CALHOUN BANKSHARES, INC.
AND SUBSIDIARY

CONSOLIDATED FINANCIAL REPORT

December 31, 2018

CONTENTS

BROWNEDWARDS
certified public accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders
Calhoun Bankshares, Inc. and Subsidiary
Grantsville, West Virginia

We have audited the accompanying consolidated financial statements of Calhoun Bankshares, Inc. and Subsidiary (the "Company"), which comprise the consolidated balance sheets as of December 31, 2018, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinion

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

Prior Period Financial Statements

The consolidated financial statements of Calhoun Bankshares, Inc. and Subsidiary as of December 31, 2017 were audited by other auditors whose report dated March 13, 2018 expressed an unmodified opinion on those statements.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Blacksburg, Virginia
March 26, 2019

CALHOUN BANKSHARES, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
December 31, 2018 and 2017

	2018	2017
ASSETS		
Cash and amounts due from banks	$ 4,952,895	$ 6,539,604
Interest bearing deposits in other banks	3,481,029	1,689,925
Federal funds sold	439,000	1,208,000
Total cash and cash equivalents	8,872,924	9,437,529
Time deposits in other banks	3,237,000	3,237,000
Investment securities		
Available-for-sale securities	8,941,891	10,677,190
Other equity investments	254,100	254,300
Total investment securities	9,195,991	10,931,490
Loans receivable	113,757,834	104,278,325
Less: allowance for loan losses	(1,362,088)	(1,265,063)
Net loans receivable	112,395,746	103,013,262
Premises and equipment, net	4,479,713	1,911,410
Other real estate owned and repossessed assets, net	212,500	145,000
Interest receivable	398,205	400,654
Cash surrender value of life insurance	3,372,575	3,276,471
Deferred tax assets	739,389	881,464
Other assets	149,405	154,440
	9,351,787	6,769,439
Total assets	$143,053,448	$133,388,720
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits		
Non-interest bearing	$ 40,089,247	$ 36,244,175
Interest bearing	82,386,128	77,637,968
Total deposits	122,475,375	113,882,143
Borrowings	3,000,000	3,000,000
Other liabilities	2,079,579	2,233,003
Total liabilities	127,554,954	119,115,146
STOCKHOLDERS' EQUITY		
Common stock, $1 par value, 3,000,000 shares authorized, 306,850 shares issued; 294,858 and 292,861 shares outstanding as of December 31, 2018 and 2017, respectively	306,850	306,850
Additional paid in capital	562,070	549,740
Retained earnings	15,726,468	14,784,256
Accumulated other comprehensive loss	(768,327)	(964,816)
Treasury stock at cost; 11,992 and 13,989 shares as of December 31, 2018 and 2017, respectively	(328,567)	(402,456)
Total stockholders' equity	15,498,494	14,273,574
Total liabilities and stockholders' equity	$143,053,448	$133,388,720

The Notes to Consolidated Financial Statements are an integral part of these statements.

CALHOUN BANKSHARES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME
Years Ended December 31, 2018 and 2017

	2018	2017
INTEREST INCOME		
Interest and fees on loans	$ 5,901,783	$ 5,543,881
Interest and dividends on investment securities	261,075	243,138
Interest on deposits at other financial institutions	77,908	63,317
Interest on federal funds sold	7,930	11,250
Total interest and dividend income	6,248,696	5,861,586
INTEREST EXPENSE		
Interest and deposits	500,047	386,620
Interest on borrowings	39,899	36,402
	539,946	423,022
NET INTEREST INCOME	5,708,750	5,438,564
Provision for loan losses (see Note 4)	140,000	120,000
Net interest income after provision for loan losses	5,568,750	5,318,564
NONINTEREST INCOME		
Service charges and fees on deposits	339,362	428,783
Other service charges, commission and fess	402,573	376,269
Increase in cash surrender value – bank owned life insurance	92,702	109,245
Net realized gain from sales of investment securities, available-for-sale	-	17,716
Other income	28,130	57,897
Total other income	862,767	989,910
EXPENSES		
Salaries and employee benefits	2,692,439	2,772,330
Occupancy and equipment expense	320,752	356,883
Equipment, software, and network maintenance	139,597	147,679
Legal and professional fees	134,000	118,381
Marketing expense	38,075	72,886
Regulatory fees	137,362	157,521
Foreclosed property cost	33,321	5,601
Data processing expense	344,145	335,393
Directors fees	112,625	99,900
Office supplies and postage	69,013	69,529
Other expenses	770,144	580,232
Total other expenses	4,791,473	4,716,335
Income before income tax expense	1,640,044	1,592,139
INCOME TAX EXPENSE (see note 8)	389,176	963,162
Net income	$ 1,250,868	$ 628,977
EARININGS PER SHARE	$ 4.26	$ 2.15

The Notes to Consolidated Financial Statements are an integral part of these statements.

CALHOUN BANKSHARES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years Ended December 31, 2018 and 2017

	2018	2017
NET INCOME	$ 1,250,868	$ 628,977
OTHER COMPREHENSIVE INCOME (LOSS), net of tax		
Change in net pension liability, net of tax effect of $(81,627) and $73,663 for 2018 and 2017, respectively	230,703	(110,495)
Change in unrealized gain (loss) on available-for-sale securities, net of tax effect of $7,637 and $(21,181) for 2018 and 2017, respectively	(34,214)	31,771
Reclassification adjustment for gain (loss) on investment securities available-for-sale included in net income, net of tax effect of $7,087 in 2017	-	(10,629)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	196,489	(89,353)
COMPREHENSIVE INCOME, net of tax	$ 1,447,357	$ 539,624

The Notes to Consolidated Financial Statements are an integral part of these statements.

CALHOUN BANKSHARES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
Years Ended December 31, 2018 and 2017

	Common Stock	Additional Paid In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Shareholders' Equity
BALANCE, December 31, 2016	$ 306,850	$ 550,486	$ 14,260,960	$ (703,646)	$ (420,972)	$ 13,993,678
Cumulative effect of tax rate change	-	-	171,817	(171,817)	-	-
Net income			628,977			628,977
Comprehensive income	-	-		(89,353)	-	(89,353)
Sales of 3,635 shares Treasury stock	-	(746)	-	-	135,393	134,647
Acquisition of 3,125 shares Treasury stock	-	-	-	-	(116,877)	(116,877)
Dividends on common stock ($0.95) per share	-	-	(277,498)	-	-	(277,498)
BALANCE, December 31, 2017	306,850	549,740	14,784,256	(964,816)	(402,456)	14,273,574
Net income	-	-	1,250,868		-	1,250,868
Comprehensive income	-	-	-	196,489	-	196,489
Sales of 2,547 shares Treasury stock	-	12,330	-	-	99,189	111,519
Acquisition of 550 shares Treasury stock	-	-	-	-	(25,300)	(25,300)
Dividends on common stock ($1.05) per share	-	-	(308,656)	-	-	(308,656)
BALANCE, December 31, 2018	$ 306,850	$ 562,070	$ 15,726,468	$ (768,327)	$ (328,567)	$ 15,498,494

The Notes to Consolidated Financial Statements are an integral part of these statements.

CALHOUN BANKSHARES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2018 and 2017

	2018	2017
OPERATING ACTIVITIES		
Net income	$ 1,250,868	$ 628,977
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for loan losses	140,000	120,000
Provision for deferred income taxes	59,953	399,485
(Gains) losses on sale of investment securities	-	(17,716)
(Gains) losses on other real estate owned	2,298	(1,559)
Writedowns on other real estate owned	-	2,000
Depreciation	143,598	158,492
Loss on disposition of property and equipment	11,742	-
Amortization and accretion of securities, net	35,061	50,934
(Increase) decrease in interest receivable	2,449	18,976
(Increase) in cash surrender value life insurance	(96,104)	(109,245)
(Increase) decrease in other assets	4,063	29,243
Increase (decrease) in borrowings and other liabilities	168,010	176,317
Net cash provided by operating activities	1,721,938	1,455,904
INVESTING ACTIVITIES		
Net (increase) decrease in time deposits in other banks	-	249,000
Proceeds from sales of available-for-sale securities	-	1,835,137
Proceeds from maturities and calls of available-for-sale securities	658,387	1,000,000
Proceeds from principal payments of available-for-sale securities	1,000,000	842,256
Purchases of available-for-sale securities	-	(516,509)
Proceeds from redemption of other securities	200	163,400
Purchase of other securities	-	(120,000)
Proceeds from sale of other real estate owned	116,401	3,309
Net decrease in loans	(9,708,683)	(6,133,230)
Purchases of premises and equipment	(2,723,643)	(145,553)
Proceeds from bank owned life insurance death benefit	-	103,931
Net cash used in investing activities	(10,657,338)	(2,718,259)
FINANCING ACTIVITIES		
Net increase (decrease) in deposits	8,593,232	4,831,057
Net increase (decrease) in FHLB advances	-	(1,000,000)
Dividends paid	(308,656)	(277,498)
Acquisition of treasury stock	(25,300)	(116,877)
Proceeds from sale of treasury stock	111,519	134,647
Net cash provided by financing activities	8,370,795	3,571,329
Increase (decrease) in cash and cash equivalents	(564,605)	2,308,974
CASH, beginning	9,437,529	7,128,555
CASH, ending	$ 8,872,924	$ 9,437,529
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for		
Interest	$ 521,204	$ 427,591
Income taxes	$ 373,840	490,677
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Other real estate acquired in settlement of loans	$ 186,199	$ 45,000

The Notes to Consolidated Financial Statements are an integral part of these statements.

Note 1. Summary of Significant Accounting Policies

Nature of operations

Calhoun County Bank, Inc. (the "Company") is a bank holding company whose principal activity is the ownership and management of its wholly-owned subsidiary, Calhoun County Bank, Inc. (the "Bank"). Calhoun County Bank is a community bank with operations in Grantsville, West Virginia. The Bank provides banking services to domestic markets with the primary market areas being Calhoun, Gilmer, and Wirt counties, and the secondary market area being all of the contiguous counties. To a large extent, the operations of the Company and its Subsidiary Bank, such as loan portfolio management and deposit growth, are directly affected by the market area economy.

Basis of presentation and consolidation

The consolidated financial statements of the company are prepared in accordance with generally accepted accounting principles. The consolidated financial statements include the accounts of Calhoun Bankshares and its wholly-owned subsidiary, Calhoun County Bank, Inc. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, fair value estimates, periodic costs and balance sheet accruals for the defined benefit pension plan, the valuation of other real estate owned, and deferred tax assets. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

The determination of the adequacy of the allowance for loan losses is based on estimates that are particularly susceptible to significant changes in the economic environment and market conditions. In connection with the determination of the estimated losses on loans, management obtains independent appraisals for significant collateral.

The loans of the Bank are generally secured by specific items of collateral including real property, consumer assets, and business assets. Although the Bank has a diversified loan portfolio, a substantial portion of its debtors' ability to honor their contracts is dependent on local economic conditions. While management uses available information to recognize losses on loans, further reductions in the carrying amounts of loans may be necessary based on changes in local economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the estimated losses on loans. Such agencies may require the Bank to recognize additional losses based on their judgments about information available to them at the time of their examination. Because of these factors, it is reasonably possible that the estimated losses on loans may change materially in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

Presentation of cash flows

For purposes of the consolidated statements of cash flows, cash and due from banks includes cash on hand and non-interest bearing funds at correspondent banks.

Securities available-for-sale are carried at fair value, with unrealized gains and losses reported in other comprehensive income. Realized gains (losses) on securities available-for-sale are included in other income (expense) and, when applicable, are reported as a reclassification adjustment, net of tax, in other comprehensive income. The cost of securities sold is determined on the specific-identification method. Amortization of premiums and accretion of discounts are recognized in interest income using the interest method over the contractual terms of the securities.

Other equity investments include the Company's investment in stock of CBB Financial Corporation and Federal Home Loan Bank of Pittsburgh (FHLB), which are restricted equity securities carried at cost because no ready market exists since it is restricted as to their marketability.

Declines in the fair value of individual securities below their cost that are other than temporary result in write-downs of the individual securities to their fair value. The related write-downs are included in earnings as realized losses. Gains and losses on sales of securities are determined on the specific identification method.

Loans receivable

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are stated at their outstanding unpaid principal balances, net of an allowance for loan losses. Interest income is accrued on the unpaid principal balance.

The accrual of interest is generally discontinued when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about further collectability of principal or interest, even though the loan may be currently performing. A loan may remain on accrual status if it is in the process of collection and is either guaranteed or well-secured. When a loan is placed on nonaccrual status, unpaid interest credited to income in the current year is reversed. Interest received on nonaccrual loans generally is either applied against principal or reported as interest income on the cash basis, according to management's judgment as to the collectability of principal. Interest accrual resumes when the loan is no longer past due and the borrower, in management's opinion, is able to meet future payments as they become due. A loan is considered past due if the required principal and interest payment has not been received as of the contractual due date.

(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

Allowance for loan losses

The allowance for loan losses is maintained at a level believed to be adequate by management to absorb probable losses inherent in the portfolio, and is based on the size and current risk characteristics of the loan portfolio, an assessment of individual problem loans and actual loss experience, current economic events in specific industries, and other pertinent factors such as regulatory guidance and general economic conditions. The allowance is established through a provision for loan losses charged to earnings. Loans identified as losses and deemed uncollectible by management are charged to the allowance. Subsequent recoveries, if any, are credited to the allowance. The allowance for loan losses is evaluated on a quarterly basis by management.

The allowance consists of specific and general components. The specific component relates to loans that are classified as impaired for which an allowance is established when the fair value of the loan is lower than its carrying value. The general component covers non-impaired loans and is based on historical loss experience adjusted for qualitative factors. Historical losses are categorized into risk-similar loan pools, and a loss ratio factor is applied to each group’s loan balances to determine the allocation. The loss ratio factor is based on average loss history for the prior 12 consecutive quarters.

Qualitative and environmental factors include external risk factors that management believes affect the overall lending environment of the Company. Environmental factors that management of the Company routinely analyze include levels and trends in delinquencies and impaired loans, levels and trends in charge-offs and recoveries, trends in volume and terms of loans, effects of changes in risk selection and underwriting practices, experience, ability, and depth of lending management and staff, national and local economic trends, and conditions such as unemployment rates, housing statistics, banking industry conditions, and the effect of changes in credit concentrations. Determination of the allowance is inherently subjective, as it requires significant estimates including the amounts and timing of expected future cash flows on impaired loans, estimated losses on pools of homogeneous loans based on historical loss experience, and consideration of current economic trends, all of which may be susceptible to significant change.

Loan charge-off policies

Consumer loans are generally fully or partially charged down to the fair value of collateral securing the asset when the loan is 180 days past due for open-end loans or 120 days past due for closed-end loans unless the loan is well-secured and in the process of collection. All other loans are generally charged down to the net realizable value when the loan is 90 days past due and/or when current information confirms all or part of a specific loan to be uncollectible.

Bank premises, furniture, and equipment

Land is carried at cost. Other premises and equipment are carried at cost net of accumulated depreciation. Depreciation expense is computed using the straight-line method for buildings and land improvements over a 40 year and 10 year life, respectively. Furniture and equipment is depreciated on the declining balance method based on estimated useful lives of 5 to 10 years depending on the nature of the asset. Maintenance and repairs are expensed as incurred, whereas major additions and improvements are capitalized. Gains and losses on dispositions are included in current operations.

Note 1. Summary of Significant Accounting Policies (Continued)

Other real estate owned

Foreclosed assets held for resale acquired in satisfaction of mortgage obligations and in foreclosure proceedings are recorded at the fair market value of the property less estimated costs to sell. Properties carried in foreclosed assets held for resale are assessed at least annually for decline in market value, and future cash flows and provisions for impairment losses are charged to income as identified. Holding costs, including repairs and maintenance expenditures, are charged to operating expense as incurred, with major improvements that increase the value of the property capitalized. Gains and losses on sales are recognized in the year the sale transaction is complete. The amounts reflected in the consolidated statements of financial position are net of general valuation allowances.

Advertising

It is the policy to expense advertising cost as incurred. Advertising expense for the years ended December 31, 2018 and 2017 was $38,075 and $72,886, respectively.

Income taxes

The Company accounts for income taxes using the deferred method under which the tax effects of the transactions reported in the consolidated financial statements consist of taxes currently due plus deferred taxes related primarily to differences between the basis of the allowance for loan losses, the timing of recognition of deferred compensation and pension costs, valuation adjustments on foreclosed property, and accumulated depreciation. Deferred tax assets and liabilities represent the future tax return consequences of those differences which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred tax assets and liabilities are reflected at income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. The Company files consolidated income tax returns with its wholly-owned subsidiaries. Any interest or penalties assessed by income taxing authorities would be reflected as interest expense and other operating expenses, respectively, in the consolidated statements of income.

(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

Comprehensive income

Accounting principles require that recognized revenue, expenses, gains, and losses be included in net income. Certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities and the unrecognized actuarial loss of the pension plan, are reported as a separate component of the shareholders' equity section of the balance sheets. Such items, along with net income, are components of comprehensive income.

	2018	2017
Unrecognized actuarial loss of the pension plan	$ (740,046)	$ (1,052,376)
Effect of income tax expense	201,543	420,950
Reclassification of certain tax effects from accumulated other comprehensive income	-	(136,809)
	(538,503)	(768,235)
Unrealized (gains) losses on available-for-sale securities	(311,140)	(269,289)
Effect of income tax expense	81,316	107,716
Reclassification of certain tax effects from accumulated other comprehensive income	-	(35,008)
	(229,824)	(196,581)
Total accumulated other comprehensive income	$ (768,327)	$ (964,816)

Net income per common share

Net income per common share amounts are computed based on the weighted average number of common shares outstanding during the period

Reclassifications

Certain amounts in the 2017 consolidated financial statements were reclassified to conform to the 2018 presentation. These reclassifications had no effect on shareholders' equity or results of operations as previously presented.

Subsequent events

In preparing these consolidated financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through March 26, 2019, the date the consolidated financial statements were available to be issued.

(Continued)

Note 2. Cash Concentrations and Restrictions on Cash

At December 31, 2018 and during the year, the Company had interest bearing and non-interest deposits due from other banks, and Federal Funds sold to other banks in excess of the limits of depository insurance. The Bank is required to maintain average reserve balances with the Federal Reserve Bank. At December 31, 2018 and 2017, the reserve requirement approximated $805,000 and $815,000, respectively.

Note 3. Investment Securities

The carrying amounts of investment securities as shown in the consolidated statements of financial position and their approximate fair values as of December 31, 2018 and 2017 are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2018				
Available-for-sale				
U.S. government agencies	$ 5,682,693	$ -	$ (175,371)	$ 5,507,322
Mortgage-backed	3,570,368	-	(135,799)	3,434,569
	$ 9,253,061	$ -	$ (311,170)	$ 8,941,891

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2017				
Available-for-sale				
U.S. government agencies	$ 6,681,352	$ -	$ (171,104)	$ 6,510,248
Mortgage-backed	4,265,127	-	(98,185)	4,166,942
	$ 10,946,479	$ -	$ (269,289)	$ 10,677,190

Investment securities with a carrying amount of $3,638,808 and $3,895,756 at December 31, 2018 and 2017, respectively, were pledged to secure public deposits and for other purposes required or permitted by law.

(Continued)

Note 3. Investment Securities (Continued)

The amortized cost and estimated fair value of securities as of December 31, 2018, by contractual maturity, are as follows:

	Amortized Cost	Fair Value
Amounts maturing in:		
One year or less	$ -	$ -
After one year through five years	5,883,599	5,705,706
After five years through ten years	358,223	351,907
After ten years	3,011,239	2,884,278
	$ 9,253,061	$ 8,941,891

Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

The tables below show gross unrealized losses and fair value at December 31, 2018 and 2017, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position

	Less Than 12 Months		12 Months or Longer		Total	
December 31, 2018	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**
U.S. government agencies	$ -	$ -	$ 5,507,322	$ (175,371)	$ 5,507,322	$ (175,371)
Mortgage-backed	-	-	3,434,569	(135,798)	3,434,569	(135,798)
	$ -	$ -	$ 8,941,891	$ (311,169)	$ 8,941,891	$ (311,169)

	Less Than 12 Months		12 Months or Longer		Total	
December 31, 2017	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**
U.S. government agencies	$ 2,148,874	$ (33,965)	$ 4,361,374	$ (137,139)	$ 6,510,248	$ (171,104)
Mortgage-backed	1,233,839	(11,752)	2,933,103	(86,433)	4,166,942	(98,185)
	$ 3,382,713	$ (45,717)	$ 7,294,477	$ (223,572)	$ 10,677,190	$ (269,289)

No sales of available-for-sale securities were noted during 2018. During 2017, sales of available-for-sale securities of $1,835,137 resulted in gross realized gains of $17,822 and gross realized losses of $106, with a net realized gain of $17,716.

Note 3. Investment Securities (Continued)

The Company's unrealized losses on investments were caused by interest rate fluctuations. The severity and duration of these unrealized losses will change with interest rates and the economy. Because the securities are governments and their agencies and the Company has the ability and intent to hold them for a period of time sufficient to allow for an anticipated recovery, they are not considered to be other than temporarily impaired. The Company had 26 and 16 securities at December 31, 2018 and 2017 that were in a loss position, respectively.

Note 4. Loans Receivable and Related Allowance for Loan Losses

The following table summarizes the primary segments of the loan portfolio as of December 31, 2018 and 2017:

	2018	2017
Construction and land development	$ 902,379	$ 161,997
Commercial	8,084,619	8,691,194
Commercial real estate	14,805,152	15,547,271
Residential real estate	72,740,950	67,291,167
Consumer	17,224,734	12,586,696
Less allowance for loan losses	(1,362,088)	(1,265,063)
Total loans	$ 112,395,746	$ 103,013,262

The segments of the Company's loan portfolio are disaggregated to a level that allows management to monitor risk and performance. In reviewing risk, management has determined there to be several different risk categories within the loan portfolio. The allowance for loan losses consists of amounts applicable to: (1) the residential real estate loan portfolio; (2) the consumer loan portfolio; (3) the commercial real estate loan portfolio; and (4) the commercial loan portfolio. The residential mortgage loan segment is made up of fixed rate and adjustable rate single-family amortizing term loans, which are primarily first liens, as well as home equity lines of credit. The consumer loan segment consists of loans secured by automobiles, consumer goods, and savings accounts, together with personal lines of credit, overdraft loans, other types of secured consumer loans, and unsecured personal loans. Overdrafts on deposit accounts at December 31, 2018 and 2017 of $31,407 and $16,161, respectively, were reclassified into total consumer loans for purposes of these disclosures. The commercial real estate segment consists of loans made for the acquisition of commercial properties, both owner-occupied and those held for lease and for financing the activities of commercial customers but, in all cases, is secured by commercial real estate. The commercial segment consists of loans made for financing the activities of commercial customers but secured by assets other than real estate.

Note 4. Loans Receivable and Related Allowance for Loan Losses (Continued)

Management establishes the allowance for loan losses based upon its evaluation of the pertinent factors underlying the types and quality of loans in the portfolio. The loan portfolio consists primarily of loans within the Bank's primary market area; therefore, monitoring the status of individual borrowers and consequently monitoring the risk in the loan portfolio is based upon real-time knowledge of the individual borrowers, local employment information, and commercial activities. Loans are reviewed on a regular basis with a focus on larger loans, along with loans which have experienced past payment or financial deficiencies. Certain loans, including loans which are experiencing payment or financial difficulties, loans in industries for which economic trends are negative, and loans which are of heightened concern to management based upon their knowledge of local business environment are included on the Company's "watch list." Certain loans classified as "watch list," Special Mention, and Substandard, and loans which are 90 days or more past due are selected for impairment testing. These loans are analyzed to determine if they are "impaired," which means that it is probable that all amounts will not be collected according to the contractual terms of the loan agreement. Factors considered by management in evaluating impairment include the expected future cash flow from the borrower, current payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

Once the determination has been made that a loan is impaired, the determination of whether a specific allocation of the allowance is necessary is measured by comparing the recorded investment in the loan to the fair value of the loan using one of three methods: (1) the present value of expected future cash flows discounted at the loan's effective interest rate; (2) the loan's observable market price; or (3) the fair value of the collateral less selling costs. The method is selected on a loan-by-loan basis, with management primarily utilizing the present value of expected future cash flows unless the loan is collateral dependent. The evaluation of the need and amount of a specific allocation of the allowance and whether a loan can be removed from impairment status is made on a quarterly basis. The Company's policy for recognizing interest income on impaired loans does not differ from its overall policy for interest recognition.

(Continued)

Note 4. Loans Receivable and Related Allowance for Loan Losses (Continued)

The following tables present impaired loans by class, segregated by those for which a specific allowance was required and those for which a specific allowance was not necessary as of December 31, 2018 and 2017:

2018

	Impaired Loans with Specific Allowance		Impaired Loans with No Specific Allowance	Total Impaired Loans			
	Recorded Investment	Related Allowance	Recorded Investment	Total Recorded Investment	Average Recorded Investment	Unpaid Principal Balance	Interest Income Recognized
Construction and land development	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commercial	1,283,171	193,881	76,952	1,360,123	1,424,970	1,360,123	36,267
Commercial real estate	129,924	45,409	1,042,226	1,172,150	721,955	1,172,150	25,429
Residential real estate	700,903	172,828	602,385	1,303,288	1,319,632	1,303,288	45,267
Consumer	-	-	9,074	9,074	10,977	9,074	990
	$ 2,113,998	$ 412,118	$ 1,730,637	$ 3,844,635	$ 3,477,534	$ 3,844,635	$ 107,953

2017

	Impaired Loans with Specific Allowance		Impaired Loans with No Specific Allowance	Total Impaired Loans			
	Recorded Investment	Related Allowance	Recorded Investment	Total Recorded Investment	Average Recorded Investment	Unpaid Principal Balance	Interest Income Recognized
Construction and land development	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commercial	125,417	45,000	30,536	155,953	128,691	155,953	9,039
Commercial real estate	431,771	73,704	398,323	830,094	809,043	830,094	40,663
Residential real estate	454,398	97,329	612,842	1,067,240	778,021	1,067,240	44,711
Consumer	40,863	2,690	14,009	54,872	26,312	54,872	3,923
	$ 1,052,449	$ 218,723	$ 1,055,710	$ 2,108,159	$ 1,742,067	$ 2,108,159	$ 98,336

Note 4. Loans Receivable and Related Allowance for Loan Losses (Continued)

There are certain impaired loans whose payments are being applied to reduce the principal balance of the loan because the recovery of principal is not determinable. The unpaid principal balance reflects the balance as if the payments were applied in accordance with the terms of the original contractual agreement, whereas the recorded investment reflects the outstanding principal balance for financial reporting purposes. In addition, the recorded investment in a loan may be reduced by partial charge-offs which would not be reflected in the unpaid principal balance.

To help ensure that risk ratings are accurate and reflect the present and future capacity of borrowers to repay a loan as agreed, the Company's loan rating process includes both internal and external oversight. The Company's loan officers are responsible for the timely and accurate risk rating of the loans in their portfolios at origination. Loans are graded on a 9-point scale with a grade of 5 or above classified as "Pass" rated credits. The following is a description of the general characteristics of risk grades 6 through 9:

6 – Special Mention: This is an early warning assessment reserved for loans currently adequately protected, but portraying potential weaknesses that may not be tolerable over the intermediate to long term. These loans may possess deteriorating financial characteristics, significant legal or documentation exceptions as measured by the loan policy, or any other items noted which are worthy of immediate attention and/or correction.

7 – Substandard: These loans have well-defined weaknesses that could lead to impairment of the loan. These loans have had serious deterioration of borrower or guarantor financial condition, which could result in the Bank not collecting all principal and interest in a timely manner as defined by the loan agreement.

8 – Doubtful: These loans have characteristics such that collection of principal is highly unlikely. While the possibility of loss is high, sufficient contingencies exist to warrant deferral of charge-off pending the outcome of the contingency. Possibilities still exist which may strengthen or enhance the collection process. Generally, these loans are on non-accrual status.

9 – Loss: These loans are judged to be uncollectible and of such value that carrying the loan as an asset is not warranted. Loans in this category may still have recoverability of some or all principal, however it is not practical or desirable to defer such a charge-off pending recovery.

The Company engages an external consultant to conduct loan reviews on a semi-annual basis. Generally, the external consultant reviews all commercial relationships that equal or exceed $250,000 and adversely classified commercial credits. Detailed reviews, including plans for resolution, are completed on loans classified as Substandard on a quarterly basis.

(Continued)

Note 4. Loans Receivable and Related Allowance for Loan Losses (Continued)

The Company's process requires the review and evaluation of an impaired loan to be updated at least quarterly. The following tables present the classes of the loan portfolio summarized by the Pass category, as well as the criticized categories of Special Mention, Substandard, and Doubtful within the internal risk rating system as of December 31, 2018 and 2017.

	Credit Quality Indicators as of December 31, 2018				
	Pass	Special Mention	Substandard	Doubtful	Total
Construction and land development	$ 902,379	$ -	$ -	$ -	$ 902,379
Commercial real estate	12,386,364	1,246,638	1,172,150	-	14,805,152
Residential real estate	71,677,194	714,720	349,036	-	72,740,950
Consumer	17,186,945	28,715	9,074	-	17,224,734
Commercial	6,660,694	1,256,470	167,455	-	8,084,619
	$ 108,813,576	$ 3,246,543	$ 1,697,715	$ -	$ 113,757,834

	Credit Quality Indicators as of December 31, 2017				
	Pass	Special Mention	Substandard	Doubtful	Total
Construction and land development	$ 161,997	$ -	$ -	$ -	$ 161,997
Commercial real estate	13,645,172	1,204,568	382,783	314,748	15,547,271
Residential real estate	66,078,288	706,996	390,171	115,712	67,291,167
Consumer	12,494,365	71,394	12,896	8,041	12,586,696
Commercial	6,833,653	1,756,678	95,962	4,901	8,691,194
	$ 99,213,475	$ 3,739,636	$ 881,812	$ 443,402	$ 104,278,325

Note 4. Loans Receivable and Related Allowance for Loan Losses (Continued)

Management further monitors the performance and credit quality of the loan portfolio by analyzing the age of the portfolio as determined by the length of time a recorded payment is past due. The following tables present the classes of the loan portfolio summarized by the aging categories of performing loans and nonaccrual loans as of December 31, 2018 and 2017:

	Past Due Loans as of December 31, 2018						
	Current	30 – 59 Days Past Due	60 – 89 Days Past Due	90 Days Past Due	Total Loans	Recorded Investment >90 Days and Accruing	Total Loans on Non-Accrual
Construction and land development	$ 902,379	$ -	$ -	$ -	$ 902,379	$ -	$ -
Commercial real estate	14,585,782	219,370	-	-	14,805,152	-	-
Commercial	6,414,090	85,354	80,061	1,505,114	8,084,619	56,577	1,115,717
Residential real estate	71,080,322	844,847	512,814	302,967	72,740,950	302,967	423,316
Consumer	17,063,926	124,966	34,265	1,577	17,244,734	4,281	-
	$ 110,046,499	$ 1,274,537	$ 627,140	$ 1,809,658	$ 113,757,834	$ 363,825	$ 1,539,033

	Past Due Loans as of December 31, 2017						
	Current	30 – 59 Days Past Due	60 – 89 Days Past Due	90 Days Past Due	Total Loans	Recorded Investment >90 Days and Accruing	Total Loans on Non-Accrual
Construction and land development	$ 161,997	$ -	$ -	$ -	$ 161,997	$ -	$ -
Commercial real estate	14,871,423	320,264	202,377	153,207	15,547,271	18,315	214,768
Commercial	8,624,305	52,129	-	14,760	8,691,194	14,760	-
Residential real estate	65,697,124	790,076	664,769	139,198	67,291,167	139,198	120,689
Consumer	12,428,870	111,648	42,335	3,843	12,586,696	3,843	-
	$ 101,783,719	$ 1,274,117	$ 909,481	$ 311,008	$ 104,278,325	$ 176,116	$ 335,457

The classes described above provide the starting point for the ALLL analysis. Management tracks the historical net charge-off activity by loan class. A historical charge-off factor is calculated and applied to each class. Loans that are collectively evaluated for impairment are analyzed with general allowances being made as appropriate. For general allowances, historical loss trends are used in the estimation of losses in the current portfolio. Other qualitative factors are also considered.

Note 4. Loans Receivable and Related Allowance for Loan Losses (Continued)

Management has identified a number of qualitative factors that it uses to supplement the historical charge-off factor because these factors are likely to cause estimated credit losses associated with the existing loan pools to differ from historical loss experience. The qualitative factors are evaluated quarterly and updated using information obtained from internal, regulatory, and governmental sources. The Company's qualitative factors consist of: levels and trends in delinquency; levels and trends in nonaccrual; trends in volumes and terms; changes in risk selection and underwriting; experience, ability and depth of loan staff; national and local trends; external factors; and changes in credit concentrations.

Management reviews the loan portfolio on a quarterly basis using a defined, consistently applied process in order to make appropriate and timely adjustments to the ALLL. When information confirms all or part of specific loans to be uncollectible, these amounts are promptly charged off against the ALLL. The allowance for loan losses is based on estimates, and actual losses will vary from current estimates. Management believes that the granularity of the homogeneous pools and the related historical loss ratios and other qualitative factors, as well as the consistency in the application of assumptions, result in an ALLL that is representative of the risk found in the components of the portfolio at any given date.

(Continued)

Note 4. Loans Receivable and Related Allowance for Loan Losses (Continued)

The following tables summarize the primary segments of the ALLL, segregated into the amount required for loans individually evaluated for impairment and the amount required for loans collectively evaluated for impairment as of December 31, 2018 and 2017. Activity in the allowance is presented for the 12 months ended December 31, 2018 and 2017:

	Commercial	Commercial Real Estate	Residential Real Estate	Consumer	Unallocated	Total
ALLL balance at December 31, 2017	$ 68,826	$ 64,042	$ 271,207	$ 107,917	$ 753,071	$ 1,265,063
Charge-offs	(6,836)	-	(45,234)	(39,356)	-	(91,426)
Recoveries	6,000	-	21,739	20,712	-	48,451
Provision	246,259	97,597	503,263	45,952	(753,071)	140,000
ALLL balance at December 31, 2018	$ 314,249	$ 161,639	$ 750,975	$ 135,225	$ -	$ 1,362,088
Ending ALLL for all loans						
Individually evaluated for impairment	$ 193,881	$ 45,409	$ 172,828	$ -	$ -	$ 412,118
Collectively evaluated for impairment	120,368	116,230	578,147	135,225	-	949,970
Total ALLL evaluated for impairment	$ 314,249	$ 161,639	$ 750,975	$ 135,225	$ -	$ 1,362,088
Loans						
Individually evaluated for impairment	$ 1,360,123	$ 1,172,150	$ 1,303,288	$ 9,074	$ -	$ 3,844,635
Collectively evaluated for impairment	6,724,496	13,633,002	72,340,041	17,215,660	-	109,913,199
	$ 8,084,619	$ 14,805,152	$ 73,643,329	$ 17,224,734	$ -	$ 113,757,834

Note 4. Loans Receivable and Related Allowance for Loan Losses (Continued)

	Commercial	Commercial Real Estate	Residential Real Estate	Consumer	Unallocated	Total
ALLL balance at December 31, 2016	$ 90,111	$ 162,592	$ 231,415	$ 95,553	$ 708,392	$ 1,288,063
Charge-offs	(16,375)	-	(119,102)	(54,605)	-	(190,082)
Recoveries	15,600	-	-	31,482	-	47,082
Provision	(20,510)	(98,550)	158,894	35,487	44,679	120,000
ALLL balance at December 31, 2017	$ 68,826	$ 64,042	$ 271,207	$ 107,917	$ 753,071	$ 1265,063
Ending ALLL for all loans						
Individually evaluated for impairment	$ 45,000	$ 64,042	$ 106,991	$ 2,690	$ -	$ 218,723
Collectively evaluated for impairment	23,826	-	164,216	105,227	753,071	1,046,340
Total ALLL evaluated for impairment	$ 68,826	$ 64,042	$ 271,207	$ 107,917	$ 753,071	$ 1,265,063
Loans						
Individually evaluated for impairment	$ 155,953	$ 830,094	$ 1,067,240	$ 54,872	$ -	$ 2,108,159
Collectively evaluated for impairment	8,535,241	14,879,174	66,223,927	12,531,824	-	102,170,166
	$ 8,691,194	$ 15,709,268	$ 67,291,167	$ 12,586,696	$ -	$ 104,278,325

From time to time, the Company’s loan portfolio includes certain loans that have been modified in a troubled debt restructuring (TDR), where economic concessions have been granted to borrowers who have experienced or are expected to experience financial difficulties. These concessions typically result from the Company’s loss mitigation activities and could include reductions in the interest rate, payment extensions, forgiveness of principal, forbearance, or other actions.

When the Company modifies a loan and subsequently if the loan goes into default, management evaluates any possible impairment based on the present value of expected future cash flows, discounted at the contractual interest rate of the original loan agreement, except when the sole remaining source of repayment for the loan is the operation or liquidation of the collateral. In these cases, management uses the current fair value of the collateral, less selling costs, instead of discounted cash flows. If management determines that the value of the modified loan is less than the recorded investment in the loan, impairment is recognized by segment or class of loan, as applicable, through a charge-off to the allowance. Segment and class status are determined by the loan’s classification at origination.

(Continued)

Note 4. Loans Receivable and Related Allowance for Loan Losses (Continued)

Loan modifications that are considered TDRs completed during the years ending December 31, 2018 and 2017 are as follows:

	Number of Contracts	Pre-Modification Outstanding Balance	Post-Modification Outstanding Balance
December 31, 2018			
Loan category			
Commercial real estate	-	$ -	$ -
Commercial	-	-	-
Residential real estate	1	16,755	17,627
Commercial	-	-	-
	1	$ 16,755	$ 17,627

	Number of Contracts	Pre-Modification Outstanding Balance	Post-Modification Outstanding Balance
December 31, 2017			
Loan category			
Commercial real estate	-	$ -	$ -
Commercial	-	-	-
Residential real estate	3	267,628	277,344
Commercial	1	13,534	30,333
	4	$ 281,162	$ 307,677

The TDR that was completed in 2018 were modified by capitalizing the accrued interest and late charges, and all of the TDRs that were completed in 2017 were modified by capitalizing the accrued interest to the loan balance and extending the term.

As of December 31, 2018, none of the loan modifications classified as TDRs during 2017 or 2018 subsequently defaulted, and there were no commitments to lend additional funds to borrowers owing receivables whose terms have been modified in TDRs.

In the determination of the allowance for loan losses, management considers troubled debt restructurings and subsequent defaults in these restructurings by adjusting the loan grades of such loans. Defaults resulting in charge-offs affect the historical loss experience ratios which are a component of the allowance calculation. Additional, specific reserves may be established on restructured loans evaluated individually.

Note 4. Loans Receivable and Related Allowance for Loan Losses (Continued)

No consumer mortgage loans secured by residential real estate properties were in formal foreclosure procedures as of December 31, 2018.

The Company conducts its business through four offices located in Calhoun County, West Virginia, and surrounding counties. At December 31, 2018 and 2017, the majority of the Company's loan portfolio was secured by properties located in this region. The Company does not believe it has significant concentrations of credit risk to any one group of borrowers given its underwriting and collateral requirements, although substantially all loans are directly or indirectly dependent on the local economy.

Note 5. Premises and Equipment

A summary of premises and equipment at December 31, 2018 and 2017 is as follows:

	2018	2017
Bank premises	$ 6,711,367	$ 4,071,133
Equipment, furniture, and fixtures	1,609,370	2,089,057
Construction in progress	-	59,963
	8,320,737	6,220,153
Less accumulated depreciation	(3,841,024)	(4,308,743)
Bank premises and equipment, net	$ 4,479,713	$ 1,911,410

Depreciation expense related to premises and equipment was $143,598, and $158,492, for the years ended December 31, 2018 and 2017, respectively.

During 2018, the Company closed their main branch in Grantsville, after construction of their new main branch in Grantsville was completed. Subsequent to year end, the property was donated to the Town of Grantsville. The carrying value of this property at December 31, 2018 was $183,807.

Note 6. Deposits

Deposit account balances at December 31, 2018 and 2017 are summarized as follows:

	2018	2017
Non-interest bearing checking	$ 40,089,247	$ 36,244,175
Interest bearing checking	7,912,681	9,079,046
Savings deposits	31,722,353	29,770,749
Passbook IRA	7,714,104	7,447,050
Certificates of deposit	35,036,990	31,341,123
Total deposits	$ 122,475,375	$ 113,882,143

Scheduled maturities of certificates of deposit and individual retirement accounts at December 31, 2018 were as follows:

Maturities	
2019	$ 16,633,059
2020	4,945,598
2021	6,875,546
2022	2,200,649
2023 and thereafter	12,096,242
	$ 42.751,094

Included in time deposits are certificates of deposits of $250,000 or more totaling $9,777,662 and $7,589,517, at December 31, 2018 and 2017, respectively

Included in regular certificates of deposit are $4,001,439 and $-0- as of December 31, 2018 and 2017, respectively, of certificates of deposit issued and obtained through the Certificate of Deposit Account Registry Service (CDARS) program.

Note 7. Borrowings

The Bank has obtained an unsecured, uncommitted, borrowing facility for the purpose of federal funds in the amount of $3,000,000 from Community Bankers Bank (CBB). Any borrowings bear an interest rate which is determined at the time of each advance. Request for advances under the facility is subject to CBB's sole and absolute discretion, including, without limitation, the availability of funds. There were no borrowings outstanding as of December 31, 2018 and 2017, respectively.

The Bank is a member of the Federal Home Loan Bank of Pittsburgh (FHLB). As a member, the Bank has available short-term borrowings from collateralized advances. Any advances bear interest at the interest rate posted by the FHLB on the day of the borrowing and may be subject to change daily. Any advances are secured by a blanket lien on certain loans secured by 1 – 4 family mortgages made by the Bank and other eligible collateral. As of December 31, 2018, no loans were pledged for collateral. In addition, the Bank has a maximum borrowing capacity with the FHLB of approximately $4,542,200 based on qualifying loan collateral. The borrowings outstanding are as follows:

December 31, 2018	Amount	Interest Rate	Maturity Date
Advance	$ 1,000,000	2.607 %	July 3, 2019
Advance	1,000,000	2.654	July 17, 2019
Advance	1,000,000	2.795	August 21, 2020
Ending balance	$ 3,000,000		
December 31, 2017			
Advance	$ 2,000,000	1.047 %	February 8, 2018
Advance	1,000,000	1.470	May 24, 2018
Ending balance	$ 3,000,000		

Note 8. Financial Instruments with Off-Balance-Sheet Risk

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

(Continued)

Note 8. Financial Instruments with Off-Balance-Sheet Risk (Continued)

Financial instruments whose contract amount represents credit risk are as follows:

	2018	2017
Commitments to extend credit	$ 4,547,996	$ 6,170,531
Standby letters of credit	580,000	525,000
	$ 5,127,996	$ 6,695,531

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's credit-worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation. Collateral held varies, but may include residential real estate, accounts receivable, inventory, property and equipment, and income-producing commercial properties. The distribution of commitments to extend credit approximates the distribution of loans outstanding.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those letters of credit are primarily issued to support public and private borrowing arrangements. Generally all letters of credit issued have expiration dates within one year. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company holds collateral supporting those commitments if deemed necessary.

Note 9. Income Taxes

The Company records income taxes using an asset and liability approach that requires the recognition of deferred income tax liabilities and assets for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities.

(Continued)

Note 9. Income Taxes (Continued)

The amount reflected as income taxes represents federal and state income taxes on financial statement income. Certain items of income and expense, primarily the provision for loan losses, timing of the recognition of deferred compensation and pension costs, and valuation adjustments of foreclosed property and depreciation are reported in different accounting periods for income tax purposes. The provision for income taxes was comprised of the following:

	2018	2017
Current tax expense	$ 329,223	$ 563,677
Deferred tax expense	59,953	399,485
Income tax expense	$ 389,176	$ 963,162

Deferred income tax assets and liabilities are the result of timing differences in recognition of revenue and expense for income tax and financial statement purposes. Deferred income tax assets and liabilities were comprised of the following at December 31:

	2018	2017
Deferred tax assets		
Deferred compensation plans	$ 193,411	$ 284,141
Allowance for loan losses	268,846	251,545
Supplemental executives and directors benefit plan	180,972	194,870
Interest no non-accrual loans	7,745	37,810
Accumulated depreciation	8,207	40,900
Unrealized losses on investment securities available-for-sale	81,316	72,708
	740,497	881,974
Deferred tax liabilities		
Other items	(1,108)	(510)
Net deferred tax asset	$ 739,389	$ 881,464

The Company recognizes interest and penalties related to tax as part of the tax provision. With respect to the realization of deferred tax assets, management believes that a valuation allowance is not necessary.

Note 9. Income Taxes (Continued)

On December 22, 2017, President Trump signed into law new U.S. tax reform legislation (the "Act"). The Act makes significant changes to U.S. corporate income tax laws, including a decrease in the corporate income tax rate to 21% effective for tax years beginning after December 31, 2017. As a result of the change in tax rate, a deferred tax expense of $424,410 was recorded in 2017

In January 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-210, *Income Statement – Reporting Comprehensive Income (Topic 220)*. The guidance is intended to help organizations reclassify certain stranded income tax effects in accumulated other comprehensive income results from the Act. The Company reclassified $171,817 from accumulated other comprehensive income to retained earnings as of December 31, 2017.

Note 10. Related Party Transactions

The Bank has granted loans to its officers and directors of the Bank and to their associated interests. Related party loans are made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than normal risk of collectability.

A summary of the activity with respect to related party loans for the years ended December 31, 2018 and 2017 is as follows:

	2018	2017
Balance, January 1	$ 1,356,561	$ 1,374,370
Borrowings	237,937	190,196
Repayments	(336,686)	(208,005)
Balance, December 31	$ 1,257,812	$ 1,356,561

The Bank held related party deposits of $1,296,000, and $784,000, at December 31, 2018 and 2017, respectively.

Note 11. Limitations on Dividends

The primary source of funds of the dividends paid by Calhoun Bankshares, Inc. is dividends received from Calhoun County Bank, Inc. The approval of its regulatory agencies would be required if the total of all dividends declared by the subsidiary in any calendar year was greater than its net profits, as defined, for that year combined with its retained net profits for the preceding two calendar years.

Note 12. Defined Benefit Pension Plan

The Company has a defined benefit plan covering full-time employees hired before March 14, 2013. Benefits are based on final average earnings and years of service. The Company's funding policy is to contribute an amount annually that satisfies the minimum funding requirements of the Employee Retirement Income Security Act of 1974 (ERISA) and that is tax deductible under the *Internal Revenue Code*. Plan assets are held by a trust and are mostly invested in a variety of equity-based and fixed income-based mutual funds.

Generally accepted accounting principles require an employer to recognize the overfunded or underfunded status of a defined benefit plan as an asset or liability in its balance sheet and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. Total recorded pension liability included in other liabilities as of December 31, 2018 and 2017 was $661,142 and $1,039,840, respectively.

(Continued)

Note 12. Defined Benefit Pension Plan (Continued)

The following table sets forth the benefit obligation, the fair value of plan assets, the funded status of the pension plan, the amounts recognized in the Company's financial statements, and the assumptions used.

	2018	2017
Accumulated benefit obligation	$ 1,777,375	$ 1,859,240
Change in benefit obligation		
Benefit obligation at beginning of year	$ 2,667,295	$ 2,559,891
Service cost	137,007	113,282
Interest cost	99,641	107,600
Actuarial (gain) loss	(137,555)	453,605
Benefit payments	(145,114)	(18,347)
Plan amendments	(333,474)	-
Settlement (gain) loss	-	(18,904)
Settlement payments	-	(529,832)
Benefit obligation at end of year	$ 2,287,800	$ 2,667,295
Change in fair value of plan assets		
Fair value of plan assets at beginning of year	$ 1,627,455	$ 1,753,502
Actual return on plan assets	(81,951)	137,595
Contributions	240,000	296,760
Benefits paid	(145,114)	(18,347)
Administrative expenses	(13,372)	(12,223)
Settlement payments	-	(529,832)
Fair value of plan assets at end of year	$ 1,626,658	$ 1,627,455
Funded status	$ (661,142)	$ (1,039,840)

	2018	2017
Amounts recognized in the balance sheets consist of funded status of pension plan	$ (661,142)	$ (1,039,840)
Amounts recognized in accumulated other comprehensive loss		
Transition obligation, net of tax	$ -	$ -
Prior service cost	-	-
Net actuarial loss	(740,046)	(1,052,376)
	$ (740,046)	$ (1,052,376)

The Company expects approximately $32,879, before tax, of accumulated other comprehensive loss will be recognized as a portion of net periodic benefit costs in 2019. The Company expects approximately $180,000 to be contributed to the plan in 2019.

Note 12. Defined Benefit Pension Plan (Continued)

The following table details the actuarial assumptions used in determining the projected benefit obligations and net benefit cost of the pension plan for 2018 and 2017:

	2018	2017
Discount rate	4.25 %	3.75 %
Expected long-term rate of return on plan assets	6.00	6.50
Expected rate of return of compensation increase	3.50	3.00

To develop the expected long-term rate of return on assets assumption, the Company, with input from the plan's actuaries and investment advisors, considered the historical returns and the future long-term expectations for returns for each asset class, as well as the target asset allocation of the plan's portfolio. This resulted in the selection of the corresponding long-term rate of return assumptions used for the plan's assets.

Components of net periodic pension costs are as follows:

	2018	2017
Service cost	$ 137,007	$ 113,282
Interest cost	99,641	107,600
Expected return on plan assets	(112,304)	(119,333)
Amortization of unrecognized transition obligation	-	-
Recognized loss	49,288	35,492
Net periodic cost (benefit)	173,632	137,041
Settlement loss recognized	-	209,012
Total pension costs	$ 173,632	$ 346,053

The primary objectives of the plan's investment policy are to maintain investment portfolios that diversify risk through prudent asset allocation parameters, achieve asset returns that meet or exceed the plans' actuarial assumptions, achieve asset returns that are competitive with like institutions employing similar investment strategies, and meet expected future benefits in both the short-term and long-term. The investment policy provides for a range of investment allocations to allow for flexibility in responding to market conditions. The investment policy is periodically reviewed by the plan and a third-party fiduciary for investment matters.

(Continued)

Note 12. Defined Benefit Pension Plan (Continued)

The Company's asset allocation in the pension plan as of December 31, 2018 and 2017 were:

	2018	2017
Asset category		
Cash and cash equivalents	20.0 %	20.0 %
Preferred stocks	1.0	1.0
Mutual funds	79.0	79.0
	100.0 %	100.0 %

The assets of the plan are managed by one plan trustee. The investments of the plan are priced to market by the trustee using fair values for securities based on quoted market prices, where available. If quoted market prices are not available, the trustee uses proprietary fair value models and measurements from other pricing services. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information, and as to bonds, the terms and conditions including calls and prepayment options, among other things.

The following table reflects expected future benefit payments:

Year Ending December 31,	
2019	$ 17,604
2020	16,661
2021	35,876
2022	41,579
2023	55,263
2024 – 2028	479,730
	$ 646,713

Note 13. Other Employee Benefit Plans

The Company has a non-qualified executive and director supplemental retirement and Life insurance plan with certain executive officers and directors that provides an income benefit payable at projected normal retirement age or death. Provisions charged to the consolidated statement of income and the cumulative liability under the plans is computed using a 6.00% present value discount. The liability accrued under these plans at December 31, 2018 and 2017 was $692,451 and $721,736, respectively, which is included in other liabilities in the accompanying consolidated statements of financial position. The cost of these plans included in the consolidated statements of income was $85,420 and $81,513, for the years ended December 31, 2018 and 2017, respectively.

The Company also maintains life insurance for certain directors and officers. At December 31, 2018 and 2017, the cash surrender value of these insurance contracts was $3,372,575 and $3,276,471, respectively.

In addition to the above pension plan, the Company has adopted a contributory 401(k) retirement plan, whereby eligible participants may make contributions, up to 15% of compensation, and the Company will match up to 6% of this limit during the plan year for eligible employees hired after March 13, 2013, and will match $0.35 on the dollar up to 6% of compensation for eligible employees who were hired prior to Match 13, 2013. The Company may make additional discretionary contributions to eligible participants unrelated to participant contributions. During 2018 and 2017, the Company made approximately $37,316 and $35,280, respectively, of matching contributions in each year to eligible participants.

During 2013, the Company adopted a Stock Award Incentive Plan, the purpose of which is to assist in recruiting and retaining individuals who provide services to the Company and to enable such individuals to participate in the future success of the Company. Any employee of the Company or members of the Board of Directors are eligible to participate in the plan. Stock awards under the plan are made as determined solely by the Administrator appointed by the Board of Directors. Stock awards under the plan are without cost to the recipient and are considered taxable compensations at the date of the award based on the fair value of the stock at the date of the award and recorded as expense by the Company. At the option of the Administrator, benefits of any stock issues under the plan may include vesting provisions and restrictions on transfer of the stock during the vesting period. In 2017, stock awards, approved during 2016, of 500 shares were issued. As of December 31, 2017, an additional stock award of 600 shares was approved and was issued in 2018. In 2018, stock awards of 700 shares were approved and issued.

(Continued)

Note 14. Regulatory Capital Requirements

Federal banking agencies have adopted regulations that substantially amend the capital regulations applicable to the Bank. These regulations implement the Basel III regulatory capital reforms and changes required by the Dodd-Frank Act.

Effective January 1, 2015 (with some changes transitioned into full effectiveness over two to four years), the Bank became subject to new capital requirements adopted by the Federal Reserve Bank (FRB). These new requirements create a new required ratio for common equity Tier 1 ("CET1") capital, increase the leverage and Tier 1 capital ratios, change the risk weight of certain assets for purposes of the risk-based capital ratios, create an additional capital conservation buffer over the required capital ratios, and change what qualifies as capital for purposes of meeting these various capital requirements. Beginning in 2016, failure to maintain the required capital conservation buffer limited the ability of the Bank to pay dividends, repurchase shares, or pay discretionary bonuses. The Company is exempt from consolidated capital requirements as those requirements do not apply to certain companies with assets under $1 billion.

Under the new capital regulations, the minimum capital ratios are: (1) CET1 capital ratio of 4.5% of risk-weighted assets; (2) a Tier 1 capital ratio of 6.0% of risk-weighted assets; (3) a total capital ratio of 8.0% of risk-weighted assets; and (4) a leverage ratio of 4.0%. CET1 generally consists of common stock and retained earnings, subject to applicable regulatory adjustments and deductions. The FRB's prompt corrective action standards also changed effective January 1, 2015. Under the new standards, the ratios to be considered well capitalized are: (1) CET1 ratio of 6.5%; (2) a Tier 1 capital ratio of 8.0%; (3) a total capital ratio of 10.0%; and (4) a leverage ratio of 5.0%.

In addition to the minimum CET1, Tier 1, and total capital ratios, the Bank will have to maintain a capital conservation buffer consisting of additional CET1 capital greater than 2.5% of risk-weighted assets above the required minimum levels in order to avoid limitations on paying dividends, engaging in share repurchases, and paying discretionary bonuses based on percentages of eligible retained income that could be utilized for such actions. This new capital conservation buffer requirement was phased in beginning in January 2016 at 0.625% of risk-weighted asset, increasing each year until fully implemented to 2.50% in January 2019. The capital conservation buffer was 1.875% in 2018. Management believes as of December 31, 2018, the Bank met all capital adequacy requirements to which it was subject.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At year end 2018 and 2017, 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. Prompt corrective action provisions are not applicable to holding companies.

(Continued)

Note 14. Regulatory Capital Requirements (Continued)

The Bank's actual and required capital amounts (in thousands) and ratios at December 31, 2018 and 2017 are as follows (in thousands):

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2018						
Total risk-based capital (to risk weighted assets)	$ 16,137	17.58%	$ 7,343	8.00%	$ 9,179	10.00%
Tier I capital (to risk weighted assets)	14,987	16.33	5,507	6.00	7,343	8.00
Tier I leverage (to adjusted total assets)	14,987	10.75	5,592	4.00	6,989	5.00
CETI (to risk weighted assets)	14,987	16.33	4,131	4.50	5,966	6.50

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2017						
Total risk-based capital (to risk weighted assets)	$ 15,212	18.76%	$ 6,486	8.00%	$ 8,108	10.00%
Tier I capital (to risk weighted assets)	14,195	17.51	4,865	6.00	6,486	8.00
Tier I leverage (to adjusted total assets)	14,195	10.72	5,297	4.00	6,621	5.00
CETI (to risk weighted assets)	14,195	17.51	3,648	4.50	5,270	6.50

(Continued)

Note 15. Fair Value Measurements

U.S. generally accepted accounting principles (U.S. GAAP) establish a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1 Inputs – Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 Inputs – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These might include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets, or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, such as interest rates, volatilities, prepayment speeds, and credit risks, or inputs that are derived principally from or corroborated by market data by correlation or other means.

Level 3 Inputs – Unobservable inputs for determining the fair values of assets or liabilities that reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

Recurring – investment securities

Fair values of securities are based on quoted market prices, where available. If quoted market prices are not available, the Company obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information, and the bond's terms and conditions among other things.

Non-recurring – loans

The Company does not record loans at fair value on a recurring basis. However, from time to time a loan is considered impaired and an allowance for loan losses is established. Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement are considered impaired. Once a loan is identified as individually impaired, management measures impairment using one of several methods, including collateral value, recent appraisal value and /or tax assessed value, liquidation value, and discounted cash flows. Those impaired loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceed the recorded investments in such loans. Fair value is based upon independent market prices or appraised values of the collateral which the Company considers as nonrecurring Level 3. Disclosed in the tables below is the recorded investment in impaired loans that require a specific allowance.

Note 15. Fair Value Measurements (Continued)

Non-recurring – foreclosed assets/repossessions

Foreclosed assets and repossessions are adjusted to fair value upon transfer of the loans to foreclosed assets and repossessions. Subsequently, foreclosed assets and repossessions are carried at the lower of carrying value or fair value. Fair value is based upon independent market prices or appraised values of the collateral which the Company considers as nonrecurring Level 3.

The following tables summarize the valuation of the Company's assets and liabilities that were measured at fair value as of December 31, 2018 and 2017, segregated by the level of the valuation inputs within the fair value hierarchy. The amount reflected as fair value of impaired loans is net of specific reserves.

	Fair Value Measurement of Reporting Date Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2018:				
Assets and liabilities measured on a recurring basis:				
Available-for-sale securities				
U.S. government agencies	$ 5,507,322	$ -	$ 5,507,322	$ -
Mortgage backed	3,434,569	-	3,434,569	-
	$ 8,941,891	$ -	$ 8,941,891	$ -
Assets and liabilities measured on a non-recurring basis:				
Impaired loans	$ 3,432,517	$ -	$ -	$ 3,432,517
Foreclosed real estate owned and repossessed assets	212,500	-	-	212,500
	$ 3,645,017	$ -	$ -	$ 3,645,017

Note 15. Fair Value Measurements (Continued)

	Fair Value Measurement of Reporting Date Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2017:				
Assets and liabilities measured on a recurring basis:				
Available-for-sale securities				
U.S. government agencies	$ 6,510,248	$ -	$ 6,510,248	$ -
Mortgage backed	4,166,942	-	4,166,942	-
	$ 10,677,190	$ -	$ 10,677,190	$ -
Assets and liabilities measured on a non-recurring basis:				
Impaired loans	$ 1,889,436	$ -	$ -	$ 1,889,436
Foreclosed real estate owned and repossessed assets	145,000	-	-	145,000
	$ 2,034,436	$ -	$ -	$ 2,034,436

Note 15. Fair Value Measurements (Continued)

For Level 3 assets and liabilities measured at fair value as of December 31, the significant unobservable inputs used in the fair value measurements were as follows:

	Fair Value December 31, 2018	Valuation Technique	Significant Unobservable Inputs	Range
Other real estate owned	$ 212,500	Discounted appraised value	Discounted for selling costs and age of appraisals	Up to 3%
Impaired loans	$ 3,432,517	Discounted appraised value and net present value	Discounted for selling costs and age of appraisals	7% – 65%

	Fair Value December 31, 2017	Valuation Technique	Significant Unobservable Inputs	Range
Other real estate owned	$ 145,000	Discounted appraised value	Discounted for selling costs and age of appraisals	Up to 3%
Impaired loans	$ 1,889,436	Discounted appraised value and net present value	Discounted for selling costs and age of appraisals	7% – 65%

Note 16. Restricted Investments

Restricted investments consist of investments in the Federal Home Loan Bank of Pittsburgh (FHLB) and West Virginia Bankers’ Title Insurance Company. Investments are carried at face value and the level of investment is dictated by the level of participation with each institution. Amounts are restricted as to transferability.

Note 17. Recent Accounting Pronouncements and Changes

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities,* among other things, (i) requires equity investments, with certain exceptions, to be measured at fair value with changes in fair value recognized in net income, (ii) simplifies the impairment assessment of equity investments without readily determinable fair values be requiring a qualitative assessment to identify impairment, (iii) eliminates the requirement for public business entities to disclose the methods and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet, (iv) requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes, (v) requires an entity to present separately in other comprehensive income the portion of the total change in the fair values of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments, (vi) requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the balance sheet or the accompanying notes to the financial statements, and (vii) clarifies that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale. The Company adopted this standard in 2018, there was no impact on the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* will, among other things, require lessees to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. ASU 2016-02 does not significantly change lease accounting requirements applicable to lessors; however, certain changes were made to align, where necessary, lessor accounting with the lessee accounting model and ASC Topic 606, *Revenue from Contracts with Customers.* ASU 2016-02 will be effective for fiscal years beginning after December 15, 2019 and will require transition using a modified retrospective approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. This ASU is not expected to have a significant impact on the financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses of Financial Instruments,* requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts and requires enhanced disclosures related to the significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an organization's portfolio. ASU 2016-13 will be effective for fiscal years beginning after December 15, 2021. The Company is currently evaluating the potential impact, if any, of ASU 2016-13 on the consolidated financial statements.

Note 17. Recent Accounting Pronouncements and Changes (Continued)

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230) – Classification of Certain Cash Receipts and Cash Payments* provides guidance related to certain cash flow issues in order to reduce the current and potential future diversity in practice. ASU 2016-15 will be effective for fiscal years beginning after December 15, 2018, and is not expected to have a significant impact on the financial statements.

In March 2017, the FASB issued ASU 2017-07, *Compensation – Retirement Benefits (Topic 715) – Improving the Presentation of Net Periodic Pension Cost and Net Periodic Post Retirement Benefit Cost* which provides guidance for retirement benefits. This guidance requires that an employer disaggregate the service cost component form the other components of net benefit cost. The amendments also provide explicit guidance on how to present the service cost component and the other components of net benefit cost on the income statement and allow only the service cost component of net benefit cost to be eligible for capitalization. ASU 2017-07 will be effective for fiscal years beginning after December 15, 2018. The Company is currently evaluating the potential impact, if any, of ASU 2017-07 on the consolidated financial statements

In March 2017, the FASB issued ASU 2017-08, *Receivables – Nonrefundable Fees and Other Costs (Subtopic 310-20) – Premium Amortization on Purchased Callable Debt Securities*, which provides guidance on the amortization period for certain purchased callable debt securities held at a premium. The FASB is shortening the amortization period for the premium to the earliest call date. Under current GAAP, entities generally amortize the premium as an adjustment of yield over the contractual life of the instrument. The amendments do not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. ASU 2017-08 will be effective for fiscal years beginning after December 15, 2019 and the Company is currently evaluating the potential impact, if any, it will have on the consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 is a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. ASU 2014-09 also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. ASU 2014-09 was effective for annual reporting periods beginning after December 15, 2017. ASU No. 2015-14 issued in August 2015 deferred the effective date of this update to annual reporting periods beginning after December 15, 2018. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The adoption of this ASU is not expected to have a material effect on the Company's current financial position or results of operations; however, it may impact future financial statement disclosures

Other accounting standards have been issued by the FASB that are not currently applicable to the Company or are not expected to have a material impact on the Company's financial statements.