	334,686	391,851	276,412	632,831	7,696
Other	561,607	194,466	310,745	505,211	238,340	558,100	10,209
Real estate:							
Construction	–	–	–	–	–	–	–
Residential	1,177,282	553,398	550,771	1,104,169	274,778	1,206,904	25,672
Farmland	777,644	231,750	527,672	759,422	105,000	496,323	12,746
Consumer	55,456	1,283	24,292	25,575	24,292	33,900	138
	$ 5,616,217	1,497,436	3,619,467	5,116,903	1,293,822	7,417,511	74,427

	2018						
	Unpaid principal balance	Recorded investment with no reserve	Recorded investment with reserve	Total recorded investment	Related reserve	Average recorded investment	Interest income recognized
Commercial:							
Real estate	$ 1,804,505	562,199	1,139,056	1,701,255	217,845	1,932,790	37,733
Agricultural production	1,695,852	578,041	720,811	1,298,852	252,022	1,504,250	80,008
Other	794,753	365,842	395,661	761,503	135,596	1,351,010	37,935
Real estate:							
Construction	–	–	–	–	–	–	–
Residential	1,529,617	789,210	730,128	1,519,338	232,645	1,445,974	34,475
Farmland	1,760,032	233,224	1,526,808	1,760,032	300,447	1,055,817	52,683
Consumer	55,347	50,620	4,727	55,347	4,727	119,642	3,742
	$ 7,640,106	2,579,136	4,517,191	7,096,327	1,143,282	7,409,483	246,576

Following is a summary of past-due loans by type and by number of days delinquent at December 31, 2019 and 2018:

	2019						
	30-59 days past due	60-89 days past due	Greater than 90 days	Total past due	Current	Total loans	Recorded investment > 90 days past due and accruing
Commercial:							
Real estate	$ 1,408,506	883,638	45,301	2,337,445	256,119,342	258,456,787	—
Agricultural production	34,529	906,340	425,042	1,365,911	91,704,974	93,070,885	—
Other	442,750	6,723,936	2,271,455	9,438,141	139,716,228	149,154,369	—
Real estate:							
Construction	327,054	–	–	327,054	46,915,154	47,242,208	—
Residential	1,728,031	504,831	646,422	2,879,284	177,725,168	180,604,452	—
Farmland	318,828	1,644,280	944,938	2,908,046	171,297,458	174,205,504	—
Consumer	144,666	117,032	57,008	318,706	24,635,652	24,954,358	—
	$ 4,404,364	10,780,057	4,390,166	19,574,587	908,113,976	927,688,563	—

	2018						
	30-59 days past due	60-89 days past due	Greater than 90 days	Total past due	Current	Total loans	Recorded investment > 90 days past due and accruing
Commercial:							
Real estate	$ 119,074	547,732	6,866,600	7,533,406	219,965,008	227,498,414	—
Agricultural production	41,340	–	939,857	981,197	103,666,796	104,647,993	—
Other	672,526	334,652	437,062	1,444,240	160,370,424	161,814,664	—
Real estate:							
Construction	–	–	80,000	80,000	49,930,853	50,010,853	—
Residential	1,931,933	441,122	792,535	3,165,590	185,265,990	188,431,580	79,189
Farmland	147,713	734,419	1,965,216	2,847,348	180,410,542	183,257,890	—
Consumer	220,132	103,289	102,977	426,398	27,820,686	28,247,084	—
	$ 3,132,718	2,161,214	11,184,247	16,478,179	927,430,299	943,908,478	79,189

Following is a summary of loans on nonaccrual status by type at December 31, 2019 and 2018:

	2019	2018
Commercial:		
Real estate	**$ 2,995,933**	7,280,024
Agricultural production	**1,263,984**	2,825,020
Other	**9,521,418**	663,664
Real estate:		
Construction	—	80,000
Residential	**2,520,179**	2,623,445
Farmland	**2,990,635**	4,013,176
Consumer	**155,958**	294,649
	$ 19,448,107	17,779,978

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

- Watch – Loans classified as watch have 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 of the Bank's credit position at some future date.

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

- Doubtful – Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing factors, conditions, and values, highly questionable and improbable.

Loans not meeting the criteria above that are analyzed individually as part of the above-described process are considered pass-rated loans.

The following table presents the credit risk profile of the Bank's loan portfolio based on rating category as of December 31, 2019 and 2018:

	2019							
Grade	Commercial real estate	Agricultural production	Commercial other	Real estate construction	Residential real estate	Farmland	Consumer	Total
Pass	$ 236,571,381	82,586,354	131,453,123	40,639,406	172,473,990	144,586,065	24,581,173	832,891,492
Watch	13,114,620	8,600,667	2,007,573	6,602,802	3,756,626	19,486,848	128,325	53,697,461
Substandard	8,770,786	1,883,864	15,693,673	–	4,373,836	10,132,591	244,860	41,099,610
Doubtful	–	–	–	–	–	–	–	–
	$ 258,456,787	93,070,885	149,154,369	47,242,208	180,604,452	174,205,504	24,954,358	927,688,563

	2018							
Grade	Commercial real estate	Agricultural production	Commercial other	Real estate construction	Residential real estate	Farmland	Consumer	Total
Pass	$ 209,666,003	95,077,078	149,612,983	49,930,853	182,683,984	165,019,154	27,400,881	879,390,936
Watch	7,174,176	3,405,058	10,200,856	–	1,370,128	12,038,226	50,621	34,239,065
Substandard	10,658,235	6,165,857	2,000,825	80,000	4,377,468	6,200,510	795,582	30,278,477
Doubtful	–	–	–	–	–	–	–	–
	$ 227,498,414	104,647,993	161,814,664	50,010,853	188,431,580	183,257,890	28,247,084	943,908,478

The Bank seeks to assist customers that are experiencing financial difficulty by renegotiating loans within lending regulations and guidelines. A loan modification is considered a troubled debt restructuring when a concession has been granted to a borrower experiencing financial difficulties. The Bank's modifications generally include interest rate adjustments, and amortization and maturity date extensions. These modifications allow the borrowers short-term cash relief to allow them to improve their financial condition. The Bank's troubled debt restructured loans are considered impaired and are individually evaluated for impairment as part of the reserve for possible loan losses as described above.

The following table presents information regarding loan modifications during the years ended December 31, 2019 and 2018 which met the definition of troubled debt restructured loans:

	Year ended December 31, 2019			Year ended December 31, 2018		
	Number of loans	Pre-modification outstanding recorded balance	Post-modification outstanding recorded balance	Number of loans	Pre-modification outstanding recorded balance	Post-modification outstanding recorded balance
Commercial:						
Real estate	1	$ 383,252	383,252	–	$ –	–
Other	–	–	–	–	–	–
Real estate:						
Construction	–	–	–	–	–	–
Residential	–	–	–	2	82,248	82,248
Consumer	–	–	–	–	–	–
	1	$ 383,252	383,252	2	$ 82,248	82,248

No restructured loans defaulted within 12 months of their restructuring in 2019 or 2018. The Bank had no commitments to extend additional credit on any loans classified as troubled debt restructured loans at December 31, 2019.

NOTE 5 – BANK PREMISES AND EQUIPMENT

A summary of Bank premises and equipment at December 31, 2019 and 2018 is as follows:

	2019	2018
Land	**$ 2,894,709**	2,924,113
Buildings and improvements	**19,057,067**	17,862,465
Furniture, fixtures, and equipment	**11,515,558**	10,320,826
	33,467,334	31,107,404
Less accumulated depreciation and amortization	**14,998,726**	14,140,288
	$ 18,468,608	16,967,116

Amounts charged to noninterest expense for depreciation and amortization aggregated $1,312,239 and $1,234,451 for the years ended December 31, 2019 and 2018, respectively.

The Company leases certain premises and equipment under noncancelable operating lease agreements that expire at various dates through 2025. Minimum rental commitments under these noncancelable operating lease agreements at December 31, 2019, for each of the next five years, and in the aggregate, are as follows:

Year ending December 31:	
2020	$ 308,262
2021	280,783
2022	286,103
2023	292,526
2024	223,136
Thereafter	56,215
Total minimum payments required	$ 1,447,025

The Company also leases certain equipment under agreements that are cancelable with 30 to 90 days' notice. Total rent expense for 2019 and 2018 was $400,983 and $347,185, respectively.

The Bank leases a portion of its banking facilities to unaffiliated entities under noncancelable leases that expire at various dates during 2020. Minimum rental commitments under these noncancelable operating lease agreements at December 31, 2019, for the next year, and in aggregate, are $27,180. The Company also leases a portion of its banking facilities under agreements that are cancelable with 30 to 90 days' notice. Total rental income for 2019 and 2018 was $120,115 and $28,630, respectively.

NOTE 6 – DEPOSITS

A summary of interest-bearing deposits at December 31, 2019 and 2018 is as follows:

	2019	2018
Interest-bearing transaction accounts	**$ 203,235,961**	225,284,002
Savings	**288,669,279**	249,516,298
Time deposits	**443,582,607**	455,582,404
	$ 935,487,847	930,382,704

Deposits of executive officers, directors, and their related interests at December 31, 2019 and 2018 totaled $2,931,847 and $2,664,608, respectively.

Interest expense on deposits for the years ended December 31, 2019 and 2018 is summarized as follows:

	2019	2018
Interest-bearing transaction accounts	**$ 1,696,872**	1,308,439
Savings	**2,441,693**	1,783,227
Time deposits	**9,183,191**	5,181,951
	$ 13,321,756	8,273,617

Time deposits meeting or exceeding the FDIC insurance limit of $250,000 totaled $103,274,347 and $105,117,315 at December 31, 2019 and 2018, respectively. Following are the maturities of time deposits for each of the next five years and in the aggregate at December 31, 2019:

Year ending December 31:	
2020	$ 377,139,349
2021	45,700,153
2022	9,283,704
2023	2,520,807
2024	8,938,594
	$ 443,582,607

NOTE 7 – INCOME TAXES

The components of income tax expense (benefit) for the years ended December 31, 2019 and 2018 are as follows:

	2019	2018
Current:		
Federal	**$ 3,036,868**	1,853,957
State	**1,426,047**	1,053,031
Deferred	**20,446**	(5,497)
	$ 4,483,361	2,901,491

A reconciliation of expected income tax expense computed by applying the federal statutory rate of 21% to income before applicable income taxes for the years ended December 31, 2019 and 2018 is as follows:

	2019	2018
Expected statutory federal income tax	**$ 3,783,931**	2,588,190
Tax-exempt interest and dividend income	**(553,781)**	(521,997)
State tax, net of related federal benefit	**1,126,577**	831,894
Other, net	**126,634**	3,404
	$ 4,483,361	2,901,491

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and liabilities at December 31, 2019 and 2018 are presented below:

	2019	2018
Deferred tax assets:		
Reserve for possible loan losses	**$ 3,114,177**	2,732,724
Deferred compensation	**2,447,163**	2,383,928
Purchase adjustments	**821,851**	1,265,579
Available-for-sale securities – net losses	–	287,922
Other, net	**496,711**	465,893
Total deferred tax assets	**6,879,902**	7,136,046
Deferred tax liabilities:		
Bank premises and equipment	**(1,475,735)**	(1,240,154)
Intangible assets	**(1,620,152)**	(1,763,245)
Available-for-sale securities – net gains	**(1,279,324)**	–
Other, net	**(198,239)**	(238,503)
Total deferred tax liabilities	**(4,573,450)**	(3,241,902)
Net deferred tax assets	**$ 2,306,452**	3,894,144

The Company is required to provide a valuation reserve on deferred tax assets when it is more likely than not that some portion of the assets will not be realized. The Company has not established a valuation reserve at December 31, 2019 and 2018, due to management's belief that all criteria for recognition have been met, including the existence of a history of taxes paid sufficient to support the realization of deferred tax assets.

NOTE 8 – SHORT-TERM BORROWINGS

Following is a summary of the Company's short-term borrowings at December 31, 2019 and 2018:

	2019	2018
Funds purchased	$ –	2,980,000
Securities sold under repurchase agreements	**28,621,537**	22,049,171
	$ 28,621,537	25,029,171

Securities sold under repurchase agreements at December 31, 2019 are collateralized by debt securities consisting of $29,931,868 (which includes $20,348,358 of obligations of U.S. government agencies and corporations and mortgage-backed securities, and $9,583,510 of obligations of states and political subdivisions). The Bank also occasionally borrows funds purchased on an overnight basis from unaffiliated financial institutions (including the Federal Home Loan Bank of Chicago) to meet short-term liquidity needs. The average balances, weighted average interest rates paid, and maximum month-end amounts outstanding for the years ended December 31, 2019 and 2018, and the average rates at each year-end for funds purchased and securities sold under repurchase agreements, are as follows:

	2019	2018
Average balance	**$ 20,153,554**	25,173,199
Weighted average interest rate paid during the year	**1.68%**	0.96%
Maximum amount outstanding at any month-end	**$ 28,621,537**	34,290,885
Average rate at end of year	**1.18%**	2.11%

NOTE 9 – FEDERAL HOME LOAN BANK BORROWINGS

At December 31, 2019, the Bank had fixed-rate advances outstanding with the Federal Home Loan Bank of Chicago, maturing as follows:

	Amount	Weighted average rate
Due in 2020	$ 4,083,509	1.62%
Due in 2021	9,000,000	2.36%
Due in 2022	4,000,000	1.96%
Due in 2024	3,000,000	1.97%
Due in 2026	2,250,000	2.04%
	$ 22,333,509	

At December 31, 2019, the Bank maintained a line of credit for $235,169,692 with the Federal Home Loan Bank of Chicago and had availability under this line of $178,742,508. Federal Home Loan Bank of Chicago advances are secured under a blanket agreement which assigns all Federal Home Loan Bank of Chicago stock, and one- to four-family mortgage, commercial real estate, multifamily real estate, commercial, agricultural production, and farmland loans totaling $452,243,913 at December 31, 2019.

NOTE 10 – NOTES PAYABLE
Following is a summary of the Company's notes payable at December 31, 2019 and 2018:

	2019	2018
Revolving line of credit note payable	$ –	–
Term notes payable	6,550,000	7,546,925
	$ 6,550,000	7,546,925

At December 31, 2019, the Company maintains two notes payable borrowing arrangements with an unaffiliated financial institution. The term note payable had an original balance of $6,700,000, with a current balance of $6,550,000, matures on May 31, 2023, interest is payable quarterly, and requires quarterly principal and interest payments of $213,468 commencing February 28, 2021, at a fixed rate of 4.89%, with the balance due at maturity. The revolving line of credit note payable has a maximum availability of $2,000,000, matures on March 28, 2020, and requires quarterly interest payments at a variable rate of interest. The line of credit note payable has not been drawn upon since the loan's inception and is fully available at December 31, 2019 for future advances. A second term note payable with an original balance of $5,368,359, with a maturity of March 28, 2020, and a fixed rate of 3.68%, was paid in its entirety on December 27, 2019.

The notes payable are secured by the common stock of the Bank with a book value of $140,628,009 at December 31, 2019, and include certain restrictions that, among other things, specify minimum levels for earnings, capital, and the reserve for possible loan losses, and maximum levels for nonperforming loans. Any of the financial ratios or covenants may be waived at the discretion of the lending institution. As of December 31, 2019 and 2018, the Company was in compliance with all of the financial ratios and covenants specified in the notes payable agreements or has received a waiver from the lender. Company management does not believe the covenants will restrict its future operations. The weighted average interest rates paid on the notes payable in 2019 and 2018 were 4.88% and 4.61%, respectively.

NOTE 11 – CAPITAL STOCK
The Company has authorized 20,000,000 shares of common stock with a par value of $0.05 per share. At December 31, 2019, 5,779,659 shares were issued and outstanding (including 430,107 shares held in treasury). Holders of the Company's common stock are entitled to one vote per share on all matters submitted to a shareholder vote, except that 4,000,000 shares of the authorized common shares are designated as nonvoting shares, none of which were issued at December 31, 2019. Holders of the Company's common stock are entitled to receive dividends when, as, and if declared by the Company's Board of Directors. In the event of liquidation of the Company, the holders of the Company's common stock are entitled to share ratably in the remaining assets after payment of all liabilities and any preferred stock outstanding.

The Company has authorized 200,000 shares of preferred stock, 9,745 of which has been issued at December 31, 2019, as described below. Preferred stock may be issued by the Company's Board of Directors from time to time, in series, at which time the terms of such series (par value per share, dividend rates and dates, cumulative or noncumulative, liquidation preferences, etc.) shall be fixed by the Board of Directors.

Castle Creek Transaction
On January 17, 2018, Castle Creek Capital Partners VI, LP (Castle Creek) purchased 525,459 shares of common stock and 9,745 shares of nonvoting Series A preferred stock for $10,436,557 ($19.86 per common share) and $19,352,310, respectively, from the Company. The Series A preferred stock has a par value of $0.01 per share and each share of preferred stock is convertible into 100 shares of common stock or nonvoting common stock. The purchase agreement restricts Castle Creek from purchasing more than 33.3% of the Company's total equity, and Castle Creek's ownership of voting common stock shall not exceed 9.9% of the

total issued and outstanding voting common stock. Additionally, the purchase agreement provides subscription rights to Castle Creek granting it the opportunity to acquire from the Company additional Company securities to maintain its proportionate interest in the Company in the event of any offer or sale of any equity in the Company.

The Company's shareholders have approved various stock option plans under which options to purchase up to 3,400,000 shares of Company common stock were authorized for grants to directors, officers, and employees of the Company and Bank. Options to purchase Company common stock are granted at the fair value of a share of common stock on the grant date. Options granted to the officers and directors of the Company and Bank vest 20% each year and expire in ten years. At December 31, 2019, 1,627,830 options to purchase common shares are available for future grants.

A summary of the activity of nonvested options for the years ended December 31, 2019 and 2018 is as follows:

	Number of shares	Weighted average grant date fair value
Nonvested at December 31, 2017	378,820	0.24
Granted	51,050	1.00
Vested	(106,490)	0.25
Forfeited	(37,030)	0.25
Nonvested at December 31, 2018	286,350	0.37
Granted	–	–
Vested	(100,930)	0.36
Forfeited	(9,040)	0.20
Nonvested at December 31, 2019	176,380	0.39

Following is a summary of stock option activity for the years ended December 31, 2019 and 2018:

	Weighted average option price per share	Number of shares	Remaining contractual term (years)	Aggregate intrinsic value per option share
Outstanding at December 31, 2017	$ 13.68	821,270		
Granted	19.86	51,050		
Exercised	12.79	(100,640)		
Forfeited	14.55	(42,330)		
Outstanding at December 31, 2018	14.24	729,350	5.80	$ 5.62
Exercisable at December 31, 2018	$ 12.82	443,000	4.43	$ 7.04
Outstanding at December 31, 2018	$ 14.24	729,350		
Granted	–	–		
Exercised	12.53	(117,360)		
Forfeited	15.36	(10,340)		
Outstanding at December 31, 2019	14.55	601,650	5.18	$ 9.39
Exercisable at December 31, 2019	$ 13.56	425,270	4.32	$ 10.38

The total intrinsic value of options exercised during 2019 and 2018 was $1,012,763 and $627,107, respectively. At December 31, 2019, the total unrecognized compensation expense related to nonvested stock options was $55,272 and the related weighted average period over which it is expected to be recognized is approximately 3.21 years.

During 2018, 51,050 shares were granted with a weighted average per share option price at the date of grant of $19.86. The fair value of such options, which is based on the market price on the date of grant, is amortized to expense over the five-year vesting period. The weighted average fair values of options granted in 2018 were estimated to be $1.00 for an option to purchase one share of Company common stock; however, the Company's common stock is not actively traded on any exchange. Accordingly, the availability of fair value information for the Company's common stock is limited. Several assumptions have been made in arriving at the estimated fair value of the options outstanding at December 31, 2018. These assumptions include no volatility in the Company's stock price, 2.18% dividends paid on common stock in 2018, an expected weighted average option life of ten years, and a risk-free interest rate approximating the ten-year U.S. Treasury bond on the grant date. Any change in these assumptions could have a significant impact on the effects of determining compensation costs, as disclosed herein.

On June 30, 2018, the Company granted 73,400 of stock appreciation rights to various officers and employees of the Company and Bank, with a grant date value $19.86 per share. The stock appreciation rights provide the recipient the opportunity to share in the appreciation of the Company's common stock. Each stock appreciation right vests one-fifth on its annual anniversary date, at which time the recipient is entitled to the appreciation of the Company's common stock over the original grant date value of the Company's common stock. A liability for this appreciation is recorded on each vesting date and, once fully vested, for any further appreciation in the Company's common stock until the stock appreciation right is exercised. Each stock appreciation right must be exercised within ten years of the grant date. At December 31, 2019, a liability of $56,572 is included in other liabilities in the consolidated balance sheet for the vested balance of these stock appreciation rights. Such rights that were exercised or forfeited in 2019 totaled 2,340 and 6,760, respectively, for a total of 64,100 stock appreciation rights outstanding at December 31, 2019.

NOTE 12 – EMPLOYEE BENEFIT PLANS

The Company maintains a defined contribution 401(k) plan to provide retirement benefits to substantially all of its employees. All employees meeting certain age and service requirements are eligible to participate in the plan. Under the 401(k) plan, the Company may make discretionary matching contributions to the plan, up to the amount of employee contributions, subject to certain limitations. Total contributions made by the Company under this plan were $567,405 and $592,294 for the years ended December 31, 2019 and 2018, respectively.

The Company and Bank maintain incentive deferral plans for certain of their directors, allowing such directors to defer their current compensation earned as directors, with the Company or Bank agreeing to pay to such directors, or their designated beneficiaries or survivors, the total amount of deferred compensation plus accumulated interest at or following retirement. Under the plans, interest is added to the accumulated deferred compensation at a periodic compound rate equal to the Company's return on equity from the previous year. The directors are expected to continue to render their normal service as directors to the Company or Bank from the date of the plan's inception until retirement.

The incentive deferral plans stipulate that, upon disability, termination, or death prior to retirement, the affected director (or his/her designated beneficiaries or survivors) would be vested in the total deferred compensation accumulated to that date, plus compounded interest. Payments under the plan may be made in a lump sum or periodically over a specified time period, with interest.

To fund the individual agreements with each director covered under the incentive deferral plans, the Company and Bank have purchased flexible-premium universal life insurance policies on the lives of such directors, payable upon death to the Company or Bank. Each life insurance policy has a cash surrender value feature that allows the Company or Bank to receive an amount in cash upon cancelation or lapse of the policy. The cash surrender value of the policies increases monthly, based upon an interest factor, net of mortality, administration, and early termination costs that are inherent in the contracts.

The Company and Bank recognize annual compensation expense equal to the sum of the compensation deferred under the incentive deferral plans by the affected directors, plus interest applied to the accumulated balance of the deferred compensation. An amount of $1,968,420 is included in other liabilities in the consolidated balance sheet at December 31, 2019, representing the sum of all deferrals and interest additions accumulated to date.

NOTE 13 – LITIGATION

During the normal course of business, various legal claims have arisen which, in the opinion of management, will not result in any material liability to the Company.

NOTE 14 – PARENT COMPANY FINANCIAL INFORMATION

The Bank's dividends are the principal source of funds for the payment of dividends by the Company to its stockholders and for debt servicing. The Bank is subject to regulations by regulatory authorities that require the maintenance of minimum capital requirements, and is also limited to the earnings of the current year and two previous years for the payment of dividends, without obtaining the prior approval of the Office of the Comptroller of the Currency.

Following are condensed balance sheets as of December 31, 2019 and 2018 and the related condensed schedules of income and cash flows (in thousands of dollars) for the years then ended of the Company (parent company only):

Condensed Balance Sheets	**2019**	2018
Assets:		
Cash	**$ 412**	102
Investment in subsidiary bank	**140,628**	124,985
Life insurance policies	**707**	696
Income tax receivable	**1,191**	1,733
Property and equipment, net	**6**	12
Other assets	**57**	57
	$ 143,001	127,585
Liabilities:		
Accounts payable	**$ 454**	377
Notes payable	**6,550**	7,547
Total liabilities	**7,004**	7,924
Total stockholders' equity	**135,997**	119,661
Total liabilities and stockholders' equity	**$ 143,001**	127,585

Condensed Schedules of Income	**2019**	2018
Revenue:		
Cash dividends from subsidiary banks	**$ 4,350**	12,310
Other income	**16**	11
Total revenue	**4,366**	12,321
Expenses:		
Salaries and benefits	**140**	76
Interest expense	**349**	249
Depreciation	**6**	7
Legal and professional fees	**80**	2,350
Miscellaneous expenses	**228**	164
Total expenses	**803**	2,846
Income before income tax benefit and equity in undistributed (excess dividends over) net income of subsidiary banks	**3,563**	9,475
Income tax benefit	**225**	865
	3,788	10,340
Equity in (excess dividends over) undistributed net income of subsidiary banks	**9,747**	(917)
Net income	**$ 13,535**	9,423

Condensed Schedules of Cash Flows	**2019**	2018
Cash flows from operating activities:		
Net income	**$ 13,535**	9,423
Adjustments to reconcile net income to net cash provided by operating activities:		
Excess dividends over (undistributed) earnings of subsidiary banks	**(9,747)**	917
Increase in cash surrender value of life insurance policies	**(11)**	(11)
Depreciation	**6**	7
Stock option expense	**44**	25
Other, net	**619**	357
Cash provided by operating activities	**4,446**	10,718
Cash flows from investing activities		
Capital injection into subsidiary bank	–	(7,000)
Net cash paid for acquisition of subsidiary	–	(30,044)
Cash used in investing activities	–	(37,044)
Cash flows from financing activities:		
Principal payments on notes payable	**(997)**	(1,000)
Dividends paid	**(2,588)**	(2,261)
Issuance of preferred stock	–	19,352
Issuance of common stock	–	10,437
Purchase of treasury stock	**(2,022)**	(1,412)
Stock options exercised	**1,471**	1,288
Cash provided by (used in) financing activities	**(4,136)**	26,404
Net increase in cash	**310**	78
Cash at beginning of year	**102**	24
Cash at end of year	**$ 412**	102

NOTE 15 – DISCLOSURES ABOUT FINANCIAL INSTRUMENTS

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

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as they do for financial instruments included on the consolidated balance sheets. Following is a summary of the Company's off-balance sheet financial instruments at December 31, 2019 and 2018:

	2019	2018
Financial instruments for which contractual amounts represent:		
Commitments to extend credit	**$ 122,847,530**	158,704,742
Standby letters of credit	**4,976,441**	3,287,517
	$ 127,823,971	161,992,259

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Of the total commitments to extend credit at December 31, 2019, $37,957,190 was made at fixed rates of interest. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since certain of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies, but is generally residential or income-producing commercial property or equipment on which the Bank generally has a superior lien.

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements and historically have not been drawn upon. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

NOTE 16 – REGULATORY MATTERS

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

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of Total, Tier 1, and Common Equity Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier 1 capital (as defined) to average assets (as defined). By regulation, the capital adequacy guidelines for bank holding companies with total consolidated assets of less than $1 billion at the beginning of the year are applied on a bank-only basis. Accordingly, the Company's consolidated capital levels were not subject to such guidelines at December 31, 2018; however, such guidelines became applicable in 2019. Company management believes, as of December 31, 2019, that the Company and Bank meet all capital adequacy requirements to which they are subject.

As of December 31, 2019, the most recent notification from applicable regulatory authorities categorized the Bank as well-capitalized under the regulatory framework for prompt corrective action. To be categorized as a well-capitalized bank, the Bank must maintain minimum Total risk-based, Tier 1 risk-based, Common Equity Tier 1 risk-based, and Tier 1 leverage ratios as set forth in the table below. There are no conditions or events since those notifications that Company management believes have changed the Bank's risk category.

The Company's and Bank's actual capital amounts and ratios at December 31, 2019 and 2018 are presented in the following table (Jacksonville Savings Bank is presented for 2018, as that bank had not yet been merged into CNB Bank & Trust, N.A. on December 31, 2018. That merger occurred on February 15, 2019.):

	Actual		For capital adequacy purposes		To be a well-capitalized bank under prompt corrective action provision	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(in thousands of dollars)			
Total capital (to risk-weighted assets):						
2019 – Consolidated	**$ 116,553**	**11.56%**	**$ 80,687**	**≥8.0%**	**N/A**	**N/A**
2019 – CNB Bank & Trust, N.A.	**$ 123,968**	**12.32%**	**$ 80,531**	**≥8.0%**	**$ 100,663**	**≥10.0%**
2018 – CNB Bank & Trust, N.A.	$ 86,448	11.31%	$ 61,168	≥8.0%	$ 76,460	≥10.0%
2018 – Jacksonville Savings Bank	$ 24,558	11.42%	$ 17,197	≥8.0%	$ 21,496	≥10.0%
Tier 1 capital (to risk-weighted assets):						
2019 – Consolidated	**$ 104,898**	**10.40%**	**$ 60,516**	**≥6.0%**	**N/A**	**N/A**
2019 – CNB Bank & Trust, N.A.	**$ 111,955**	**11.12%**	**$ 60,398**	**≥6.0%**	**$ 80,531**	**≥8.0%**
2018 – CNB Bank & Trust, N.A.	$ 76,890	10.06%	$ 45,876	≥6.0%	$ 61,168	≥8.0%
2018 – Jacksonville Savings Bank	$ 23,443	10.91%	$ 12,898	≥6.0%	$ 17,197	≥8.0%
Common Equity Tier 1 capital (to risk-weighted assets):						
2019 – Consolidated	**$ 85,545**	**8.48%**	**$ 45,387**	**≥4.5%**	**N/A**	**N/A**
2019 – CNB Bank & Trust, N.A.	**$ 111,955**	**11.12%**	**$ 45,298**	**≥4.5%**	**$ 65,431**	**≥6.5%**
2018 – CNB Bank & Trust, N.A.	$ 76,890	10.06%	$ 34,407	≥4.5%	$ 49,699	≥6.5%
2018 – Jacksonville Savings Bank	$ 23,443	10.91%	$ 9,673	≥4.5%	$ 13,973	≥6.5%
Tier 1 capital (to average assets):						
2019 – Consolidated	**$ 104,898**	**8.25%**	**$ 50,888**	**≥4.0%**	**N/A**	**N/A**
2019 – CNB Bank & Trust, N.A.	**$ 111,955**	**8.62%**	**$ 51,939**	**≥4.0%**	**$ 64,924**	**≥5.0%**
2018 – CNB Bank & Trust, N.A.	$ 76,890	7.95%	$ 38,696	≥4.0%	$ 48,370	≥5.0%
2018 – Jacksonville Savings Bank	$ 23,443	7.96%	$ 11,786	≥4.0%	$ 14,733	≥5.0%

NOTE 17 – ACQUISITION

On June 4, 2018, the Company purchased 100% of the outstanding capital stock of Jacksonville Bancorp, Inc. (which owned 100% of Jacksonville Savings Bank in Jacksonville, Illinois), for cash of $36,700,000. The acquisition was accounted for as a purchase transaction and, accordingly, the operations of Jacksonville Bancorp, Inc. from June 4, 2018 forward are included in the Company's consolidated results of operations. The fair values of the net assets acquired from Jacksonville Bancorp, Inc. were as follows:

Cash and due from banks	$ 2,778,034
Interest-earning demand deposits in financial institutions	3,877,475
Available-for-sale debt securities	109,148,578
Mortgage loans held for sale	223,400
Loans, net (contractual amount of $193,500,730)	190,772,443
Premises and equipment	3,937,567
Other real estate owned	10,500
Other intangible assets	546,223
Accrued interest receivable	1,677,425
Bank-owned life insurance policies	7,364,785
Net deferred tax assets	1,670,949
Other assets	1,896,422
Core deposit premium	4,677,884
Total assets	328,581,685
Deposits	273,462,010
Short-term borrowings	3,401,536
Federal Home Loan Bank advances	24,900,000
Accrued interest payable	129,824
Other liabilities	6,877,702
Total liabilities	308,771,072
Net assets acquired	19,810,613
Cost of acquisition	36,700,000
Goodwill acquired	$ 16,889,387

Jacksonville Savings Bank was merged into CNB Bank & Trust, N.A. as of the close of business February 15, 2019. The Company believes that the acquisition of Jacksonville Bancorp, Inc. has provided the Company with the opportunity to further expand its banking operations in the Jacksonville, Chapin, Virden, and Litchfield, Illinois markets. The resulting discounts and premiums are being amortized over the expected economic lives of the related assets and liabilities. The core deposit premium intangible asset is being amortized on an accelerated basis over its estimated useful life using an undiscounted cash flow method.

BOARD OF DIRECTORS

Richard Walden, Chairman (CNBSI and CNB B&T) [1,2]
Director on both the Bank and holding company boards since 1987
Occupation: owner of Richard C. Walden, CPA, since established in 1979
Previous employment: U.S. Treasury IRS agent
Community service: directorship for Karmak, Inc.; Carlinville Area Hospital (board and Foundation); Macoupin County Community Foundation
Previous community service: Blackburn College (alumni board and Board of Trustees); CAVPAC Board; Macoupin County CEO Program board
Education: B.A. degree, Blackburn College; CPA, University of Illinois

James T. Ashworth, President of CNBSI; Vice Chairman (CNBSI and CNB B&T) [1,2]
Director on both the Bank and holding company boards since 1985
CNB past positions: President and CEO; Cashier; Internal Auditor
Industry affiliations: Chairman, Community Bankers Association of Illinois; Independent Community Bankers of America Board of Directors
Community service: Macoupin County Community Foundation; Carlinville Rotary Club (past president)
Past community service: Federated Church Board of Trustees; President, Carlinville Chamber of Commerce
Education: B.S. degree, University of Miami; graduate and post-graduate programs, Graduate School of Banking, University of Wisconsin

Shawn Davis, President and CEO of CNB B&T; Senior V.P. of CNBSI [1,2]
Director on both the Bank and holding company boards since 1994
CNB past position: Senior Loan Officer
Industry affiliations: Vice Chairman, Community Bankers Association of Illinois; Chairman, Community Bank Services Corp.; Payments Committee, ICBA; Shazam board; Illinois Transfer System board
Community service: Trustee, Carlinville Public School Foundation; Board member, Carlinville Winning Communities
Education: B.S. degree, Southern Illinois University; Graduate School of Banking, University of Wisconsin

Judith Baker, Director [1,2]
Director on both the Bank and holding company boards since 1995
Occupation: Patient Reimbursement Specialist, Carlinville Area Hospital
Education: Attended Blackburn College

Nancy Ruyle, Director and Corporate Secretary [1,2]
Director on both the Bank and holding company boards since 1990
Occupation: senior partner, Ruyle & Sims, Attorneys at Law
Past occupational affiliation: president, Macoupin County Bar Association
Community service: Carlinville Winning Communities board; CWC Independence Day chairperson; Macoupin County CEO Program board
Past community service: Carlinville Public Schools Foundation trustee
Education: B.S. degree, St. Ambrose College; J.D. degree, St. Louis University School of Law

[1] CNB Bank Shares, Inc. Board Member | [2] CNB Bank & Trust, N.A. Board Member

BOARD OF DIRECTORS (CONTINUED)

Ralph Antle, Director [1]
Director on holding company board since 2004; previously served on Palmer Bank board
Occupation: retired President and CEO of the Christian County Mental Health Association
Previous employment: Caterpillar; Firestone; Midstate Special Education
Military Service: US Marine Corps
Community service: various church boards; US Bank Advisory Board; VFW; Taylorville Chamber of Commerce; CCMHA Foundation
Education: B.S. and M.S. degrees, Illinois State University

Peter Genta, Director [1]
Director on holding company board since 2004
Occupation: mathematics teacher and professor, Carlinville High School and Blackburn College; also Track coach for Carlinville High School
Previous employment: mathematics teacher, Virden High School
Community service: Trustee, Federated Church; Carlinville Rotary Club (past president)
Past community service: Locust Street Resource Center board (mental health service provider); Carlinville Track Club
Education: B.A. degree, Lake Forest College; M.A. degree, University of Illinois

Joe Heitz, Director [1]
Director on holding company board since 2015; previously on CNB Bank & Trust and Cornerstone Bank & Trust boards
Occupation: President/Owner of Heitz Optical
Community service: Riverbend Growth Association
Past community service: Professional Eyecare of Greater St. Louis
Education: B.S. degree Western Illinois University; University of Missouri, St. Louis.

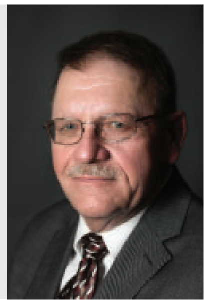
John Pietrzak, Director [1]
Director on holding company board since 2018
Occupation: Managing Principal, Castle Creek Capital
Previous employment: Levi Strauss; Diamond Technology Partners; Sara Lee
Other industry affiliations: boards of Central Federal Corporation and CF Bank, NA, Worthington, OH
Past industry affiliations: boards of West Coast Bancorp; Square 1 Financial; Intermountain Community Bancorp; HCSB Financial; and Origin Bancorp
Education: B.S. degree, Indiana University; M.B.A. degree, Wharton School of the University of Pennsylvania

Larry Franklin, Director and Senior Executive Vice President (CNB B&T) [2]
Director on Bank board since 2011; previously served on Cornerstone Bank & Trust board
Past position: Executive Vice President and CEO of Cornerstone B&T
Previous employment: Alton Bank & Trust
Industry affiliations: Community Bank Service Corporation; Lewis and Clark Community College Banking and Finance Committee; Education Committee of CBAI
Community service: St. Louis Regional Airport board; East Alton Ice Arena board
Past community service: Chairman, River Bend Growth Association; Boys and Girls Club of Alton
Education: American Institute of Banking; National Commercial Lending Graduate School; Bankers Graduate Institute; National Advanced Commercial Lending School, S.I.U.E

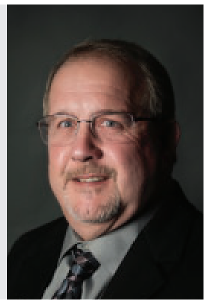
[1] CNB Bank Shares, Inc. Board Member | [2] CNB Bank & Trust, N.A. Board Member

BOARD OF DIRECTORS (CONTINUED)

John T. Boehm, Director [2]
Director on Bank board since 2006
Occupation: past partner and founder of Boehm Farms
Past employment: farming on the family farm since 1973
Military service: US Army
Past community service: Macoupin County FSA Committee
Education: through Carlinville School District; A.B.A. Illinois Business College/ Universal Career College



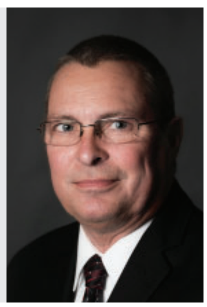
Rick Champley, Director [2]
Director on Bank board since 2011; previously served on holding company and Palmer Bank boards
Occupation: owner, Page's Collision Center
Past positions: Chairman of both the Palmer Bank and it's Loan Committee
Past community service: President, Christian County YMCA board; Taylorville Chamber of Commerce Board
Education: through Taylorville School District



Richard Foss, Director [2]
Director on Bank board since 2018; previously served on Jacksonville Savings Bank board
Past position: President and CEO of Jacksonville Savings Bank
Past community service: Jacksonville Regional Economic Development Corp board; Passavant Area Hospital board; Jacksonville Chamber of Commerce board; Jacksonville Kiwanis Club board; Jacksonville Park board; Jacksonville Country Club board; and various church boards
Education: B.S. degree, Carroll University; Graduate School of Banking, University of Wisconsin

Jim Salske, Director [2]
Director on Bank board since 2006
Occupation: past Owner/Operator of McDonald's restaurants
Past occupational affiliations: Vice President, St. Louis Co-op board; McDonalds Regional Marketing Committee
Community service: Vice Chairman, Carlinville Area Hospital board; Macoupin County CEO Program board
Past community service: President, Hillsboro Chamber of Commerce
Education: B.S., Purdue University

George Yard, Director [2]
Director on Bank board since 2011; previously on Palmer Bank board
Occupation: President of Yard Heating and Cooling
Community service: Christian County Crimestoppers; Taylorville Development Association
Past community service: Taylorville Builders Association
Education: Taylorville Community Schools, Refrigeration Service Engineers Society



[1] CNB Bank Shares, Inc. Board Member | [2] CNB Bank & Trust, N.A. Board Member

OFFICER LIST

CNB Bank Shares, Inc.

James Ashworth .... President & Vice Chairman
Shawn Davis .... Senior Vice President
Thomas DeRobertis .... Vice President
Diana Tone .... Vice President & Chief Financial Officer

CNB Bank & Trust

Shawn Davis .... President & Chief Executive Officer
Larry Franklin .... Senior Executive Vice President & Chief Banking Officer

Branch Management & Loans

Gary Graham .... Regional President
Anthony Heitzig .... Regional President
Andrew Tinberg .... Regional President
Mark Haggard .... Market President
Daniel Jung .... Market President
Michael Liskiewicz .... Market President
Kent Richardson .... Market President
Chris Royal .... Market President
Robert Straz .... Market President
David Hurley .... Senior Vice President & Commercial Loan Team Leader
Daniel Walsh .... Senior Vice President & Commercial Loan Team Leader
Paul Miller .... Senior Vice President & Senior Commercial/Ag Loan Officer
Thomas Jelinek .... Vice President & Senior Commercial/Ag Loan Officer
Gregory Paetow .... Vice President & Business Development Officer
Craig Frankford .... Vice President & Senior Commercial/Ag Loan Officer
Noelle Flesner .... Vice President & Commercial/Ag Loan Officer II
Gordon Rahe .... Vice President & Commercial/Ag Loan Officer
James Rathgeb .... Vice President & Commercial/Ag Loan Officer
Bruce Brauer .... Vice President & Commercial/Ag Loan Officer
Evan Campbell .... Vice President & Commercial/Ag Loan Officer
Ronald Norris .... Vice President & Commercial/Ag Loan Officer
Shaan Smith .... Vice President & Commercial/Ag Loan Officer
Scott VanBurk .... Vice President & Commercial/Ag Loan Officer
Shawn McCombs .... Vice President & Retail Loan Officer
Susan Wood .... Vice President & Retail Loan Officer
Andrew Abraham .... Assistant Vice President & Commercial/Ag Loan Officer
Matthew Eschbach .... Assistant Vice President & Commercial/Ag Loan Officer
Lynn Eyman .... Assistant Vice President & Commercial/Ag Loan Officer
Daniel Henry .... Assistant Vice President & Commercial/Ag Loan Officer
Michael LaTempt .... Assistant Vice President & Commercial/Ag Loan Officer
Kelly Dulakis .... Assistant Vice President & Retail Loan Officer
Susan Montgomery .... Assistant Vice President & Retail Loan Officer
Lisa Stambaugh .... Assistant Vice President & Retail Loan Officer
Kimberly Andras .... Commercial/Ag Loan Officer
Andrea Janek .... Commercial/Ag Loan Officer
James Sanderson .... Commercial/Ag Loan Officer
Jack Tinberg .... Commercial/Ag Loan Officer
Michelle Martin .... Retail Loan Officer & Coordinating Supervisor
Karen Draper .... Retail Loan Officer & CSR Supervisor
Amy Roady .... Retail Loan Officer & CSR Supervisor II
Samantha Dixon .... Retail Loan Officer

OFFICER LIST (CONTINUED)

Mortgage Division

Sally James .... Vice President of Mortgage Lending
Matthew Cors .... Vice President of Operations
Stacy Winder .... Mortgage Loan Servicing Supervisor
Andrew Allen .... Mortgage Loan Processing Supervisor
Megan Baker .... Mortgage Loan Underwriter
Michael Drake .... Loss Mitigation Specialist

Retail Banking

JoAnn Garland .... Vice President & Senior Regional CSR Supervisor
Heather Jones .... Assistant Vice President & Regional CSR Manager
Barbara Bergamo .... Regional CSR Supervisor
Jeanie Glass .... Assistant Vice President & Regional Teller Supervisor
Angela Levora .... Assistant Vice President & Regional Teller Supervisor
Kelly Wood .... Assistant Vice President & Regional Teller Supervisor
John Drake .... Treasury Management & Business Development Officer
Alicia Vaulx .... Treasury Management & Business Development Officer
Christopher Backs .... Teller Supervisor
Stacey Butler .... Teller Supervisor
Tina Carter .... Teller Supervisor
Angela Hunn .... Teller Supervisor
Kendra Lane .... Teller Supervisor
Shelley Malik .... Teller Supervisor
Donald Miller .... Teller Supervisor
Francesca Neff .... Teller Supervisor
Heidi Werries .... Teller Supervisor
Carol Wills .... Lead CSR & IRA Specialist
Nicole Balcom .... Lead Customer Service Representative
Emily Melton .... Lead Customer Service Representative
Susan Snyder .... Lead Customer Service Representative

Trust & Wealth Management Group

Darlene Ward .... Senior Vice President of Trust
Terry Daniels .... Assistant Vice President & Director of Trust Investments
Mary Fergurson .... Vice President & Senior Trust Officer
Victor Henson .... Trust Officer
Matthew Slightom .... Farm & Assistant Portfolio Manager
Ruth Menz .... Trust Operations Officer
Emily Potts .... Assistant Trust Officer
Brandon Brackett .... Trust Administrator
Kimberly Payne .... Trust Compliance & Operations Coordinator
Marian Toth .... Senior Trust & Farm Management Assistant

Financial Resources Group

Robert Beard .... Vice President & Financial Advisor
James Martin .... Vice President & Financial Advisor

OFFICER LIST (CONTINUED)

Corporate Services

Thomas DeRobertis .... Executive Vice President & Chief Risk Officer
Diana Tone .... Executive Vice President & Chief Financial Officer
Angel Hopper .... Vice President & Director of Human Resources
Susan Van Norman .... Director of Marketing
Sallie Bowers .... Assistant Vice President & Assistant Controller
Carol Fletcher .... BSA/AML Compliance & CRA Officer
Kristine Schulte .... Chief Compliance Officer
Katie Ashworth .... CRM Officer & Training Coordinator
Janelle Stock .... Accounting Officer
Aaron Wilson .... Recruiter & HR Generalist
Shelley Tallant .... Accounts Payable Supervisor
Leisa Brooks .... Senior HR Assistant
Ryan Petroline .... Senior Marketing Assistant

Credit Administration

Christopher Williams .... Senior Vice President & Chief Credit Officer
Jodi Simons .... Vice President of Loan Administration
Bradley Dobson .... Assistant Vice President & Commercial Credit & Underwriting Analyst
Eric Pfeiffer .... Commercial Underwriting Analyst
Zachary Meyer .... Loan Review Officer
Jill Plato .... Loan Administration Supervisor II
Roberta Wyatt .... Loan Administration Supervisor II
Debora Zacha .... Loan Administration Supervisor II
Tara Meado .... Loan Documentation Assistant & Processing Supervisor
Sandra Lowry .... Loan Administration Supervisor
Virginia Wetmore .... Lead Lending Assistant
Stephanie Rich .... Loan Document Managament Specialist

Operations

Maureen Oswald .... Executive Vice President & Chief Operations Officer
Kent Brueggemann .... Vice President & Director of Commercial Services & E-Banking
Kimberly Murray .... Vice President of Operations
Matthew Turley .... Vice President & Chief Information Officer
Lisa Wolf .... Vice President of Computer Operations
Mark Totsch .... Information Security Officer
Timothy Bradshaw .... Technology Officer & Security Officer
Natalie Magnuson .... E-Banking Coordinator
Aaron Shipley .... Project Coordinator
Dawna King .... Lead Operations & Accounting Assistant
Denise Sanders .... Lead Operations Assistant
Kila Harris .... Lead Computer Operator
Thomas Schofield .... Document Management Specialist
Linda Wiser .... Senior Executive Assistant
Lori McCoy .... Executive Assistant

ALTON
200 Homer Adams Pkwy.
Alton, IL 62002

BRIGHTON
202 N. Maple St.
Brighton, IL 62012

CARLINVILLE
450 W. Side Square
Carlinville, IL 62626

CARROLLTON
600 N. Main St.
Carrollton, IL 62016

CHAPIN
510 Superior, P.O. Box 350
Chapin, IL 62628

CLAYTON, MO
168 N. Meramec, Suite 350
Clayton, MO 63105

HILLSBORO
549 S. Main St.
Hillsboro, IL 62049

JACKSONVILLE
1211 W. Morton Ave.
225 W. State St.
903 S. Main St.
Jacksonville, IL 62650

JERSEYVILLE
533 S. State St.
Jerseyville, IL 62052

LITCHFIELD
501 N. State St.
Litchfield, IL 62056

OAK FOREST
5459 W. 159th St.
Oak Forest, IL 60452

PALOS HEIGHTS
12727 S. Ridgeland Ave.
Palos Heights, IL 60463

PITTSFIELD
643 W. Washington St.
Pittsfield, IL 62363

SHIPMAN
111 Keating St.
Shipman, IL 62685

TAYLORVILLE
402 N. Webster St.
Taylorville, IL 62568

TINLEY PARK
9400 W. 179th St.
Tinley Park, IL 60487

VIRDEN
100 N. Dye
Virden, IL 62690

CNB BANK & TRUST, N.A.

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