Board of Governors of the Federal Reserve System

Annual Report of Holding Companies—FR Y-6

Report at the close of business as of the end of fiscal year

This Report is required by law: Section 5(c)(1)(A) of the Bank Holding Company Act (12 U.S.C. § 1844(c)(1)(A)); sections 8(a) and 13(a) of the International Banking Act (12 U.S.C. §§ 3106(a) and 3108(a)); sections 11(a)(1), 25, and 25A of the Federal Reserve Act (12 U.S.C. §§ 248(a)(1), 602, and 611a); and sections 113, 165, 312, 618, and 809 of the Dodd-Frank Act (12 U.S.C. §§ 5361, 5365, 5412, 1850a(c)(1), and 5468(b)(1)). Return to the appropriate Federal Reserve Bank the original and the number of copies specified.

This report form is to be filed by all top-tier bank holding companies, top-tier savings and loan holding companies, and U.S. intermediate holding companies organized under U.S. law, and by any foreign banking organization that does not meet the requirements of and is not treated as a qualifying foreign banking organization under Section 211.23 of Regulation K (12 C.F.R. § 211.23). (See page one of the general instructions for more detail of who must file.) The Federal Reserve may not conduct or sponsor, and an organization (or a person) is not required to respond to, an information collection unless it displays a currently valid OMB control number.

NOTE: The *Annual Report of Holding Companies* must be signed by one director of the top-tier holding company. This individual should also be a senior official of the top-tier holding company. In the event that the top-tier holding company does not have an individual who is a senior official and is also a director, the chairman of the board must sign the report. If the holding company is an ESOP/ESOT formed as a corporation or is an LLC, see the General Instructions for the authorized individual who must sign the report.

I, Robert P Wellons
Name of the Holding Company Director and Official

Chairman of the Board
Title of the Holding Company Director and Official

attest that the *Annual Report of Holding Companies* (including the supporting attachments) for this report date has been prepared in conformance with the instructions issued by the Federal Reserve System and are true and correct to the best of my knowledge and belief.

With respect to information regarding individuals contained in this report, the Reporter certifies that it has the authority to provide this information to the Federal Reserve. The Reporter also certifies that it has the authority, on behalf of each individual, to consent or object to public release of information regarding that individual. The Federal Reserve may assume, in the absence of a request for confidential treatment submitted in accordance with the Board's "Rules Regarding Availability of Information," 12 C.F.R. Part 261, that the Reporter and individual consent to public release of all details in the report concerning that individual.

Signature of Holding Company Director and Official

09/24/2020
Date of Signature

For holding companies not registered with the SEC–
Indicate status of Annual Report to Shareholders:
☐ is included with the FR Y-6 report
☐ will be sent under separate cover
☐ is not prepared

For Federal Reserve Bank Use Only

RSSD ID ______
C.I. ______

Date of Report (top-tier holding company's fiscal year-end):
June 30, 2020
Month / Day / Year

549300JW8Z4H2SFHB196
Reporter's Legal Entity Identifier (LEI) (20-Character LEI Code)

Reporter's Name, Street, and Mailing Address

First Federal Financial Corporation
Legal Title of Holding Company

P.O. Box 1049
(Mailing Address of the Holding Company) Street / P.O. Box

Dunn	NC	28335
City	State	Zip Code

200 E. Divine Street Dunn, NC 28334
Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Lynn S. Coats	CFO, First Federal Bank
Name	Title

910-891-2804
Area Code / Phone Number / Extension

910-892-8396
Area Code / FAX Number

lcoats@ffbnc.com
E-mail Address

N/A
Address (URL) for the Holding Company's web page

Is confidential treatment requested for any portion of this report submission? .... 0=No 1=Yes **0**

In accordance with the General Instructions for this report (check only one),

1. a letter justifying this request is being provided along with the report .... ☐
2. a letter justifying this request has been provided separately ... ☐

NOTE: Information for which confidential treatment is being requested must be provided separately and labeled as "confidential."

Item 1: Annual Report to Shareholders
FR Y-6
First Federal Financial Corporation
Fiscal Year Ending June 30, 2020

The June 30, 2020 audited financial statement for First Federal Financial Corporation is included   This year's audit was completed by Elliott Davis.

First Federal Financial Corporation and Subsidiary

Report on Consolidated Financial Statements

For the years ended June 30, 2020 and 2019

Contents

Independent Auditor's Report

To the Board of Directors and Shareholders
First Federal Financial Corporation and Subsidiary
Dunn, North Carolina

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of First Federal Financial Corporation and Subsidiary (the "Company"), which comprise the consolidated balance sheets as of June 30, 2020 and 2019, the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of First Federal Financial Corporation and Subsidiary as of June 30, 2020 and 2019, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Elliott Davis, PLLC

Raleigh, North Carolina
September 30, 2020

First Federal Financial Corporation and Subsidiary

Consolidated Balance Sheets

As of June 30, 2020 and 2019

	2020	2019
Assets		
Cash and due from banks	$ 17,325,912	$ 12,491,233
Interest-bearing time deposits	987,000	4,453,062
Securities available-for-sale	30,061,467	36,677,162
Other securities, at cost	254,215	293,210
Loans, net of allowance for loan losses of $1,835,337 and $1,834,777, respectively	142,326,094	127,064,218
Premises and equipment, net	1,785,073	1,504,380
Foreclosed assets	234,457	419,626
Bank owned life insurance	2,410,585	2,351,870
Deferred tax asset, net	836,540	960,448
Other assets	1,183,355	897,264
Total assets	$197,404,698	$187,112,473
Liabilities and Stockholders' Equity		
Liabilities		
Deposits:		
Interest-bearing	$ 116,069,464	$ 115,956,751
Non-interest bearing	56,376,425	46,225,467
Total deposits	172,445,889	162,182,218
FHLB advances	2,000,000	2,000,000
Accrued interest payable and other liabilities	1,432,116	1,788,665
Total liabilities	175,878,005	165,970,883
Stockholders' equity:		
Common stock, $1 par value, 1,000,000 shares authorized; 221,976 shares issued and outstanding at June 30, 2020 and 2019	221,976	221,976
Additional paid-in capital	4,783,283	4,783,283
Retained earnings	15,301,908	14,867,136
Accumulated other comprehensive loss	(1,039,354)	(945,258)
Noncontrolling interest	2,258,880	2,214,453
Total stockholders' equity	21,526,693	21,141,590
Total liabilities and stockholders' equity	$ 197,404,698	$ 187,112,473

See Notes to Consolidated Financial Statements

First Federal Financial Corporation and Subsidiary
Consolidated Statements of Income
For the years ended June 30, 2020 and 2019

	2020	2019
Interest income		
Loans, including fees	$ 6,874,033	$ 6,173,530
Investment securities	844,708	985,461
Other interest and dividends	169,758	407,319
Total interest income	7,888,499	7,566,310
Interest expense		
Deposits	1,173,545	1,061,370
Borrowings	42,604	13,136
Total interest expense	1,216,149	1,074,506
Net interest income	6,672,350	6,491,804
Provision for loan losses	-	-
Net interest income after provision for loan losses	6,672,350	6,491,804
Noninterest income		
Service charges and other fees	621,347	634,522
Net gain on sale of securities	334,345	28,849
Net gain on disposal of premises and equipment	16,588	113,256
Net loss on sale of foreclosed assets	(5,293)	(10,712)
Other	123,288	242,007
Total noninterest income	1,090,275	1,007,922
Noninterest expenses		
Salaries and employee benefits	4,337,835	3,682,265
Occupancy and equipment	770,908	658,628
Data processing fees	596,435	571,957
Professional services	221,815	277,000
Telephone and courier	174,591	173,038
Maintenance costs	108,507	90,387
Foreclosed assets, net	85,835	100,386
FDIC insurance premiums	13,243	54,019
Other	824,373	792,297
Total noninterest expenses	7,133,542	6,399,977
Income before provision for income taxes	629,083	1,099,749
Provision for income taxes	137,612	243,896
Net income	491,471	855,853
Less: Net income attributable to noncontrolling interest	56,699	98,736
Net income attributable to First Federal Financial Corporation and Subsidiary	$ 434,772	$ 757,117
Earnings per share	$ 1.96	$ 3.41

See Notes to Consolidated Financial Statements

First Federal Financial Corporation and Subsidiary

Consolidated Statements of Comprehensive Income

For the years ended June 30, 2020 and 2019

	2020	2019
Net income	$ 491,471	$ 855,853
Other comprehensive income		
Unrealized holding gains arising during the period, net of tax expense of $117,746 and $172,231, respectively	560,698	820,151
Realized gains on securities, net of tax expense of ($70,212) and ($6,058), respectively	(264,133)	(22,791)
Change in unfunded status of pension, net of tax expense (benefit) of $84,616 and ($38,579), respectively	402,933	(95,388)
Other comprehensive income, net of tax	699,498	701,972
Other comprehensive income attributable to noncontrolling interest	80,698	80,984
Other comprehensive income attributable to First Financial Corporation and Subsidiary	618,800	620,988
Comprehensive income	$ 1,190,969	$ 1,557,825

See Notes to Consolidated Financial Statements

First Federal Financial Corporation and Subsidiary

Consolidated Statements of Changes in Stockholders' Equity

For the years ended June 30, 2020 and 2019

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total Stockholders' Equity
Balance at June 30, 2018	221,976	4,783,283	14,110,019	(1,735,014)	2,012,725	19,392,989
Net Income	-	-	757,117	-	98,736	855,853
Change in unfunded status of pension, net	-	-	-	84,384	11,004	95,388
Change in net unrealized position on securities, net	-	-	-	705,372	91,988	797,360
Balance at June 30, 2019	221,976	4,783,283	14,867,136	(945,258)	2,214,453	21,141,590
Net Income	-	-	434,772	-	56,699	491,471
Change in unfunded status of pension, net	-	-	-	(356,448)	(46,485)	(402,933)
Change in net unrealized position on securities, net	-	-	-	262,352	34,213	296,565
Balance at June 30, 2020	$ 221,976	$ 4,783,283	$ 15,301,908	$ (1,039,354)	$ 2,258,880	$ 21,526,693

See Notes to Consolidated Financial Statements

First Federal Financial Corporation and Subsidiary

Consolidated Statements of Cash Flows

For the years ended June 30, 2020 and 2019

	2020	2019
Operating activities		
Net income	$ 491,471	$ 855,853
Adjustments to reconcile net income to net cash		
Provided by (used in) operating activities:		
Depreciation	333,934	252,184
Net gain on disposal of premises and equipment	(16,588)	(113,256)
Net amortization of securities	(229,050)	(197,452)
Impairment of foreclosed assets	85,000	85,000
Net loss on sale of foreclosed assets	5,293	10,712
Net gain on sale of securities	(334,345)	(28,849)
Deferred income tax expense	136,829	243,592
Bank owned life insurance income	(58,715)	(57,403)
Postretirement benefit income and deferred compensation expense	(402,933)	(282,169)
Ineffective portion of interest rate swaps	-	(5,884)
Change in operating assets and liabilities:		
Other assets	(285,307)	437,482
Accrued expenses and other liabilities	(79,687)	(32,784)
Net cash provided by (used in) operating activities	(354,098)	1,557,590
Investing activities		
Change in interest bearing time deposits	3,466,062	(2,223,340)
Proceeds from calls, maturities, and prepayments of securities available for sale	6,481,474	4,290,148
Purchases of securities, available for sale	(10,675,077)	(7,995,723)
Sale of securities, available for sale	11,378,691	14,698,488
Sale (purchase) of other securities, net	38,995	(127,300)
Net increase in loans	(15,261,876)	(12,803,479)
Proceeds from sale of premises and equipment	23,609	198,406
Purchases of premises and equipment	(621,648)	(428,920)
Proceeds from sale of foreclosed assets	94,876	108,038
Net cash used in investing activities	(5,074,984)	(4,283,682)
Financing activities		
Net increase (decrease) in deposits	10,263,671	(1,137,150)
Net increase in FHLB advances	-	2,000,000
Net cash provided by financing activities	10,263,671	862,850
Net increase (decrease) in cash and cash equivalents	4,834,679	(1,863,242)
Cash and cash equivalents, beginning of year	12,491,233	14,354,475
Cash and cash equivalents, end of year	$ 17,325,912	$ 12,491,233
Cash paid during the year for:		
Interest	$ 1,228,931	$ 1,064,294
Income taxes	$ 138,246	$ 240,516

See Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies

Consolidation:

The consolidated financial statements include the accounts of First Federal Financial Corporation (the "Company") and its 89%-owned subsidiary, First Federal Bank (the "Bank") and the Bank's 100%-owned subsidiary, Diversified Growth & Development, Inc. All significant intercompany balances and transactions have been eliminated in consolidation.

Nature of operations:

The Company provides a variety of financial services to individuals and small businesses through its offices in Harnett, Johnston, and Wake County, North Carolina. Its primary deposit products are demand deposits, savings, and certificate of deposit accounts, and its primary lending products are loans collateralized by real estate, commercial, and consumer loans.

Use of estimates:

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, the fair value of financial instruments, the fair value of deferred tax assets, and the valuation of the Company's defined benefit pension obligation.

Concentrations of credit risk:

Most of the Company's activities are with customers located in Harnett, Johnston, and Wake County, North Carolina, and the surrounding areas. Note 2 discusses the types of securities in which the Company invests. Note 3 discusses the types of lending in which the Company engages. Residential mortgages comprise approximately 49% of the Company's loan portfolio. The Company does not have any other significant concentrations within any one industry or with any one customer.

Cash and cash equivalents:

For the purpose of presentation in the consolidated statements of cash flows, the Company considers cash and highly liquid investments with maturities of three months or less when purchased as cash and cash equivalents. Cash and cash equivalents consists of cash and due from banks and federal funds sold at June 30, 2020 and 2019.

Interest-bearing time deposits:

Interest-bearing time deposits are comprised primarily of federally insured certificates of deposit and corporate certificates which mature within one to seven years. Such amounts are carried at cost, which approximate market value, at June 30, 2020 and 2019.

Note 1. Summary of Significant Accounting Policies, Continued

Securities:

Securities that are held principally for resale in the near term are recorded in the trading assets account at fair value with changes in fair value recorded in earnings. Debt securities that management has the positive intent and ability to hold to maturity are classified as "held to maturity" and recorded at amortized cost. Securities not classified as held to maturity or trading are classified as "available-for-sale" and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income. Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Other securities:

The Company, as a member of the Federal Home Loan Bank of Atlanta ("FHLB") system, is required to maintain an investment in capital stock of the FHLB. Based on the redemption provisions of the FHLB, the stock has no quoted market value and is carried at cost. Management reviews for impairment based on the ultimate recoverability of the cost basis of other securities.

Loans:

The Company grants real estate, commercial, and consumer loans to customers. A substantial portion of the loan portfolio is represented by loans secured by real estate in Harnett, Johnston, and Wake County, North Carolina. The ability of the Company's debtors to honor their contracts is dependent upon the real estate and general economic conditions in these areas.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off generally are reported at their outstanding unpaid principal balances adjusted for the allowance for loan losses.

For loans amortized at cost, interest income is accrued based on the unpaid principal balance. Loan origination fees and costs, net of certain direct origination fees and costs, are deferred and amortized as a level yield adjustment over the respective term of the loan.

The accrual of interest on the loans is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Loans are typically charged off not later than 120 days past due. Past due status is based on contractual terms of the loan. In all cases, loans are placed on non-accrual or charged-off at an earlier date if collection of principal or interest is considered doubtful.

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

Note 1. Summary of Significant Accounting Policies, Continued

Loans, continued:

When a loan is classified as non-accrual and the future collectability of the recorded loan balance is doubtful, collections of interest and principal are generally applied as a reduction to the principal outstanding, except in the case of loans with scheduled amortizations where the payment is generally applied to the oldest payment due. When the future collectability of the recorded loan balance is expected, interest income may be recognized on a cash basis. In the case where a non-accrual loan has been partially charged-off, recognition of interest on a cash basis is limited to that which would have been recognized on the recorded loan balance at the contractual interest rate. Receipts in excess of that amount are recorded as recoveries to the allowance for loan losses until prior charge-offs have been fully recovered.

Allowance for loan losses:

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

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

The allowance consists of allocated and general components. The allocated component relates to loans that are classified as impaired. For those loans that are classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price less selling costs) of the impaired loan is lower than the carrying value of that loan. The general component covers non-impaired loans and is based on historical charge-off experience. Other adjustments may be made to the allowance for pools of loans after an assessment of internal and external influence on credit quality that are not fully reflected in the historical loss or risk rating data.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls are considered on a case by case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan by loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral less selling costs if the loan is collateral dependent.

Note 1. Summary of Significant Accounting Policies, Continued

Off-balance sheet credit related financial instruments:

In the ordinary course of business, the Company has entered into commitments to extend credit, including unfunded commitments under lines of credit and standby letters of credit. Such financial instruments are recorded when they are funded.

Foreclosed assets:

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less cost to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations are included in net expenses from foreclosed assets. At June 30, 2020, there were no loans collateralized by real estate in the process of foreclosure.

Premises and equipment:

Land is carried at cost. Bank premises and furniture, leasehold improvements, fixtures, and equipment are carried at cost, less accumulated depreciation computed on the straight-line method over the estimated useful lives of the assets.

Expenditures for maintenance and repairs are charged against earnings as incurred. Costs of major additions and improvements are capitalized. Upon disposition or retirement of property, the asset account is relieved of the cost of the item and the allowance for depreciation is charged with accumulated depreciation. Any resulting gain or loss is reported in current income.

Long-lived assets:

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If the future undiscounted cash flows expected to result from the use of the asset and its eventual disposition are less than the carrying amount of the asset, an impairment loss is recognized. Long-lived assets and certain intangibles to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

Income taxes:

The Company accounts for income taxes in accordance with income tax accounting guidance (Financial Accounting Standards Board [FASB] Accounting Standards Codification [ASC] 740, *Income Taxes*). The guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Company determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur.

Note 1. Summary of Significant Accounting Policies, Continued

Income taxes, continued:

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

The income tax accounting guidance related to accounting for uncertainty in income taxes sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions. As of June 30, 2020, management is not aware of any uncertain tax positions that would have a material effect on the Company's financial statements. The years ending on or after June 30, 2017 remain subject to examination by federal and state authorities.

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

Bank owned life insurance:

The Company has purchased single-premium life insurance on certain employees of the Company. Appreciation in value of the insurance policies is classified as noninterest income.

Earnings per share:

Basic earnings per share represent income available to common stockholders divided by the weighted-average number of common shares outstanding during the period. The weighted-average number of common shares outstanding used to calculate earnings per share was 221,976 for the years ended June 30, 2020 and 2019.

Fair value of financial instruments:

Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in Note 16. Fair value estimates involve uncertainties and matters of significant judgment. Changes in assumptions or in market conditions could significantly affect the estimates.

Advertising costs:

Advertising costs are expensed as incurred. Advertising expense was $88,328 and $60,641 for the years ended June 30, 2020 and 2019, respectively.

Note 1. Summary of Significant Accounting Policies, Continued

Compensated absences:

Employees of the Company are entitled to paid vacation, paid sick days and personal days off, depending on job classifications, length of service, and other factors. It is impractical to estimate the amount of compensation for future absences, and, accordingly, no liability has been recorded in the accompanying financial statements. The Company's policy is to recognize the costs of compensated absences when actually paid to employees.

COVID-19:

The 2019 novel coronavirus (or "COVID-19") has adversely affected, and may continue to adversely affect economic activity globally, nationally and locally. Following the COVID-19 outbreak in December 2019 and January 2020, market interest rates have declined significantly, with the 10-year Treasury bond falling below 1.00% on March 3, 2020 for the first time. Such events also may adversely affect business and consumer confidence, generally, and the Company and its customers, and their respective suppliers, vendors and processors may be adversely affected. On March 3, 2020, the Federal Open Market Committee (FOMC) reduced the target federal funds rate by 50 basis points to 1.00% to 1.25%. Subsequently on March 16, 2020, the FOMC further reduced the target federal funds rate by an additional 100 basis points to 0.00% to 0.25%. These reductions in interest rates and other effects of the COVID-19 outbreak may adversely affect the Company's financial condition and results of operations.

CARES Act:

In response to the COVID-19 pandemic, the CARES Act was signed into law on March 27, 2020. Among other things, the CARES Act includes the following provisions impacting financial institutions like the Bank:

- Troubled Debt Restructuring ("TDR") - The CARES Act allows banks to elect to suspend requirements under accounting principles generally accepted in the United States of America ("GAAP") for loan modifications related to the COVID-19 pandemic (for loans that were not more than 30 days past due as of December 31, 2019) that would otherwise be categorized as a TDR, including impairment for accounting purposes, until the earlier of 60 days after the termination date of the national emergency or December 31, 2020. Federal banking agencies are required to defer to the determination of the banks making such suspension. Refer to Note 3 in the Notes to the Consolidated Financial Statements for additional detail.

- Small Business Administration ("SBA") Paycheck Protection Program ("PPP") - The PPP authorizes small business loans to pay payroll and group health costs, salaries and commissions, mortgage and rent payments, utilities, and interest on other debt. The loans are provided through participating financial institutions, such as the Bank, that process loan applications and service the loans. It is the Bank's understanding that loans funded through PPP are fully guaranteed by the U.S. government. Should those circumstances change, the Bank could be required to establish an additional allowance for loan losses through a provision for loan losses charged to earnings.

Note 1. Summary of Significant Accounting Policies, Continued

Subsequent events:

The Company evaluated all events or transactions that occurred after June 30, 2020 through September 30, 2020, the date the Company issued these financial statements. During this period, the Company did not have any material subsequent events that required recognition in the financial statements for the year ended June 30, 2020.

Reclassification:

Certain amounts in the 2019 consolidated financial statements have been reclassified to conform to the 2020 presentation. Such classifications had no impact on net income or stockholders' equity.

Recently issued accounting standards:

In May 2014, the FASB issued guidance to change the recognition of revenue from contracts with customers. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. The guidance will be effective for the Company for annual periods beginning after December 15, 2019, and interim periods within annual reporting periods beginning after December 15, 2020.

The Company will apply the guidance using a modified retrospective approach. The Company's revenue is comprised of net interest income and noninterest income. The scope of the guidance explicitly excludes net interest income as well as many other revenues for financial assets and liabilities including loans, leases, securities, and derivatives. Accordingly, the majority of revenues will not be affected. The Company is currently assessing revenue contracts related to revenue streams that are within the scope of the standard. The accounting policies will not change materially since the principles of revenue recognition from the Accounting Standards Update ("ASU") are largely consistent with existing guidance and current practices applied by our businesses. The Company has not identified material changes to the timing or amount of revenue recognition. Based on the updated guidance, the Company does anticipate changes in disclosures associated with revenues. The Company will provide qualitative disclosures of performance obligations related to revenue recognition and will continue to evaluate disaggregation for significant categories of revenue in the scope of the guidance.

In February 2016, the FASB amended the Leases topic of the Accounting Standards Codification to revise certain aspects of recognition, measurement, presentation, and disclosure of leasing transactions. The amendments will be effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early adoption is permitted.

The Company expects to adopt the guidance using the modified retrospective method and practical expedients for transition. The practical expedients allow the Company to largely account for existing leases consistent with current guidance except for the incremental balance sheet recognition for lessees. The Company has have started an initial evaluation of its leasing contracts and activities. The Company has also started developing our methodology to estimate the right-of use assets and lease liabilities, which is based on the present value of lease payments. We do not expect a material change to the timing of expense recognition, but we are early in the implementation process and will continue to evaluate the impact. We are evaluating our existing disclosures and may need to provide additional information as a result of adoption of the ASU.

Note 1. Summary of Significant Accounting Policies, Continued

Recently issued accounting standards, continued:

In June 2016, the FASB issued guidance to change the accounting for credit losses and modify the impairment model for certain debt securities. In November 2019, the FASB issued guidance to defer the effective dates for private companies, not-for-profit organizations, and certain smaller reporting companies applying standards on current expected credit losses (CECL). The new effective dates will be for fiscal years beginning after December 15, 2022 including interim periods within those fiscal years. Early adoption is permitted.

The Company will apply the amendments to the ASU through a cumulative-effect adjustment to retained earnings as of the beginning of the year of adoption. The Company is evaluating the impact of the ASU on the consolidated financial statements. The Company is still evaluating the impact the ASU will have on the recorded allowance for loan losses given the change to estimated losses over the contractual life of the loans adjusted for expected prepayments. In addition to the allowance for loan losses, the Company will also record an allowance for credit losses on debt securities instead of applying the impairment model currently utilized.

The amount of the adjustments will be impacted by each portfolio's composition and credit quality at the adoption date as well as economic conditions and forecasts at that time.

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

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies are not expected to have a material impact on the Company's financial position, results of operations or cash flows.

Note 2. Investment Securities

The amortized cost and fair values of securities available-for-sale are as follows:

	June 30, 2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Municipal securities	$ 10,930,423	$ 188,578	$ (14,475)	$ 11,104,526
SBA loan pooled securities	9,799,199	298,456	-	10,097,655
Mortgage backed securities	8,752,673	120,996	(14,383)	8,859,286
	$ 29,482,295	$ 608,030	$ (28,858)	$ 30,061,467

	June 30, 2019			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Municipal securities	$ 2,617,394	$ 58,569	$ -	$ 2,675,963
SBA loan pooled securities	14,383,098	188,587	(134,225)	14,437,460
Mortgage backed securities	19,063,244	166,573	(165,108)	19,064,709
Corporate securities	501,131	-	(2,101)	499,030
	$ 36,564,867	$ 413,729	$ (301,434)	$ 36,677,162

Other securities on the balance sheet are comprised of $254,215 and $293,210 in FHLB stock at June 30, 2020 and 2019, respectively.

Securities with a carrying value of $7,734,995 and $7,773,525 at June 30, 2020 and 2019, respectively, were pledged to secure public deposits and for other purposes as required or permitted by law.

The following is a summary of maturities of securities available-for-sale. The amortized cost and fair values are based on the contractual maturity dates. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalty.

June 30, 2020	Amortized Cost	Fair Value
Due within one year	$ -	$ -
Due after one year but within five years	-	-
Due after five years but within ten years	938,734	982,660
Due after ten years	28,543,561	29,078,807
	$ 29,482,295	$ 30,061,467

Note 2. Investment Securities, Continued

Temporarily impaired securities:

The following table shows gross unrealized losses and fair value, aggregated by investment category, and length of time that individual securities have been in a continuous unrealized loss position, at June 30, 2020 and 2019.

	June 30, 2020					
	Less than twelve months		Twelve months or more		Total	
	Fair Value	Unrealized Losses	Fair value	Unrealized losses	Fair value	Unrealized Losses
Municipal securities	$ 1,584,179	$ 14,475	$ -	$ -	$ 1,584,179	$ 14,475
Mortgage backed securities	2,944,922	14,383	-	-	2,944,922	14,383
	$ 4,529,101	$ 28,858	$ -	$ -	$ 4,529,101	$ 28,858

	June 30, 2019					
	Less than twelve months		Twelve months or more		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
	Fair Value	Unrealized Losses	Fair value	Unrealized losses	Fair value	Unrealized Losses
SBA loan pooled securities	$ -	$ -	$ 7,662,425	$ 134,225	$ 7,662,425	$ 134,225
Mortgage backed securities	-	-	10,737,956	165,108	10,737,956	165,108
Corporate securities	-	-	499,030	2,101	499,030	2,101
	$ -	$ -	$18,889,411	$ 301,434	$ 18,889,411	$ 301,434

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

Municipal securities:

There were four municipal securities in an unrealized loss position as of June 30, 2020. The unrealized losses are primarily caused by the trend in interest rates. The Company currently does not believe it is probable that it will be unable to collect all amounts due according to the contractual terms of the investments. Because the Company does not intend to sell the investments and it is not more-likely-than-not that it will be required to sell

Note 2. Investment Securities, Continued

the investments before recovery of its par value, which may be maturity, it does not consider these investments to be other-than-temporarily impaired at June 30, 2020.

Mortgage backed securities:

The decline in fair value of three mortgage backed securities was a result of changes in interest rates and illiquidity, not declines in credit quality. The Company purchased those investments at a discount relative to their face amount, and the contractual cash flows of those investments are guaranteed by an agency of the U.S. Government. Accordingly, it is expected that the securities would not be settled at a price less than the amortized cost bases of the Company's investments. Because the decline in market value is attributable to changes in interest rates and not credit quality, and because the Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at June 30, 2020.

In 2020 and 2019, the Company recognized no other-than-temporary losses.

Note 3. Loans

Following is a summary of loans receivable at June 30:

	2020	2019
Real estate:		
Residential	$ 70,935,957	$ 74,195,618
Construction	16,239,769	10,567,345
Nonresidential	36,847,864	32,424,758
Commercial (1)	17,842,160	10,229,811
Consumer	2,119,992	1,375,090
Total loans	143,985,742	128,792,622
Deferred loan fees and costs, net	175,689	106,373
Less allowance for loan losses	(1,835,337)	(1,834,777)
Net loans	$ 142,326,094	$ 127,064,218

(1) Includes $6,578,249 and $0 of PPP loans as of June 30, 2020 and June 30, 2019, respectively.

The Company grants real estate, commercial, and consumer loans to its customers. Although the Company has a diversified loan portfolio, 86.1% and 90.9% of the portfolio is concentrated in loans secured by real estate as of June 30, 2020 and 2019, respectively.

Note 3. Loans, Continued

Real estate – residential:

The Company originates mortgage residential real estate loans for the closed-end purchase or refinancing of mortgages for individual homeowners or rental properties. These loans are secured by 1-4 family residential properties primarily located in the Company's market area. The financial strength of the borrowers and collateral values of the properties are assessed as part of the underwriting criteria of these loans. Risks associated with these loans include reductions in cash flow of borrowers due to job loss or sickness and declines in collateral values of properties securing the loans.

Real estate – construction:

The Company originates construction loans to builders and commercial borrowers and, to a limited extent, loans to individuals for the construction of primary residences. These loans are secured by real estate. To the extent construction loans are not made to owner occupants of 1-4 family residential properties, they are more vulnerable to changes in economic conditions. Further the nature of these loans is such that they are difficult to evaluate and monitor. The risk of loss on construction loans is dependent on the accuracy of initial estimates of property value upon completion of the projects, and the estimated costs (including interest) of the projects.

Real estate – nonresidential:

Nonresidential loans are owner occupied loans where the primary sources of repayment are cash flows from the ongoing operations and activities conducted by the owners. Underwriting criteria for these loans require initial and on-going reviews of borrower cash flows. Economic conditions impacting cash flows of the borrowers or declines in collateral values are risks to this loan type.

Commercial:

Commercial business loans are made to small and medium sized companies in the Company's market area. Commercial loans are generally used for working capital purposes or for acquiring equipment, inventory or furniture. Primarily all of the Company's commercial loans are secured loans, along with a small amount of unsecured loans. The Company's underwriting analysis consists of a review of the financial statements of the borrower, the lending history of the borrower, the debt service capabilities of the borrower, the projected cash flows of the business, the value of the collateral, if any, and whether the loan is guaranteed by the principals of the borrower. These loans are generally secured by accounts receivable, inventory and equipment. Commercial loans are typically made on the basis of the borrower's ability to make repayment from the cash flow of the borrower's business, which makes them of higher risk than residential loans and the collateral securing loans may be difficult to appraise and may fluctuate in value based on the success of the business. The Company seeks to minimize these risks through its underwriting standards.

Note 3. Loans, Continued

Consumer:

Consumer and other loans consist of all loans made to individuals for household, family, and other personal expenditures. These loans include automobile loans, unsecured loans, and deposit-secured loans as well as non-real estate secured revolving credit lines. Consumer underwriting criteria include the credit worthiness of the borrowers as well as the values of underlying collateral. Risks associated with consumer loans include job loss, sickness, and declines in collateral values or losses of collateral.

An analysis of the change in allowance for loan losses at June 30, 2020 is as follows:

	Real Estate Residential	Real Estate Construction	Real Estate Nonresidential	Commercial	Consumer	Total
Allowance for loan losses:						
Beginning balance	$ 974,631	$ 156,752	$ 500,143	$ 179,032	$ 24,219	$ 1,834,777
Provision for (reversal of) loan losses	(122,648)	70,558	38,138	27,168	(13,216)	-
Charge-offs	-	-	-	-	(2,040)	(2,040)
Recoveries	-	-	-	-	2,600	2,600
Ending Balance	$ 851,983	$ 227,310	$ 538,281	$ 206,200	$ 11,563	$ 1,835,337
Impaired loans individually evaluated for impairment:						
Recorded investment	$ 1,832,797	$ 10,779	$ 197,979	$ -	$ -	$ 2,041,555
Balance in allowance for loan losses	$ -	$ -	$ -	$ -	$ -	$ -
Loans collectively evaluated for impairment:						
Recorded investment	$ 69,103,160	$ 16,228,990	$ 36,649,885	$ 17,842,160	$ 2,119,992	$ 141,944,187
Balance in allowance for loan losses	$ 851,983	$ 227,310	$ 538,281	$ 206,200	$ 11,563	$ 1,835,337
Total evaluated for impairment:						
Recorded investment	$ 70,935,957	$ 16,239,769	$ 36,847,864	$ 17,842,160	$ 2,119,992	$ 143,985,742
Balance in allowance for loan losses	$ 851,983	$ 227,310	$ 538,281	$ 206,200	$ 11,563	$ 1,835,337

Note 3. Loans, Continued

An analysis of the change in allowance for loan losses at June 30, 2019 is as follows:

	Real Estate Residential	Real Estate Construction	Real Estate Nonresidential	Commercial	Consumer	Total
Allowance for loan losses:						
Beginning balance	$ 1,020,750	$ 201,131	$ 356,082	$ 224,930	$ 18,591	$ 1,821,484
Provision for (reversal of) loan losses	(66,119)	(44,379)	144,061	(45,101)	11,538	-
Charge-offs	-	-	-	(797)	(7,569)	(8,366)
Recoveries	20,000	-	-	-	1,659	21,659
Ending Balance	$ 974,631	$ 156,752	$ 500,143	$ 179,032	$ 24,219	$ 1,834,777
Impaired loans individually evaluated for impairment:						
Recorded investment	$ 1,326,267	$ 12,517	$ 223,208	$ -	$ -	$ 1,561,992
Balance in allowance for loan losses	$ -	$ -	$ -	$ -	$ -	$ -
Loans collectively evaluated for impairment:						
Recorded investment	$ 72,869,351	$ 10,554,828	$ 32,201,550	$ 10,299,811	$ 1,375,090	$ 127,230,630
Balance in allowance for loan losses	$ 974,631	$ 156,752	$ 500,143	$ 179,032	$ 24,219	$ 1,834,777
Total evaluated for impairment:						
Recorded investment	$ 74,195,618	$ 10,567,345	$ 32,424,758	$ 10,229,811	$ 1,375,090	$ 128,792,622
Balance in allowance for loan losses	$ 974,631	$ 156,752	$ 500,143	$ 179,032	$ 24,219	$ 1,834,777

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

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

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

Note 3. Loans, Continued

Internally assigned loan grades are defined as follows:

Pass - These loans exhibit minimal to moderately low risk. Loans are properly approved, documented, collateralized, and performing which do not reflect an abnormal credit risk.

Special Mention - These credits constitute a moderately high risk. These loans also possess deficiencies, which corrective action by the Company would remedy.

Substandard - These loans are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. These loans also are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.

Doubtful - These loans have all the weaknesses inherent in those classified as substandard with the added characteristic that the weaknesses make collection or liquidation in full, based on currently existing facts, conditions, and values, highly questionable and improbable.

Loss - These loans have those characteristics of doubtful loans with little to no value. These loans are considered to be not warranted as a bankable asset.

The following is an analysis of our loan portfolio by credit quality indicators at June 30, 2020:

	Pass	Special Mention	Substandard	Total
Real estate				
Residential	$ 68,782,211	$ 1,206,487	$ 947,259	$ 70,935,957
Construction	16,239,769	-	-	16,239,769
Nonresidential	36,301,486	348,399	197,979	36,847,864
Commercial	17,264,382	571,221	6,557	17,842,160
Consumer	2,117,594	2,398	-	2,119,992
	$ 140,705,442	$ 2,128,505	$ 1,151,795	$ 143,985,742

The following is an analysis of our loan portfolio by credit quality indicators at June 30, 2019:

	Pass	Special Mention	Substandard	Total
Real estate				
Residential	$ 71,912,516	$ 1,235,594	$ 1,047,508	$ 74,195,618
Construction	10,567,345	-	-	10,567,345
Nonresidential	31,549,900	651,650	223,208	32,424,758
Commercial	10,134,315	86,675	8,821	10,229,811
Consumer	1,332,947	42,143	-	1,375,090
	$ 125,497,023	$ 2,016,062	$ 1,279,537	$ 128,792,622

Note 3. Loans, Continued

The following table provides an aging analysis of past due loans and non-accrual loans at June 30, 2020:

	Accruing Loans					
	30-89 Days	Greater than 90 Days	Total	Non-Accrual	Current Loans	Total
Real estate						
Residential	$ -	$ -	$ -	$ 1,636,403	$ 69,299,554	$ 70,935,957
Construction	-	-	-	-	16,239,769	16,239,769
Nonresidential	-	-	-	197,979	36,649,885	36,847,864
Commercial	-	-	-	-	17,842,160	17,842,160
Consumer	-	-	-	416	2,119,576	2,119,992
	$ -	$ -	$ -	$ 1,834,798	$ 142,150,944	$ 143,985,742

The following table provides an aging analysis of past due loans and non-accrual loans at June 30, 2019:

	Accruing Loans					
	30-89 Days	Greater than 90 Days	Total	Non-Accrual	Current Loans	Total
Real estate						
Residential	$ 161,501	$ -	$ 161,501	$ 1,123,643	$ 72,910,474	$ 74,195,618
Construction	-	-	-	-	10,567,345	10,567,345
Nonresidential	-	-	-	223,208	32,201,550	32,424,758
Commercial	-	-	-	-	10,229,811	10,229,811
Consumer	3,448	-	3,448	-	1,371,642	1,375,090
	$ 164,949	$ -	$ 164,949	$ 1,346,851	$ 127,280,822	$ 128,792,622

The following is an analysis of our impaired loan portfolio detailing the related allowance recorded at June 30, 2020:

	With No Allowance Recorded		With an Allowance Recorded		
	Recorded Investment	Unpaid Contractual Principal Balance	Recorded Investment	Unpaid Contractual Principal Balance	Related Allowance
Real estate					
Residential	$ 1,832,797	$ 1,832,797	$ -	$ -	$ -
Construction	10,779	10,779	-	-	-
Nonresidential	197,979	197,979	-	-	-
	$ 2,041,555	$ 2,041,555	$ -	$ -	$ -

Note 3. Loans, Continued

The following is an analysis of our impaired loan portfolio detailing the related allowance recorded June 30, 2019:

	With No Allowance Recorded		With an Allowance Recorded		
	Recorded Investment	Unpaid Contractual Principal Balance	Recorded Investment	Unpaid Contractual Principal Balance	Related Allowance
Real estate					
Residential	$ 1,326,267	$ 1,326,267	$ -	$ -	$ -
Construction	12,517	12,517	-	-	-
Nonresidential	223,208	223,208	-	-	-
	$ 1,561,992	$ 1,561,992	$ -	$ -	$ -

A loan is considered impaired, in accordance with the impairment accounting guidance, when based on current information and events, it is probable that the Company will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan. Impaired loans includes all classes of commercial non-accruing loans and TDRs.

The average net investment in impaired loans and interest income recognized and received on impaired loans are as follows at June 30, 2020:

	Average Recorded Investment	Interest Income Recognized	Interest Income Received
Real estate			
Residential	$ 1,558,873	$ 71,207	$ 71,207
Construction	11,533	1,388	1,388
Nonresidential	211,716	12,738	12,738
	$ 1,782,122	$ 85,333	$ 85,333

The average net investment in impaired loans and interest income recognized and received on impaired loans are as follows at June 30, 2019:

	Average Recorded Investment	Interest Income Recognized	Interest Income Received
Real estate			
Residential	$ 1,418,384	$ 70,196	$ 70,196
Construction	13,445	1,613	1,613
Nonresidential	229,316	7,653	7,653
	$ 1,661,145	$ 79,462	$ 79,462

Note 3. Loans, Continued

Modifications of terms for loans and their inclusion as TDRs are based on individual facts and circumstances. Loan modifications that are included as TDRs may involve a reduction of the stated interest rate of the loan, an extension of the maturity date at a stated rate of interest lower than the current market rate for new debt with similar risk, or deferral of principal payments, regardless of the modification.

There were no TDRs entered into during the years ended June 30, 2020 and 2019.

The following is a summary of TDRs at June 30:

	2020	2019
Loans secured by real estate:		
1-4 family residential	$ 10,779	$ 12,517
Other construction loans	354,909	368,817
	$ 365,688	$ 381,334

TDRs totaling $153,365 were on non-accrual status at June 30, 2020 and were classified as Substandard. Loans retain their accrual status at the time of their modification. As a result, if a loan is on non-accrual at the time it was modified, it stays on non-accrual, and if a loan is on accrual at the time of modification, it generally stays on accrual. A loan on non-accrual will be individually evaluated based on sustained adherence to the terms of the modification agreement prior to being reclassified to accrual status.

At June 30, 2020 and 2019, there were no commitments to lend additional funds to any borrower whose loan terms have been modified in a TDR.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) was signed into law. Section 4013 of the CARES Act, “Temporary Relief from Troubled Debt Restructurings,” provides banks the option to temporarily suspend certain requirements under U.S. GAAP related to TDRs for a limited period of time to account for the effects of COVID-19. Additionally, on April 7, 2020, the banking agencies, including the Board of Governors of the Federal Reserve System and the Federal Deposit Insurance Corporation, issued a statement, “Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working With Customers Affected by the Coronavirus (Revised)” (“Interagency Statement”), to encourage banks to work prudently with borrowers and to describe the agencies’ interpretation of how accounting rules under ASC 310-40, “Troubled Debt Restructurings by Creditors,” apply to certain COVID-19-related modifications.

In accordance with emergency regulations, financial institutions are required to provide payment accommodations, which may include payment deferrals, to any consumer and small businesses who can demonstrate financial hardship caused by COVID-19. As of June 30, 2020, the Bank has granted loan payment deferrals for 48 residential mortgage loans and home equity lines of credit totaling $4,848,352 in unpaid principal balance, as well as deferrals for 61 commercial loans and construction loans totaling $16,717,693 in unpaid principal balance. In accordance with the CARES Act and Interagency Statement, these modifications were not considered TDRs.

Note 4. Premises and Equipment

Premises and equipment is summarized as follows as of June 30:

	2020	2019
Land	$ 555,390	$ 555,390
Bank premises and leasehold improvements	3,017,363	2,739,737
Furniture, fixtures and equipment	2,607,670	2,301,848
	6,180,423	5,596,975
Less accumulated depreciation	(4,395,350)	(4,092,595)
Premises and equipment, net	$ 1,785,073	$ 1,504,380

Depreciation expense was $333,934 and $252,184 for the years ended June 30, 2020 and 2019, respectively.

The Company was a party to three non-cancellable leases as of June 30, 2020. Future minimum lease payments under the operating leases are summarized as follows:

2021	$ 178,767
2022	180,041
2023	61,784
2024	46,422
2025 and thereafter	3,965
Total	$ 470,979

Rental expense relating to the operating lease amounted to $176,647 and $136,284 for the years ending June 30, 2020 and 2019, respectively.

Note 5. Deposits

The aggregate amount of time deposits in denominations of $250,000 or more at June 30, 2020 and 2019 was $10,592,456 and $12,256,734, respectively.

At June 30, 2020, the scheduled maturities of time deposits are as follows:

2020	$ 33,683,383
2021	12,473,926
2022	1,390,239
2023 and thereafter	509,601
Total	$ 48,057,149

Note 6. Borrowings

The Company has a line of credit with FHLB enabling the Company to borrow up to 25% of total assets of the Bank. As of June 30, 2020, the Company would be able to access an additional $44,779,250 of FHLB credit products based on the Bank's current financial and operational conditions and upon pledging of sufficient collateral. At June 30, 2020, and 2019, the Company had $2,000,000 in outstanding advances.

As of June 30, 2020, the Company also had an unsecured line of credit with another financial institution enabling the Company to borrow up to $7,000,000 with interest determined at the time of any advance. The arrangement is reviewed annually for renewal. At June 30, 2020, and 2019, the Company had $0 in outstanding advances.

Note 7. Income Taxes

The income tax provision differs from the amount of income tax determined by applying the U.S. federal income tax rate to pretax income for the years ended June 30, 2020 and June 30, 2019, due to the following:

	2020	2019
Income tax expense:		
Tax expense at statutory rate	$ 132,108	$ 230,947
(Increase) decrease in income taxes resulting from:		
Interest on nontaxable securities	(22,865)	(21,521)
Income from life insurance	(12,330)	(12,055)
State income taxes, net of federal effect	10,276	32,727
Other	30,423	13,798
Total	$ 137,612	$ 243,896

Income tax expense is summarized as follows at June 30:

	2020	2019
Current income tax expense (benefit):		
Federal	$ 640	$ (3,106)
State	143	3,410
Deferred tax expense (benefit)	136,829	243,592
Total provision for income taxes	$ 137,612	$ 243,896

The 2020 and 2019 provisions for federal and state income taxes differs from that computed by applying federal and state statutory rates to income before federal and state income tax expense primarily due to tax exempt interest income and other non-deductible expenses.

Note 7. Income Taxes, Continued

The components of the net deferred tax assets are as follows at June 30:

	2020	2019
Deferred tax assets:		
Provision for loan losses	$ 421,669	$ 421,540
Non-accrual loan interest	20,826	13,881
Impairment of foreclosed assets	39,058	19,529
Premises and equipment	102,907	128,423
Pension liability	543,129	422,943
Net operating loss	323,376	371,833
Other	2,523	-
	1,453,488	1,378,149
Deferred tax liabilities:		
Net deferred loan fees and costs	(40,365)	(24,439)
Net unrealized gains on securities available for sale	(133,064)	(25,799)
Prepaid expenses	(443,519)	(367,463)
Total net deferred tax liabilities	(616,948)	(417,701)
Deferred tax asset, net	$ 836,540	$ 960,448

The Company and its subsidiary file income tax returns in the United States federal jurisdiction and North Carolina. With few exceptions, the Company is no longer subject to United States federal, state and local income tax examinations by tax authorities for years before 2017.

Note 8. Off-Balance Sheet Activities

The Company is a party to credit related financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets.

The Company's exposure to credit loss is represented by the contractual amount of these commitments. The Company follows the same credit policies in making commitments as it does for on balance sheet instruments.

At June 30, 2020 and 2019, the following financial instruments were outstanding whose contract amounts represent credit risk:

	2020	2019
Unfunded commitments	$ 25,266,991	$ 21,028,374

Unfunded commitments under lines of credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The commitments for lines of credit may expire

Note 8. Off-Balance Sheet Activities, continued

without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary by the Company, is based on management's credit evaluation of the customer.

Note 9. Legal Contingencies

Various legal claims arise from time to time in the normal course of business. Management is of the opinion that no current claims exist that will have a material effect on the Company's consolidated financial statements.

Note 10. Minimum Regulatory Capital Requirements

Banks and bank holding companies are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action. The final rules implementing Basel Committee on Banking Supervision's capital guidelines for U.S. banks (Basel III rules) became effective for the Company on January 1, 2015 with full compliance with all of the requirements being phased in over a multi-year schedule, and fully phased in on January 1, 2019. The capital conversion buffer was phased in from 0.0% for 2015 to 2.5% by 2019. The capital conversion buffer for 2020 is 2.5%. The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital. Management believes as of June 30, 2020, the Bank met all capital adequacy requirements to which they are subject.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At June 30, 2020 and 2019, the most recent regulatory notifications categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the institution's category.

The following table summarizes the capital amounts and ratios of the Bank and the regulatory minimum requirements:

(Dollars in thousands)

	Actual		For Capital Adequacy Purposes		To Be Well-Capitalized Under Prompt Corrective Action Provisions	
June 30, 2020	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
Total capital (to risk-weighted assets)	$ 23,063	19.77%	$ 9,330	8.00%	$ 11,663	10.00%
Tier 1 capital (to risk-weighted assets)	21,601	18.52%	6,998	6.00%	9,330	8.00%
Common Tier 1 capital (to risk-weighted assets)	21,601	18.52%	5,248	4.50%	7,581	6.50%
Tier 1 capital (to average assets)	21,601	11.13%	7,763	4.00%	9,704	5.00%

Note 10. Minimum Regulatory Capital Requirements, Continued

June 30, 2019	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk-weighted assets)	$ 22,116	20.65%	$ 8,567	8.00%	$ 10,708	10.00%
Tier 1 capital (to risk-weighted assets)	20,772	19.40%	6,425	6.00%	8,567	8.00%
Common Tier 1 capital (to risk-weighted assets)	20,772	19.40%	935	4.50%	1,350	6.50%
Tier 1 capital (to average assets)	20,772	11.33%	7,336	4.00%	9,170	5.00%

Note 11. Concentrations and Cash Reserve Requirements

At various times throughout the year, the Company maintained cash balances with financial institutions that exceeded federally insured limits. The Company monitors the capital adequacy of these financial institutions on a quarterly basis. The Company is required to maintain certain cash reserves relating to its deposit liabilities. This reserve requirement is ordinarily satisfied by cash on hand.

Note 12. Stock-Based Compensation

Under the Company's First Federal Savings Bank 1991 Stock Option Plan (the "Plan"), the Company may grant up to 25,000 options for the purchase of the Company's common stock to directors, officers, and employees. Option prices may not be less than 100% of the estimated fair value of the common stock at the grant dates under the Plan, and option prices may not be less than 110% of the estimated fair value of the common stock at the grant dates for employees who own 10% or more of the Company's outstanding Common Stock. Option terms may not exceed 5 years for employees owning 10% or more of outstanding common stock, or 5 years for all others. Vesting of options is specified in individual option agreements. Options shall become immediately exercisable in the event of a change of control as defined by the Plan.

During the years ended June 30, 2020 and 2019, no stock options were outstanding and exercisable, and no stock options were granted or exercised.

Note 13. Comprehensive Income

Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on securities and unrealized gains and losses on the defined benefit pension plan obligation, which are recognized as separate components of equity.

Note 13. Comprehensive Income, Continued

The components of accumulated other comprehensive loss, included in stockholders' equity, are as follows for the year ended June 30:

	2020	2019
Unrealized holding losses arising during the period, net of tax	$ (771,964)	$ (1,004,138)
Actuarial losses, net of unamortized pension service costs and tax	(402,933)	(64,392)
Total accumulated other comprehensive loss	(1,174,897)	(1,068,530)
Accumulated other comprehensive loss attributable to noncontrolling interest	(135,543)	(123,272)
Accumulated other comprehensive loss attributable to First Federal Financial Corporation and Subsidiary	$ (1,039,354)	$ (945,258)

Note 14. Employee Benefit Plans

401(k) plan:

The Company has a 401(k) defined contribution plan that covers all employees over age 21 with one year of service. The Board of Directors approved a discretionary matching contribution of $0.25 for every $1.00 contributed by employees up to a maximum of 4.00% of employees' salaries beginning January 1, 2015. The Company contributed $58,635 and $38,870 in discretionary matching for the year ended June 30, 2020 and 2019, respectively.

Defined benefit pension plan:

The Company maintains a non-contributory defined benefit pension plan covering substantially all its employees. Benefits are based on the final average salary and service of the employees integrated with social security. Effective July 1, 2019, the Company elected to freeze its pension plan.

Benefit obligation for the year ended June 30:

	2020	2019
Benefit obligation at beginning of year	$ 6,455,773	$ 6,866,354
Interest cost	314,634	315,832
Benefits paid	(331,331)	(346,879)
Curtailment	-	(443,926)
Actuarial loss during year	496,984	64,392
Benefit obligation, end of year	$ 6,936,060	$ 6,455,773

Note 14. Employee Benefit Plans, Continued

Plan assets for the year ended June 30:

	2020	2019
Fair value of plan assets at beginning of year	$ 6,180,948	$ 6,028,922
Actual return on plan assets	272,977	198,905
Actual employer contribution	350,000	300,000
Benefits paid	(331,331)	(346,879)
Fair value of plan assets at end of year	$ 6,472,594	$ 6,180,948
Funded status	$ (463,466)	$ (274,825)
Unfunded pension liability included in other liabilities	$ (463,466)	$ (274,825)

Pension benefits for the year ended June 30:

Amounts included in accumulated other comprehensive income (loss), net of tax consist of the following:

	2020	2019
Net actuarial loss	$ (496,984)	$ (64,392)
Accumulated other comprehensive loss	$ (496,984)	$ (64,392)

Net periodic pension costs for the year ended June 30:

The following table shows the components of net periodic pension costs related for the years ended June 30, 2020 and 2019:

	2020	2019
Interest cost	$ 314,634	$ 315,832
Expected return on plan assets	(342,333)	(335,877)
Amortization of net losses	43,221	37,876
Effect of curtailment	-	146,471
Net periodic pension cost	$ (15,522)	$ 164,302

Note 14. Employee Benefit Plans, Continued

At June 30, 2020 and 2019, the assumptions used to determine the benefit obligation and net periodic pension costs were as follows for the year ended June 30:

	2020	2019
Discount rates for net periodic pension cost	4.65%	5.00%
Expected rate of return on plan assets	5.50%	5.50%
Rates of increase in compensation levels	2.50%	2.50%

The Company's pension plan weighted average asset allocations at June 30, 2020 and 2019 were as follows for the year ended June 30:

	2020	2019
Cash and cash equivalents	0.60%	57.20%
Mutual funds	99.40%	42.80%
	100.00%	100.00%

Determination of expected long-term rate of return:

The expected long-term rate of return reflects assumptions as to continued execution of the plan's investment strategy.

Investment policy and strategy:

The Company's pension plan funds are primarily invested in cash and mutual funds. Investment decisions regarding the plan's assets seek to achieve a favorable annual return that will provide needed capital appreciation and cash flow to allow both current and future obligations to be paid.

Cash flows:

The Company expects to contribute $200,000 to the pension plan in fiscal year 2021. Estimated future benefit payments which reflect expected future benefit service, as appropriate are as follows:

Fiscal Year Ending June 30,

2021	$ 350,000
2022	360,000
2023	370,000
2024	410,000
2025	470,000
2026-2030	2,490,000

Note 14. Employee Benefit Plan, Continued

Other changes in plan assets and benefit obligations recognized in other comprehensive income for the year ended June 30:

	2020	2019
Current year actuarial income (loss)	$ 566,340	$ (96,091)
Amortization of net losses	(43,221)	(37,876)
Total recognized in accumulated other comprehensive income (loss)	523,199	(133,967)
Total net periodic pension cost	15,522	(128,640)
Total recognized in net periodic benefit cost and other comprehensive income	$ 538,641	$ (262,607)

Note 15. Related Party Transactions

In the ordinary course of business, the Company has granted loans to principal officers and directors and their affiliates. Annual activity consisted of the following:

	2020	2019
Beginning balance	$ 522,516	$ 359,548
New loans	718,830	180,009
Repayments	(200,200)	(17,041)
Ending balance	$ 1,041,146	$ 522,516

Deposits from related parties held by the Company amounted to $16,098,385 and $16,015,198 at June 30, 2020 and 2019, respectively.

Note 16. Fair Value of Assets and Liabilities

FASB ASC 825, *Financial Instruments,* permits entities to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. The election to use the fair value option is available when an entity first recognizes a financial asset or financial liability or upon entering into a Company commitment. Subsequent changes must be recorded in earnings.

FASB ASC 820, *Fair Value Measurement,* clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Under this guidance, fair value measurements are not adjusted for transaction costs. This guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Note 16. Fair Value of Assets and Liabilities, Continued

The three levels of the fair value hierarchy under this guidance are described below.

Level 1 Valuations for assets and liabilities traded in active exchange 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 comparable assets or liabilities which use observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The following describes valuation methodologies used for assets measured at fair value.

Securities: Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include highly liquid government bonds, certain mortgage products and exchange-traded equities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. Examples of such instruments, which would generally be classified within Level 2 of the valuation hierarchy, include certain collateralized mortgage and debt obligations and certain high-yield debt securities. In certain cases where there is limited activity or less transparency around inputs to the valuation, securities are classified within Level 3 of the valuation hierarchy. Securities classified within Level 3 include certain residual interests in securitizations and other less liquid securities.

Impaired Loans: A loan is considered to be impaired when it is probable the Company will be unable to collect all principal and interest payments due in accordance with the contractual terms of the loan agreement. Estimates of fair value are determined based on a variety of information, including the use of available appraisals, estimates of market value by licensed appraisers or local real estate brokers and the knowledge and experience of the Company’s management related to values of properties in the Company’s market areas. Management takes into consideration the type, location and occupancy of the property as well as current economic conditions in the area the property is located in assessing estimates of fair value. Management’s unobservable inputs resulted in a quantitative decrease of 5% - 10%. Accordingly, fair value estimates for impaired loans are classified as Level 3.

Foreclosed Assets: Estimates of fair values are determined based on a variety of information, including the use of available appraisals, estimates of market value by licensed appraisers or local real estate brokers and the knowledge and experience of the Company's senior lending officers related to values of properties in the Company's market areas. These officers take into consideration the type, location and occupancy of the property as well as current economic conditions in the area the property is located in assessing estimates of fair value. Management’s unobservable inputs resulted in a quantitative decrease of 5% - 10%. Accordingly, the fair value estimates for foreclosed real estate are classified as Level 3.

Note 16. Fair Value of Assets and Liabilities, Continued

The tables below present the balances of assets and liabilities measured at fair value on a recurring basis by level within the hierarchy.

	June 30, 2020			
	Total	Level 1	Level 2	Level 3
Municipal securities	$ 11,104,526	$ -	$ 11,104,526	$ -
SBA loan pooled securities	10,097,655	-	10,097,655	-
Mortgage backed securities	8,859,286	-	8,859,286	-
Total	$ 30,061,467	$ -	$ 30,061,467	$ -

	June 30, 2019			
	Total	Level 1	Level 2	Level 3
Municipal securities	$ 2,675,963	$ -	$ 2,675,963	$ -
SBA loan pooled securities	14,437,460	-	14,437,460	-
Mortgage backed securities	19,064,709	-	19,064,709	-
Corporate securities	499,030	-	499,030	-
Total	$ 36,677,162	$ -	$ 36,677,162	$ -

The tables below present the balances of assets and liabilities measured at fair value on a nonrecurring basis by level within the hierarchy.

	June 30, 2020			
	Total	Level 1	Level 2	Level 3
Impaired loans				
Real estate				
Residential	$ 1,832,797	$ -	$ -	$ 1,832,797
Construction	10,779	-	-	10,779
Nonresidential	197,979	-	-	197,979
Foreclosed assets				
Residential	234,457	-	-	234,457
Total	$ 2,276,012	$ -	$ -	$ 2,276,012

	June 30, 2019			
	Total	Level 1	Level 2	Level 3
Impaired loans				
Real estate				
Residential	$ 1,326,267	$ -	$ -	$ 1,326,267
Construction	12,517	-	-	12,517
Nonresidential	223,208	-	-	223,208
Foreclosed assets				
Residential	419,626	-	-	419,626
Total	$ 1,981,618	$ -	$ -	$ 1,981,618

Item 2a: Organization Chart

Form FR Y-6

First Federal Financial Corporation

Fiscal Year Ending June 30, 2020

First Federal Financial Corporation
Dunn, NC
Incorporated in North Carolina
LEI 549300JW8Z4H2SFHB196

88%

First Federal Bank
Dunn, NC
Incorporated in North Carolina
LEI 5493004W7AEPOP0B0249

100%

Diversified Growth and Development Corporation
Raleigh, North Carolina
Incorporated in North Carolina
No LEI

Results: A list of branches for your depository institution: FIRST FEDERAL BANK (ID_RSSD: 943974).
This depository institution is held by FIRST FEDERAL FINANCIAL CORPORATION (1253821) of DUNN, NC.
The data are as of 06/30/2020. Data reflects information that was received and processed through 07/05/2020.

Reconciliation and Verification Steps
1. In the **Data Action** column of each branch row, enter one or more of the actions specified below
2. If required, enter the date in the **Effective Date** column

Actions
OK: If the branch information is correct, enter 'OK' in the **Data Action** column.
Change: If the branch information is incorrect or incomplete, revise the data, enter 'Change' in the **Data Action** column and the date when this information first became valid in the **Effective Date** column.
Close: If a branch listed was sold or closed, enter 'Close' in the **Data Action** column and the sale or closure date in the **Effective Date** column.
Delete: If a branch listed was never owned by this depository institution, enter 'Delete' in the **Data Action** column.
Add: If a reportable branch is missing, insert a row, add the branch data, and enter 'Add' in the **Data Action** column and the opening or acquisition date in the **Effective Date** column.

If printing this list, you may need to adjust your page setup in MS Excel. Try using landscape orientation, page scaling, and/or legal sized paper.

Submission Procedure
When you are finished, send a saved copy to your FRB contact. See the detailed instructions on this site for more information.
If you are e-mailing this to your FRB contact, put your institution name, city and state in the subject line of the e-mail.

Note:
To satisfy the **FR Y-10 reporting requirements**, you must also submit FR Y-10 Domestic Branch Schedules for each branch with a **Data Action** of Change, Close, Delete, or Add.
The FR Y-10 report may be submitted in a hardcopy format or via the FR Y-10 Online application - https://y10online.federalreserve.gov.

* FDIC UNINUM, Office Number, and ID_RSSD columns are for reference only. Verification of these values is not required.

Data Action	Effective Date	Branch Service Type	Branch ID_RSSD*	Popular Name	Street Address	City	State	Zip Code	County	Country	FDIC UNINUM*	Office Number*	Head Office	Head Office ID_RSSD*	Comments
OK		Full Service (Head Office)	943974	FIRST FEDERAL BANK	200 EAST DIVINE STREET	DUNN	NC	28334	HARNETT	UNITED STATES	Not Required	Not Required	FIRST FEDERAL BANK	943974	
OK		Full Service	4161600	ANGIER BRANCH	110 WEST DUPREE ST	ANGIER	NC	27501	HARNETT	UNITED STATES	Not Required	Not Required	FIRST FEDERAL BANK	943974	
OK		Full Service	4161619	BENSON BRANCH	105 NORTH JOHNSON ST	BENSON	NC	27504	JOHNSTON	UNITED STATES	Not Required	Not Required	FIRST FEDERAL BANK	943974	
OK		Full Service	4161628	CLAYTON BRANCH	442 EAST MAIN ST	CLAYTON	NC	27520	JOHNSTON	UNITED STATES	Not Required	Not Required	FIRST FEDERAL BANK	943974	
OK		Full Service	4161655	DUNN BRANCH	200 EAST CUMBERLAND STREET	DUNN	NC	28334	HARNETT	UNITED STATES	Not Required	Not Required	FIRST FEDERAL BANK	943974	
OK		Full Service	4161637	ERWIN BRANCH	540 EAST JACKSON BLVD	ERWIN	NC	28334	HARNETT	UNITED STATES	Not Required	Not Required	FIRST FEDERAL BANK	943974	
OK		Full Service	4161646	FUQUAY BRANCH	603 NORTH JUDD PARKWAY NORTHEAST	FUQUAY VARINA	NC	27526	WAKE	UNITED STATES	Not Required	Not Required	FIRST FEDERAL BANK	943974	

Item 3: Securities Holders Owning More than 5% Voting or Controlling Interests
Form FR Y-6
First Federal Financial Corporation
Fiscal Year Ending June 30, 2020

Name City, State Country	Country of Citizenship	Number of Securities Owned or Controlled	Percentage of Securities Owned or Controlled	Class of Voting Securities	
Robert P. Wellons Dunn, NC USA	USA	28,387	12.79%	Common Stock	1
John Wellons, Jr. Fayetteville, NC USA	USA	28,386	12.79%	Common Stock	1
Sylvia Wellons Craft Farmville, NC USA	USA	28,387	12.79%	Common Stock	1
Don Wellons Dunn, NC USA	USA	28,359	12.78%	Common Stock	1
Beth Wellons Morrice Roswell, GA USA	USA	13,573	6.11%	Common Stock	2
Gaye Wellons Mashburn Morehead City, NC USA	USA	14,378	6.48%	Common Stock	2
Kathryn R. Todd Tallahassee, FL USA	USA	13,975	6.30%	Common Stock	2
Joy Wellons Moore Morehead City, NC USA	USA	14,378	6.48%	Common Stock	2
Total Outstanding Shares		169,823			

1 - Brothers and Sister of Same Family
2 - Sisters of Same Family

Item 3.2 There were no individuals/companies that held 5% or more voting securities at some point during the year, but not at end of the year.

Item 4: Insiders*
Form FR Y-6
First Federal Financial Corporation
Fiscal Year Ending June 30, 2020

Name City, State Country	Principal Occupation if other than with Holding Company	Title & Position with Holding Company	Title & Position with Subsidiary (Include names of subsidiaries)	Title & Position with Other Businesses (include names of other businesses)	Percentage of Voting Shares in Holding Company	Percentage of Voting Shares in in Subsidiaries (Include names of subsidiaries)	List names of other companies if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
Robert P. Wellons (1) Dunn, NC USA	Real Estate\Construction	Director Chairman of the Board	Chairman of the Board - First Federal Bank	President - Wellons Realty, Inc. President - Wellons Construction, Inc. President - Freedom Constructors, Inc.	12.79%	0.60% First Federal Bank	Wellons Realty, Inc. 100% Wellons Construction, Inc. 100% Freedom Constructors, Inc. 40% Leisure Living - RPW, LLC 100% Four W's, Inc. 25% Prestige Mortgage Corporation 25% WMJ Developers, LLC 33 1/3% KR/O, LLC 25% Cheyenne Developers, LLC 50% RP Wellons Land & Development, LLC 40% Navaho 50% Aho 25% R P Wellons, CECO, LLC 40% Leisure Living CB, LLC 25% Leisure, LLC 25% Rock Hard Properties, LLC 25% Cool Hand Properties, LLC 33 1/3%
Don Wellons (1) Dunn, NC USA	Real Estate	Director Vice Chairman of the Board	N\A	President - Don G. Wellons Properties, Inc.	12.78%	0.95% First Federal Bank	Don G. Wellons Properties, Inc. 100% 2004 Cumberland, LLC 33 1/3% Deep Valley Ranch LLC 100% Prestige Mortgage Corporation 25% Four W's, Inc. 25% Leisure Living - DGW, LLC 100% Southview Self Storage 100% Aho 25% Leisure Living CB, LLC 25% Leisure, LLC 25% Rock Hard Properties, LLC 25% KR/O, LLC 25%
Sylvia Craft (1) Farmville, NC USA	Real Estate	N\A	N\A	N/A	12.79%	0.48% First Federal Bank	Prestige Mortgage Corporation 25% Aho 25% KR/O, LLC 25% Leisure Living SWS, LLC 100% Four W's, Inc. 25% Leisure Living CB, LLC 25% Leisure, LLC 25% Rock Hard Properties, LLC 25% Craft Investments, LLC 50% 2004 Cumberland, LLC 33 1/3%

Item 4: Insiders*
Form FR Y-6
First Federal Financial Corporation
Fiscal Year Ending June 30, 2020

Name City, State Country	Principal Occupation if other than with Holding Company	Title & Position with Holding Company	Title & Position with Subsidiary (Include names of subsidiaries)	Title & Position with Other Businesses (include names of other businesses)	Percentage of Voting Shares in Holding Company	Percentage of Voting Shares in in Subsidiaries (Include names of subsidiaries)	List names of other companies if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
John Wellons, Jr. (1) Fayetteville, NC USA	Real Estate	N\A	N\A	N/A	12.79%	0.52% First Federal Bank	2004 Cumberland, LLC 33 1/3% Prestige Mortgage Corporation 25% KR/O, LLC 25% Four W's, Inc. 25% Leisure Living - JHW, LLC 100% Leisure Living CB, LLC 25% Leisure, LLC 25% Rock Hard Properties, LLC 25% Aho 25%
Gaye W. Mashburn (2) Morehead City, NC USA	Real Estate	Director President	Director - First Federal Bank	President - C.G. W., Inc. President - Wellons Enterprises, Inc.	6.48%	0.01% First Federal Bank	BTA, LLC 25% Down East Trading Post 1, LLC 25% C.G. W., Inc. 25% 4 Sisters-00, LLC 25% 509 Ocean Ridge, Inc. 33.3% Mashburn Properties II,LLC 25% Mashburn Properties III,LLC 50% B.G.K.J., LLC 25%

Item 4: Insiders*
Form FR Y-6
First Federal Financial Corporation
Fiscal Year Ending June 30, 2020

Name City, State Country	Principal Occupation if other than with Holding Company	Title & Position with Holding Company	Title & Position with Subsidiary (Include names of subsidiaries)	Title & Position with Other Businesses (include names of other businesses)	Percentage of Voting Shares in Holding Company	Percentage of Voting Shares in in Subsidiaries (Include names of subsidiaries)	List names of other companies if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
Joy W. Moore (2) Morehead City, NC USA	Real Estate	Director	N\A	Sec\Treas - C.G.W., Inc.	6.48%	0.01% First Federal Bank	BTA, LLC 25% Down East Trading Post 1, LLC 25% C.G. W., Inc. 25% 4 Sisters-00, LLC 25% 509 Ocean Ridge, Inc. 33.3% B.G.K.J., LLC 25% Beaufort Town Apartments, Inc. 25% Moore Appraisal Services, LLC 50%
Clement E. Medley Dunn, NC USA	Retired	Director	Vice-Chairman of First Federal Bank Board	N\A	0.10%	0.58% First Federal Bank	N\A
Charlene Hamlett Durham, NC USA	Real Estate	Director	Director - First Federal Bank	Partner - Triangle Investment Company President - Hudson, Inc. Managing Partner - Cedar Creek Park, LLC Managing Partner Charlestown Henderson, LLC Managing Partner CWH Properties, LLC Corporate Secretary Corporate Secretary Corporate Secretary Corporate Secretary Corporate Secretary Corporate Secretary Corporate Secretary Corporate Secretary	0.00%	0.98% First Federal Bank	Triangle Investment Company 50% Hudson, Inc. 50% Cedar Creek Park, LLC 100% Charlestown Henderson, LLC 100% CWH Properties, LLC 100% Real Estate Associates, Inc. 25% REA Eno Square, Inc. 25% REA Landcom, Inc. 25% REA Residential, Inc. 25% Rental Partners 25% Bowling Ventures, Inc. 25% REA Recreation, Inc. 25% REA Riddle Road 33% Arrowwood Lane, LLC 33% Riverside LNC, LLC 25% C S Wellons Properties, LLC 50%

* Principal securities holder, directors and executive officers
(1) Brothers and Sister of Same Family
(2) Sisters of Same Family