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FR Y-6
OMB Number 7100-0297
Approval expires December 31, 2015
Page 1 of 2

Board of Governors of the Federal Reserve System

FRB RICHMOND
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)); Section 8(a) of the International Banking Act (12 U.S.C. § 3106(a)); Sections 11(a)(1), 25 and 25A of the Federal Reserve Act (12 U.S.C. §§ 248(a)(1), 602, and 611a); Section 211.13(c) of Regulation K (12 C.F.R. § 211.13(c)); and Section 225.5(b) of Regulation Y (12 C.F.R. § 225.5(b)) and section 10(c)(2)(H) of the Home Owners' Loan Act. 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 and top-tier savings and loan 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.

I, John R. Wilson, Jr.
Name of the Holding Company Director and Official

President
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.

John R. Wilson, Jr.
Signature of Holding Company Director and Official

03/26/2015
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 1139804
C.I.

Date of Report (top-tier holding company's fiscal year-end):
December 31, 2014
Month / Day / Year

N/A
Reporter's Legal Entity Identifier (LEI) (20-Character LEI Code)

Reporter's Name, Street, and Mailing Address
PUTNAM BANCSHARES, INC.
Legal Title of Holding Company

P. O. BOX 308
(Mailing Address of the Holding Company) Street / P.O. Box

City	State	Zip Code
HURRICANE	WV	25526-0308

2761 MAIN STREET
Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Name	Title
JOHN R. WILSON, JR.	PRESIDENT

304-562-9931
Area Code / Phone Number / Extension

304-562-2642
Area Code / FAX Number

jwilsonjr@putcobk.com
E-mail Address

www.putcobk.com
Address (URL) for the Holding Company's web page

Does the reporter request confidential treatment for any portion of this submission?

☐ Yes Please identify the report items to which this request applies:

☐ In accordance with the instructions on pages GEN-2 and 3, a letter justifying the request is being provided.

☐ The information for which confidential treatment is sought is being submitted separately labeled "Confidential."

☒ No

FORM FR Y-6

PUTNAM BANCSHARES, INC.
HURRICANE, WEST VIRGINIA

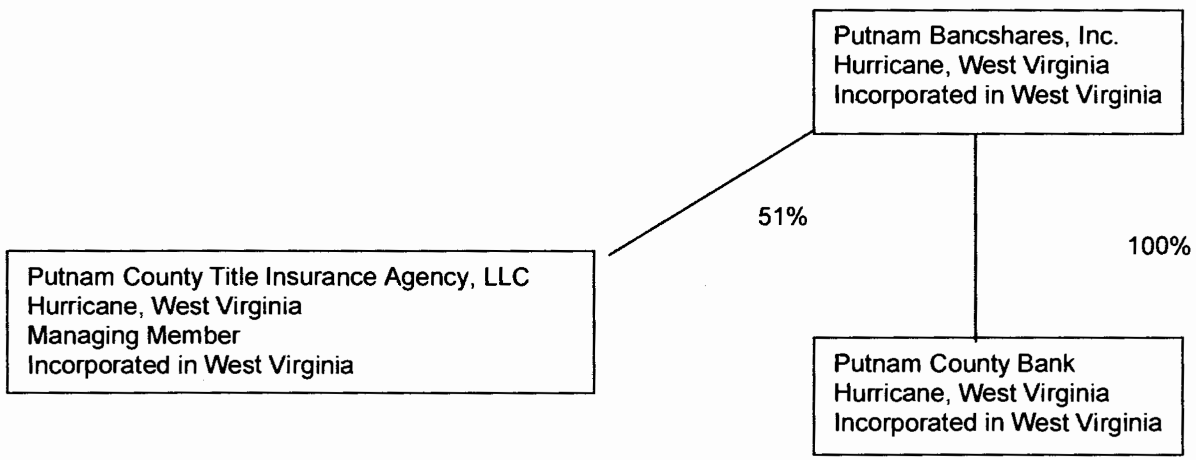
FISCAL YEAR ENDING DECEMBER 31, 2014

Report Item 1: Annual Report to Shareholders

Putnam Bancshares, Inc. is not registered with the Securities Exchange Commission and, as such, does not file a Form 10-K.

Putnam Bancshares, Inc. prepares an annual report for its shareholders and for public distribution. The 2014 annual report has not been completed at this time and will be forwarded to your office as soon as available. Putnam Bancshares, Inc. has engaged an independent CPA firm to prepare audited financial statements as of December 31, 2014 which will appear in the 2014 annual report. These statements will include all footnotes.

Report Item 2a: Organizational Chart



ANNUAL REPORT OF BANK HOLDING COMPANIES
FORM FR Y-6

PUTNAM BANCSHARES, INC.
HURRICANE, WEST VIRGINIA
FISCAL YEAR ENDING DECEMBER 31, 2014

Report Item 2b: Domestic Branch Listing

The Domestic Branch Listing was verified by the Reporter as of December 31, 2014 and emailed to FRB Richmond on 3/26/2015 at 12:21 pm. A minor change in street address was noted. A copy of the Listing is attached.

Results: A list of branches for your depository institution: PUTNAM COUNTY BANK (ID_RSSD: 417626).
This depository institution is held by PUTNAM BANCSHARES, INC. (1139804) of HURRICANE, WV.
The data are as of 12/31/2014. Data reflects information that was received and processed through 01/07/2015.

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
Change	12/31/2014	Full Service (Head Office)	417626	PUTNAM COUNTY BANK	2325 MAIN STREET	HURRICANE	WV	25526	PUTNAM	UNITED STATES	9595	0	PUTNAM COUNTY BANK	417626	Street Address is 2761 Main Street - Office has Not Moved - 911 Change
OK		Full Service	1161403	INTERSTATE BRANCH	300 HURRICANE CREEK ROAD	HURRICANE	WV	25526	PUTNAM	UNITED STATES	233518	1	PUTNAM COUNTY BANK	417626	
OK		Full Service	1926349	VALLEY BRANCH	3058 MOUNT VERNON ROAD	HURRICANE	WV	25526	PUTNAM	UNITED STATES	233519	2	PUTNAM COUNTY BANK	417626	

ANNUAL REPORT OF BANK HOLDING COMPANIES
FORM FR Y-6

PUTNAM BANCSHARES, INC.
HURRICANE, WEST VIRGINIA
FISCAL YEAR ENDING DECEMBER 31, 2014

Report Item 3: Securities Holders

Current Shareholders with ownership, control or holdings of 5% or more with power to vote as of 12/31/2014

(1)(a) Name & Address (City, State, Country)	(1)(b) Country of Citizenship or Incorporation	(1)(c) Number and Percentage of Each Class of Voting Securities
J. R. Wilson Hurricane, WV, USA	USA	163,754 – 27.29% Common Stock
Boyd Meadows Hurricane, WV, USA	USA	35,207 – 5.87% Common Stock
Robert S. Duckworth Barboursville, WV, USA	USA	30,538 – 5.09% Common Stock

Shareholders not listed in (3)(1)(a) through (3)(1)(c) that had ownership, control or holdings of 5% or more with power to vote during the fiscal year of 12/31/2014

(2)(a) Name & Address (City, State, Country)	(2)(b) Country of Citizenship or Incorporation	(2)(c) Number and Percentage of Each Class of Voting Securities

None

ANNUAL REPORT OF BANK HOLDING COMPANIES
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PUTNAM BANCSHARES, INC.
HURRICANE, WEST VIRGINIA
FISCAL YEAR ENDING DECEMBER 31, 2014
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Report Item 4: Insiders

(1) Names & Address (City, State, Country)	(2) Principal Occupation if other than with Bank Holding Company	(3)(a) Title & Position with Bank Holding Company	(3)(b) Title & Position with Subsidiaries (include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (include names of other businesses)	(4)(a) Percentage of Voting Shares in Bank Holding Company	(4)(b) Percentage of Voting Shares in Subsidiaries (include names of subsidiaries)	(4)(c) List names of Other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held
R. Calvin Damron Hurricane, WV, USA	Insurance	Director	Director-Putnam County Bank	President-Henderson Insurance, Inc.	.27%	None	CarCar Properties,LLC-50%; BBCC Properties, LLC-50%;Henderson Insurance, Inc.-50%
Jeffrey R. Davis Hurricane, WV, USA	N/A	Director	Vice President of Loans and Director-Putnam County Bank	N/A	.17%	None	None

ANNUAL REPORT OF BANK HOLDING COMPANIES
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PUTNAM BANCSHARES, INC.
HURRICANE, WEST VIRGINIA
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Robert S. Duckworth Hurricane, WV, USA	Real Estate Investor	Director	Executive Vice President and Director-Putnam County Bank	President-RSD, Inc.	5.09%	None	D+S Real Estate Holding LLC-100%; Risiko Realty LLC-100%; RSD Carolina Operations LLC-100%; RSD Carolina Real Estate Holdings LLC – 100%;RSD Holdings LLC-100%; RSD, Inc.-100%; Ente Enterprises, Ltd.-100%; Duckworth's CheeseSteakery #3100, LLC-100%; Duckworth's CheeseSteakery #3101, LLC-100%; Duckworth's CheeseSteakery #3102, LLC-100%;

ANNUAL REPORT OF BANK HOLDING COMPANIES
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PUTNAM BANCSHARES, INC.
HURRICANE, WEST VIRGINIA
FISCAL YEAR ENDING DECEMBER 31, 2014
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Report Item 4: Insiders - Continued

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Robert S. Duckworth Hurricane, WV, USA (Continued from Page 5)							Duckworth's #3103,LLC -100%; Duckworth's #3104, LLC-100%; 33 N Tryon Real Estate, LLC -100%; Duckwood,LLC-50%; Huntersville Crossing Real Estate LLC-100%; Oakhurst Office, LLC-100%; RSD Food Market Real Estate Holding #2100, LLC-100%; RSD Restaurants Real Estate Holding #3100 and Retail Shops. LLC-100%; Villa Firenze, LLC-100%; The Cellar at Duckworth's-100%

ANNUAL REPORT OF BANK HOLDING COMPANIES
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PUTNAM BANCSHARES, INC.
HURRICANE, WEST VIRGINIA
FISCAL YEAR ENDING DECEMBER 31, 2014

Report Item 4: Insiders - Continued

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W. Timothy Hayslett Hurricane, WV, USA	Construction	Director	Director-Putnam County Bank	President-Hayslett Construction Co.	4.60%	None	Hayslett Construction Co. – 100%
Stephen Hodges Scott Depot, WV, USA	Home Builder	Director	Director-Putnam County Bank	President-Hodges Homebuilders, Inc.	2.08%	None	Hodges Homebuilders, Inc. – 100%
Allison W. Jones Hurricane, WV, USA	N/A	Treasurer	Chief Financial Officer -Putnam County Bank	None	.02%	None	None
Okey M. Landers, Jr. Charleston, SC, USA	Real Estate Investor	Director	Director-Putnam County Bank	President-A&C Corporation	1.96%	None	A&C Corporation-80%

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PUTNAM BANCSHARES, INC.
HURRICANE, WEST VIRGINIA
FISCAL YEAR ENDING DECEMBER 31, 2014

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Report Item 4: Insiders - Continued

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Boyd L. Meadows Milton, WV, USA	Markets/Farming	Director	Director-Putnam County Bank	President-Half-Way Markets, Inc.	5.87%	None	Half-Way Markets, Inc.-50%; Milton Flea Mkt.-50%; Putnam Orchards, Inc. – 50%

ANNUAL REPORT OF BANK HOLDING COMPANIES
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PUTNAM BANCSHARES, INC.
HURRICANE, WEST VIRGINIA
FISCAL YEAR ENDING DECEMBER 31, 2014

Report Item 4: Insiders - Continued

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Roger K. Randolph Scott Depot, WV, USA	Engineer	Director	Director-Putnam County Bank	President-Randolph Engineering Co.	.33%	None	Randolph Engineering Co.- 50%; Teays Valley Storage - 50%; Teays River Construction-25%; DARR Development - 25%; L&R Engineering - 100%; SPRG, LLC – 50%; RDS Corp – 20%.

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PUTNAM BANCSHARES, INC.
HURRICANE, WEST VIRGINIA
FISCAL YEAR ENDING DECEMBER 31, 2014

Report Item 4: Insiders - Continued

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J. R. Wilson Hurricane, WV, USA	N/A	Chairman of the Board and CEO	Chairman of the President Putnam County Bank	N/A	27.29%	None	N/A
John R. Wilson, Jr. Scott Depot, WV, USA	N/A	President and Director	President and Director-Putnam County Bank	N/A	2.11%	None	N/A

ANNUAL REPORT OF BANK HOLDING COMPANIES
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PUTNAM BANCSHARES, INC.
HURRICANE, WEST VIRGINIA
FISCAL YEAR ENDING DECEMBER 31, 2014

Report Item 4: Insiders - Continued

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Gary D. Young Winfield, WV, USA	Construction	Director	Director-Putnam County Bank	President-G & G Builders, Inc.	2.25%	None	GDY, LLC–100%; G & G Builders, Inc.–100%; Fourever Young LTD Partnership – 51%; G & G Investments – 50%; Keystone LLC – 60%; Cobblestone Subdivision, LLC – 100%; No S Properties LLC – 47%; Visionary Properties LLC – 100%; ABCG Properties – 60%

CONTENTS

ROLLINS • CLEAVENGER • ROLLINS
CERTIFIED PUBLIC ACCOUNTANTS
1012 Kanawha Boulevard, East, Post Office Box 169, Charleston, West Virginia 25321

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders
Putnam Bancshares, Inc. and Subsidiaries
Hurricane, West Virginia

We have audited the accompanying consolidated financial statements of Putnam Bancshares, Inc. and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income/(loss), changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2014, and the related notes to the 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Putnam Bancshares, Inc. and Subsidiaries as of December 31, 2014 and 2013, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2014, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As further discussed in Note 16 to the financial statements, the Bank had previously not recorded the defined benefit pension plan prior to the year ending December 31, 2013. This adjustment was made resulting in a restatement of the 2012 and 2013 financial statements. Our opinion is not modified with respect to that matter.

Rollins, Cleavenger and Rollins

Certified Public Accountants

Charleston, West Virginia
March 23, 2015

PUTNAM BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2014 AND 2013

	2014	Restated 2013
ASSETS		
Cash and due from banks	$ 17,728,586	$ 14,865,033
Federal funds sold	42,000,000	85,000,000
Securities available for sale, at fair value	117,426,938	132,879,928
Securities held to maturity, at amortized cost (estimated fair value of $33,996,449 and $38,995,944, respectively)	33,995,509	38,993,666
Loans, less allowance for loan losses of $3,773,239 and $3,816,559, respectively	404,119,764	343,874,616
Bank premises and equipment, net	556,101	601,763
Federal reserve bank stock, at cost	39,000	39,000
Accrued interest receivable	1,727,060	1,522,366
Other real estate owned	2,684,940	3,546,850
Other assets	3,387,894	2,822,313
Total assets	$ 623,665,792	$ 624,145,535
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Deposits:		
Non-interest bearing	$ 58,547,318	$ 56,374,964
Interest bearing	479,755,331	488,214,336
Total deposits	538,302,649	544,589,300
Accrued interest payable	944,270	1,017,759
Other liabilities	3,898,519	1,610,027
Total liabilities	543,145,438	547,217,086
SHAREHOLDERS' EQUITY:		
Common stock, $0.50 par value, 1,200,000 shares authorized, 600,000 shares issued and outstanding	300,000	300,000
Surplus	1,000,000	1,000,000
Retained earnings	82,017,169	77,272,310
Accumulated other comprehensive income/(loss), net	(2,796,815)	(1,643,861)
Total shareholders' equity	80,520,354	76,928,449
Total liabilities and shareholders' equity	$ 623,665,792	$ 624,145,535

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

PUTNAM BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR YEARS ENDED DECEMBER 31, 2014, 2013, AND 2012

	2014	Restated 2013	Restated 2012
INTEREST INCOME:			
Loans (including fees)	$ 19,654,448	$ 17,962,422	$ 18,104,935
Securities available for sale	2,061,597	2,858,174	2,873,121
Securities held to maturity	22,280	34,889	39,576
Federal funds sold	61,682	59,357	68,959
Federal reserve bank	15,365	18,396	16,203
Total interest income	21,815,372	20,933,238	21,102,794
INTEREST EXPENSE:			
Interest on deposits	4,882,297	5,465,591	6,485,372
Net interest income	16,933,075	15,467,647	14,617,422
Provision for loan losses	0	0	840,195
Net interest income after provision for loan losses	16,933,075	15,467,647	13,777,227
NONINTEREST INCOME:			
Service charges and fees	338,960	351,533	361,851
Realized gains/(losses) on sale of securities	56,309	4,928	(1,908)
Equity in earnings of subsidiary	51,643	57,621	38,393
Rental income	265,440	150,920	32,400
Other operating income	22,484	27,107	31,453
Total noninterest income	734,836	592,109	462,189
NONINTEREST EXPENSES:			
Salaries and employee benefits	4,608,593	4,214,490	5,345,297
Occupancy and equipment expense	387,209	390,963	490,099
Data processing expense	947,107	927,815	939,079
FDIC insurance expense	719,866	413,134	752,919
Net cost of operations of other real estate	293,200	190,954	400,932
Legal and professional fees	263,191	538,355	551,120
Other operating expenses	955,904	1,665,612	1,494,669
Total noninterest expenses	8,175,070	8,341,323	9,974,115
Income before income taxes	9,492,841	7,718,433	4,265,301
Provision for income taxes	3,187,982	2,692,242	1,431,390
Net income	$ 6,304,859	$ 5,026,191	$ 2,833,911

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

PUTNAM BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)
FOR YEARS ENDED DECEMBER 31, 2014, 2013, AND 2012

	2014	Restated 2013	Restated 2012
Net income	$ 6,304,859	$ 5,026,191	$ 2,833,911
Other comprehensive income:			
Unrealized gains/(losses) on available-for-sale securities arising during the period	645,208	(3,535,488)	(568,633)
Adjustments for income tax (expense) benefit	(236,403)	1,295,402	208,347
	408,805	(2,240,086)	(360,286)
Change in underfunded pension liability	(2,409,377)	615,295	193,715
Adjustments for income tax (expense) benefit	883,296	(225,444)	(70,977)
	(1,526,081)	389,851	122,738
Less: Reclassification adjustment for (gains)/ losses included in net income	(56,309)	(4,928)	1,908
Adjustment for income tax expense (benefit)	20,631	1,806	(699)
	(35,678)	(3,122)	1,209
Other comprehensive income/(loss), net of tax	(1,152,954)	(1,853,357)	(236,339)
Comprehensive income, net of tax	$ 5,151,905	$ 3,172,834	$ 2,597,572

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

PUTNAM BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR YEARS ENDED DECEMBER 31, 2014, 2013, AND 2012

	Common Stock	Surplus	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total
BALANCES - December 31, 2011, as previously reported	$ 300,000	$ 1,000,000	$ 71,484,675	$ 2,589,921	$ 75,374,596
Prior Period Adjustment			867,533	(2,144,086)	(1,276,553)
BALANCES, as restated	300,000	1,000,000	72,352,208	445,835	74,098,043
Net income			2,833,911		2,833,911
Other comprehensive income/(loss)				(236,339)	(236,339)
Cash dividends ($2.40 per share)			(1,440,000)		(1,440,000)
BALANCES - December 31, 2012 (restated)	300,000	1,000,000	73,746,119	209,496	75,255,615
Net income			5,026,191		5,026,191
Other comprehensive income/(loss)				(1,853,357)	(1,853,357)
Cash dividends ($2.50 per share)			(1,500,000)		(1,500,000)
BALANCES - December 31, 2013 (restated)	300,000	1,000,000	77,272,310	(1,643,861)	76,928,449
Net Income			6,304,859		6,304,859
Other comprehensive income/(loss)				(1,152,954)	(1,152,954)
Cash dividends ($2.60 per share)			(1,560,000)		(1,560,000)
BALANCES - December 31, 2014	$ 300,000	$ 1,000,000	$ 82,017,169	$ (2,796,815)	$ 80,520,354

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

PUTNAM BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR YEARS ENDED DECEMBER 31, 2014, 2013, AND 2012

	2014	Restated 2013	Restated 2012
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 6,304,859	$ 5,026,191	$ 2,833,911
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	66,870	55,152	102,792
Provision for loan losses	0	0	840,195
Change in defined benefit plan	(1,526,081)	389,851	122,738
Deferred income tax expense (benefit)	(37,147)	43,923	287,859
Change in carrying value in OREO	11,509	49,715	(79,287)
Equity in earnings of unconsolidated subsidiary, net of distributions	11,160	(4,046)	(3,713)
(Gain)/loss on sale of OREO	185,229	59,208	(51,907)
(Gain)/loss on sale of fixed assets	(3,000)	0	(15,465)
(Gain)/loss on sale of securities	(56,309)	(4,928)	1,908
Net (accretion)/amortization on securities	1,013,290	1,283,771	956,588
(Increase)/decrease in interest receivable	(204,695)	(117,503)	129,366
(Increase)/decrease in other assets	(755,366)	247,889	(12,764)
Increase/(decrease) in interest payable	(73,489)	(101,296)	73,353
Increase/(decrease) in other liabilities	2,288,492	(787,469)	863,444
Net cash provided by operating activities	7,225,322	6,140,458	6,049,018
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net (increase)/decrease in federal funds sold	43,000,000	19,000,000	9,000,000
Proceeds from sales and maturities of available for sale securities	35,944,125	32,156,563	10,690,000
Proceeds from maturities of held to maturity securities	103,977,720	103,965,111	103,960,424
Purchases of available for sale securities	(20,859,217)	(47,431,063)	(38,921,843)
Purchases of held to maturity securities	(98,979,563)	(103,969,073)	(103,953,855)
Proceeds from sale of equipment	3,000	0	43,666
Purchases of bank premises and equipment	(21,207)	(50,604)	(94,076)
Net (increase)/decrease in loans	(60,755,157)	(28,277,992)	(7,356,482)
Proceeds from sales of other real estate owned	1,176,181	540,646	2,147,915
Net cash provided by (used in) investing activities	3,485,882	(24,066,412)	(24,484,251)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

PUTNAM BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR YEARS ENDED DECEMBER 31, 2014, 2013, AND 2012
(Continued)

	2014	2013	2012
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase/(decrease) in demand deposits	4,143,791	8,541,445	(3,375,005)
Net increase/(decrease) in time deposits	(10,431,442)	10,642,077	19,866,293
Dividends paid	(1,560,000)	(1,500,000)	(1,440,000)
Net cash provided by (used in) financing activities	(7,847,651)	17,683,522	15,051,288
Net increase/(decrease) in cash and cash equivalents	2,863,553	(242,432)	(3,383,945)
Cash and cash equivalents at beginning of year	14,865,033	15,107,465	18,491,410
Cash and cash equivalents at end of year	$ 17,728,586	$ 14,865,033	$ 15,107,465

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

	2014	2013	2012
Cash paid during the year for:			
Interest on deposits and borrowings	$ 4,955,786	$ 5,566,887	$ 6,412,019
Income taxes	$ 3,153,573	$ 2,608,417	$ 736,000

SUPPLEMENTAL SCHEDULE OF SIGNIFICANT NONCASH ACTIVITIES:

	2014	2013	2012
Loans transferred to other real estate owned	$ 510,009	$ 2,919,215	$ 371,170

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies:

Nature of Operations

Putnam Bancshares, Inc. (the "Company") is a West Virginia corporation headquartered in Hurricane, West Virginia. The Company owns all of the outstanding shares of common stock of Putnam County Bank. Putnam County Bank (the "Bank") is a West Virginia state-chartered commercial bank that provides consumer and commercial loans and deposit services principally to individuals and small businesses in Putnam County, West Virginia, and the surrounding areas. The Bank has three banking offices, all located in Hurricane, West Virginia.

Basis of Presentation

The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America and to general practices within the banking industry.

Principles of Consolidation

The consolidated financial statements include the accounts of Putnam Bancshares, Inc. and its wholly owned subsidiary, Putnam County Bank. All significant intercompany balances and transactions have been eliminated.

Investment in Limited Liability Company

The Company entered into an agreement with other entities to form Putnam County Title Insurance Agency, LLC. The Company has a controlling interest in the LLC, owning 51%. The equity method was used in accounting for the LLC. See Note 10 for additional information.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reported periods. 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 adequacy of the allowance for loan losses, determination of fair value for financial instruments and benefit plan obligations and expenses.

Cash and Due from Banks

For purposes of reporting cash flows, cash and due from banks includes cash on hand, cash items, and amounts due from correspondent banks. Cash flows from demand deposits, money market accounts, savings accounts, and federal funds sold are reported net since their original maturities are less than three months. Cash flows from loans, certificates of deposit, and other time deposits are reported net.

Securities

Debt securities are classified as "held to maturity", "available for sale", or "trading" according to Management's intent. The appropriate classification is determined at the time of purchase of each security and re-evaluated at each reporting date.

> Securities held to maturity: Debt securities for which the Bank has the intent and ability to hold to maturity are reported at cost and adjusted for amortization of premiums and accretion of discounts using methods approximating the interest method.

Securities (continued)

Securities available for sale: Securities not classified as "held to maturity" or as "trading" are classified as "available for sale". Securities classified as "available for sale" are those securities the Bank intends to hold for an indefinite period of time, but not necessarily to maturity. "Available for sale" securities are reported at fair value, net of unrealized gains or losses, which are adjusted for applicable income taxes and reported as other comprehensive income.

Trading securities: There are no securities classified as "trading" in the accompanying financial statements.

Any security that has experienced a decline in value, which management believes is deemed other-than-temporary, is reduced to its estimated fair value. This determination requires significant judgment. In estimating other-than-temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Bank to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. Realized gains and losses on sales of securities are recognized using the specific-identification method. Amortization of premiums and accretion discounts are computed using the effective interest rate method.

Loans

Loans are stated at the amount of unpaid principal, reduced by unearned discount and an allowance for loan losses. Interest is accrued daily on the outstanding balance.

Generally, loans are placed on non-accrual status when principal or interest is greater than 90 days past due based upon the loan's contractual terms, unless such loans are well secured and in the process of collection. Loans that are on a current payment status or past due less than 90 days may also be classified as non-accrual if repayment in full of principal and/or interest is in doubt. Interest is accrued daily on impaired loans unless the loan is placed on non-accrual status. Impaired loans are placed on non-accrual status upon change of the loan's risk grade to impaired status. Interest recognized on impaired loans is reviewed on a loan basis and typically would only be recognized when a change in risk grade to a pass classification is imminent. Interest on non-accrual loans is recognized primarily using the cost-recovery method.

Loans may be returned to accrual status when all principal and interest amounts contractually due are reasonably assured of repayment within an acceptable period of time, and there is a sustained period of repayment performance by the borrower, in accordance with the contractual terms of interest and principal.

Allowance for Loan Losses

The allowance for loan losses is maintained at a level considered adequate to provide for losses that can be reasonably anticipated. The allowance is increased by provisions charged to operating expense and reduced by net charge-offs. Management reviews the allowance for loan losses regularly. The Bank makes continuous credit reviews of the loan portfolio and considers current economic conditions, historical loan loss experience, review of specific problem loans, and other factors in determining the adequacy of the allowance for loan losses. An unallocated component is also computed to cover the uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio. Loans are charged against the allowance for loan losses when management believes that the collectability of the principal is unlikely. While Management uses the best information available to make its evaluation, future adjustments to the allowance may be necessary if there are significant changes in economic conditions. There were no material changes to the accounting policy or methodology related to the allowance for loan losses in 2014.

Loans deemed to be uncollectible are charged against the allowance for loan losses, while recoveries of previously charged-off amounts are credited to the allowance for loan losses. When a loan or a portion of a loan is identified to contain a loss, a charge-off recommendation is directed to Management to charge-off all or a portion of that loan.

Allowance for Loan Loss (continued)

A loan is impaired when, based on current information and events, it is probable that the Bank will be unable to collect all amounts due in accordance with the contractual terms of the loan agreement. Risk factors considered by Management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impaired loans, other than certain large groups of smaller-balance homogeneous loans that are collectively evaluated for impairment, are required to be reported at the present value of expected future cash flows discounted using the loan's original effective interest rate or, alternatively, at the loan's observable market price, or at the fair value of the loan's collateral less any associated selling costs if the loan is collateral dependent. The method selected to measure impairment is made on a loan-by-loan basis, unless foreclosure is deemed to be probable, in which case the fair value of the collateral method is used.

Bank Premises and Equipment

Bank premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed primarily on the straight-line method for Bank premises and equipment over the estimated useful lives of the respective assets as follows:

- Buildings and improvements 10 – 40 years
- Equipment, fixtures and vehicles 3 – 10 years

Repairs, maintenance and minor improvements are charged to occupancy and equipment expense as incurred. Major improvements and additions to premises and equipment are capitalized. Gains or losses on disposition, if any, are recorded in the Consolidated Statements of Income.

Other Real Estate Owned

Other real estate owned consists of real estate held for sale which was acquired through foreclosure on loans secured by such real estate. At the time of acquisition, these properties are recorded at the lower of cost or appraised market value with any write down being charged to the allowance for loan losses. Subsequent to foreclosure, valuations are periodically performed by Management and the assets are carried at the lower of carrying amount or fair value less estimated selling costs. Revenues and expenses incurred in connection with operating these properties and any direct write downs are included in net cost of operations of other real estate in the Consolidated Statements of Income.

Advertising

Advertising costs are expensed as incurred and included in other operating expenses. Advertising expense was $203,826, $203,372, and $128,786 for the years ended December 31, 2014, 2013, and 2012, respectively.

Income Taxes

Putnam Bancshares, Inc. and its subsidiary file a consolidated federal income tax return. Income taxes are provided for the tax effects of the transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the bases of the allowances for loan losses. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the deferred tax assets or liabilities are expected to be settled or realized. Valuation allowances are established when deemed necessary to reduce deferred tax assets to the amount expected to be realized within a short term.

Bank-Owned Life Insurance

The Bank purchased a life insurance policy on a key executive. Bank-owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement.

Employee Benefit Plans

The Bank accounts for its defined benefit plan in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 715, *Employer's Accounting for Pensions*. See Note 9 for additional information.

The Bank adopted a 401(k) plan effective January 1, 2013, and its defined benefit pension plan was frozen as of October 31, 2012. The Bank will still be accountable for past pension obligations and will continue to fund the pension plan as needed.

Off-Balance Sheet Financial Instruments

In the ordinary course of business, the Bank enters into off-balance sheet financial instruments consisting of commitments to extend credit, commercial letters of credit, and standby letters of credit. Such financial instruments are recorded in the consolidated financial statements when they are funded or related fees are incurred or received.

Other Comprehensive Income

Accounting principles generally require that recognized revenue, expenses, and gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities and amortization of deferred gains and losses associated with the Company's pension plan, are reported as a separate component of the equity section of the balance sheet, such items, along with net income, are components of other comprehensive income/(loss). The components of other comprehensive income/(loss) and related tax effects are presented within the Statements of Comprehensive Income/(Loss).

Earnings Per Share

Earnings per share represent income available to common shareholders divided by the weighted average number of common shares outstanding during the period.

	2014	2013	2012
Net income	$ 6,304,859	$ 5,026,191	$ 2,833,911
Earnings per common share	$ 10.51	$ 8.38	$ 4.72
Dividends paid per common share	$ 2.60	$ 2.50	$ 2.40

Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentation.

Note 2 – Cash and Due from Banks:

Certain reserves are required to be maintained at the Federal Reserve Bank. The requirement as of December 31, 2014 and 2013, was $7,271,000 and $6,254,000, respectively. At December 31, 2014 and 2013, the Bank had accounts at correspondent banks, excluding the Federal Reserve Bank, which exceeded the FDIC insurable limit of $250,000 by $1,842,264 and $1,660,135, respectively.

Note 3 – Securities:

The amortized gains, unrealized losses and estimated fair values of securities at December 31, 2014 and 2013, are summarized as follows:

December 31, 2014	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available for Sale Securities				
U.S. Government treasuries	$ 4,990,828	$ 26,362	$ 0	$ 5,017,190
U.S Government agencies	103,072,615	591,200	(247,750)	103,416,065
Municipal bonds	7,794,109	217,411	0	8,011,520
Mutual funds	1,000,000	930	(18,767)	982,163
Totals	$ 116,857,552	$ 835,903	$ (266,517)	$ 117,426,938
Held to Maturity Securities				
U.S. Government treasuries	$ 33,995,509	$ 984	$ (44)	$ 33,996,449

December 31, 2013	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available for Sale Securities				
U.S. Government agencies	$ 123,339,944	$ 1,016,164	$ (860,863)	$ 123,495,245
Municipal bonds	8,559,497	83,720	(229,754)	8,413,463
Mutual funds	1,000,000	0	(28,780)	971,220
Totals	$ 132,899,441	$ 1,099,884	$ (1,119,397)	$ 132,879,928
Held to Maturity Securities				
U.S. Government treasuries	$ 38,993,666	$ 2,458	$ (180)	$ 38,995,944

The following table shows the proceeds from maturities, sales, and calls of available for sale securities and the gross realized gains and losses on those sales. Gains and losses are computed using the specific-identification method.

	2014	2013	2012
Proceeds from maturities, sales, and calls	$ 35,944,125	$ 32,156,563	$ 10,690,000
Gross realized gains	$ 242,929	$ 403,641	$ 0
Gross realized losses	$ 186,620	$ 398,713	$ 1,908

Note 3 – Securities: (continued)

The scheduled maturities of securities at December 31, 2014, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available for Sale Securities		Held to Maturity Securities	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due within one year	$ 9,535,157	$ 9,647,537	$ 33,995,509	$ 33,996,449
Due after one year through five years	105,206,277	105,657,733	0	0
Due after five years through ten years	0	0	0	0
Due after ten years	2,116,118	2,121,668	0	0
Totals	$ 116,857,552	$ 117,426,938	$ 33,995,509	$ 33,996,449

At December 31, 2014 and 2013, the carrying value of securities pledged to secure public funds totaled $67,920,000 and $65,599,999, respectively. The estimated fair values totaled $69,994,815 and $66,999,874, respectively, were pledged to secure public deposits and for other purposes as required or permitted by law.

Impairment is evaluated considering numerous factors, and their relative significance varies from case to case. Factors considered include the length of time and extent to which the market value has been less than cost; the financial condition and near-term prospects of the issuer; and the intent and ability to retain the security in order to allow for an anticipated recovery in market value. If, based on the analysis, it is determined that the impairment is other-than-temporary, the security is written down to fair value, and a loss is recognized through earnings. There were no other-than-temporary impairment losses for the years ended December 31, 2014, 2013, and 2012.

The Bank had 11 available-for-sale securities and 5 held-to-maturity securities with an unrealized loss position at December 31, 2014. These securities are predominately rated investment grade securities and the unrealized losses are due to overall market interest rate fluctuations and not due to any underlying credit concerns of the issuers. The Bank has the intent and ability to hold such investments until maturity or market price recovery. Accordingly, the Bank has concluded that none of the securities in its investment portfolio are other-than-temporarily impaired at December 31, 2014.

The following table summarizes the fair value and gross unrealized losses of securities, aggregated by major investment category and length of time that individual securities have been in a continuous unrealized loss position:

	Less Than 12 Months		12 Months or More		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
December 31, 2014						
Available for Sale Securities						
U.S. Government treasuries	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
U.S. Government agencies	31,236,485	(55,844)	20,821,455	(191,906)	52,057,940	(247,750)
Municipal bonds	0	0	0	0	0	0
Mutual funds	0	0	481,233	(18,767)	481,233	(18,767)
Totals	$31,236,485	$ (55,844)	$21,302,688	$ (210,673)	$ 52,539,173	$ (266,517)
Held to Maturity Securities						
U.S. Government treasuries	$ 4,999,152	$ (44)	$ 0	$ 0	$ 4,999,152	$ (44)

Note 3 – Securities: (continued)

	Less Than 12 Months		12 Months or More		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
December 31, 2013						
Available for Sale Securities						
U.S. Government agencies	$61,780,820	$(728,346)	$ 4,865,535	$ (132,517)	$ 66,646,355	$ (860,863)
Municipal bonds	2,930,245	(229,754)	0	0	2,930,245	(229,754)
Mutual funds	495,349	(4,651)	475,871	(24,129)	971,220	(28,780)
Totals	$65,206,414	$ (962,751)	$ 5,341,406	$ (156,646)	$ 70,547,820	$(1,119,397)
Held to Maturity Securities						
U.S. Government treasuries	$ 3,999,465	$ (180)	$ 0	$ 0	$ 3,999,465	$ (180)

Note 4 – Loans:

The following table summarizes the components of the Company's loan portfolio as of December 31, 2014 and 2013:

	2014	2013
Commercial	$ 139,623,034	$ 121,413,384
Real estate	209,875,933	183,884,967
Construction	41,672,269	29,441,585
Other	16,723,830	12,955,406
Gross loans	407,895,066	347,695,342
Less: Unearned interest on installment loans	(2,063)	(4,167)
Total loans	407,893,003	347,691,175
Less: allowance for loan losses	(3,773,239)	(3,816,559)
Loans, net	$ 404,119,764	$ 343,874,616

A summary of risk characteristics by loan portfolio classification follows:

Commercial: This portfolio consists of nonresidential improved real estate, which includes shopping centers, office buildings, etc. New loans in this portfolio are typically balloon loans with initial fixed rate terms of five years and generally have an original loan-to-value ("LTV") of 85% or less. These properties are generally located in the Bank's normal lending area.

Real Estate: This portfolio primarily consists of owner-occupied, full documentation loans secured by properties in the Bank's normal lending area. New loans in this portfolio are typically balloon mortgages with an initial fixed rate terms of 15 years and generally have an original LTV of 90% or less.

Construction: This portfolio consists of residential and commercial construction loans. Loans in this portfolio are typically set for an interest only period of 12 months, during construction phase. Rates are typically prime plus 2% and usually have a set floor of 5%.

Other: This portfolio consists of loans that are unsecured, secured by automobiles, or secured by deposit accounts. This portfolio is generally granted to local customers only.

Note 4 – Loans: (continued)

The following table summarizes loans by contractual maturity as of December 31, 2014, unadjusted for scheduled principal payments, prepayments, or re-pricing opportunities. The average life of the loan portfolio may be substantially less than the contractual terms when these adjustments are considered.

	Within One Year	After One Year But Within Five Years	After Five Years
Commercial	$ 32,200,614	$ 87,164,897	$ 20,257,523
Real estate	9,892,563	28,497,980	171,485,390
Construction	16,368,872	8,678,091	16,625,306
Other	4,980,021	7,545,555	4,196,191
Total loans	$ 63,442,070	$ 131,886,523	$ 212,564,410

Management monitors the credit quality of its loans on an ongoing basis. Any loan that is 30 days past payment is considered past due and is included in the past due table below. Past due loans are examined to identify loans for non-accrual status, which are normally loans that are 90 days past due, unless special circumstances exist. Loans may be returned to accrual status when repayment is reasonably assured and there has been demonstrated performance under the terms of the loan.

The following tables present the contractual aging of the recorded investment in past due loans as of December 31, 2014 and 2013:

	At December 31, 2014						
	Past Due						Recorded Investment
Dollars in Thousands	30-59 Days	60-89 Days	> 90 Days	Total	Current	Total Loans	>90 Days and Accruing
Commercial	$ 359	$ 48	$ 695	$ 1,102	$ 138,521	$ 139,623	$ 0
Real estate	1,663	415	927	3,005	206,871	209,876	842
Construction	0	0	558	558	41,114	41,672	0
Other	33	1	0	34	16,688	16,722	0
Totals	$ 2,055	$ 464	$ 2,180	$ 4,699	$ 403,194	$ 407,893	$ 842

	At December 31, 2013						
	Past Due						Recorded Investment
Dollars in Thousands	30-59 Days	60-89 Days	> 90 Days	Total	Current	Total Loans	>90 Days and Accruing
Commercial	$ 539	$ 11	$ 0	$ 550	$ 120,863	$ 121,413	$ 0
Real estate	898	576	1,052	2,526	181,359	183,885	781
Construction	0	0	843	843	28,599	29,442	0
Other	54	4	15	73	12,878	12,951	15
Totals	$ 1,491	$ 591	$ 1,910	$ 3,992	$ 343,699	$ 347,691	$ 796

Note 4 – Loans: (continued)

The following table presents the non-accrual loans included in the net balance of loans at December 31, 2014 and 2013, respectively.

	2014	2013
Commercial	$ 695,119	$ 0
Real estate	85,214	270,566
Construction	557,980	843,295
Other	0	0
Totals	$ 1,338,313	$ 1,113,861

If interest on non-accrual loans had been accrued, such income would have approximated $80,120, $389,613, and $244,717 for the years ended December 31, 2014, 2013, and 2012, respectively.

Loans are categorized 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 Bank assigns credit quality indicators of pass, special mention, substandard, and doubtful to its loans. The following definitions are used for risk grades:

Pass: Loans in this category are characterized by borrowers with an average to strong financial condition, sufficient cash flows to service the debt, and repayment history is satisfactory.

Special Mention: Special mention loans have potential weaknesses that deserve Management's attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects.

Substandard: A substandard loan is inadequately protected by the sound worth and paying capacity of the borrower or the collateral pledged. Loss potential, while existing in the aggregate amount of substandard loans, does not have to exist in individual assets. They require more intensive supervision by Management.

Doubtful: Doubtful loans have all the weaknesses inherent in substandard loans, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. These are poor quality loans in which neither the collateral, if any, nor the financial condition of the borrower ensure collectability in full. Loans classified as doubtful are considered impaired.

The following tables present loans based upon the internal risk ratings by class:

December 31, 2014

	Commercial	Real Estate	Construction	Other	Total
Pass	$ 122,966,766	$ 200,646,892	$ 35,389,972	$ 16,364,489	$ 375,368,119
Special mention	11,673,591	6,444,213	5,705,849	320,371	24,144,024
Substandard	4,982,677	2,784,828	576,448	36,907	8,380,860
Doubtful	0	0	0	0	0
Totals	$ 139,623,034	$ 209,875,933	$ 41,672,269	$ 16,721,767	$ 407,893,003

December 31, 2013

	Commercial	Real Estate	Construction	Other	Total
Pass	$ 108,809,475	$ 175,129,312	$ 24,249,669	$ 12,607,591	$ 320,796,047
Special mention	10,484,023	6,376,971	4,348,621	296,062	21,505,677
Substandard	2,119,886	2,378,684	843,295	47,586	5,389,451
Doubtful	0	0	0	0	0
Totals	$ 121,413,384	$ 183,884,967	$ 29,441,585	$ 12,951,239	$ 347,691,175

Note 4 – Loans: (continued)

In the normal course of business, the Bank makes loans to executive officers and directors and related business interest on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated persons and do not involve more than the normal risk of collectability.

The following presents the activity with respect to loans to related parties for 2014, 2013, and 2012:

	2014	2013	2012
Balances - January 1,	$ 12,378,428	$ 11,880,084	$ 14,784,511
New loans	1,660,911	2,025,899	1,953,859
Repayments	(1,827,000)	(1,527,555)	(4,858,286)
Balances - December 31,	$ 12,212,339	$ 12,378,428	$ 11,880,084

The following is a summary of impaired loans by class at December 31, 2014 and 2013:

	December 31, 2014				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Balance	Interest Income Recognized While Impaired
With a Related Allowance					
Commercial	$ 510,000	$ 410,552	$ 86,552	$ 310,735	$ 26,485
Real estate	571,500	571,437	45,749	585,098	16,230
Construction	0	0	0	285,315	0
Other	0	0	0	0	0
Totals with a related allowance	$ 1,081,500	$ 981,989	$ 132,301	$ 1,181,148	$ 42,715
With No Related Allowance					
Commercial	$ 7,604,719	$ 7,027,557	$ 0	$ 7,209,124	$ 357,968
Real estate	2,959,094	2,543,221	0	3,321,797	155,490
Construction	1,425,000	557,980	0	557,980	0
Other	0	0	0	0	0
Totals with no related allowance	$ 11,988,813	$ 10,128,758	$ 0	$ 11,088,901	$ 513,458
Total					
Commercial	$ 8,114,719	$ 7,438,109	$ 86,552	$ 7,519,859	$ 384,453
Real estate	3,530,594	3,114,658	45,749	3,906,895	171,720
Construction	1,425,000	557,980	0	843,295	0
Other	0	0	0	0	0
Totals	$ 13,070,313	$ 11,110,747	$ 132,301	$ 12,270,049	$ 556,173

Note 4 – Loans: (continued)

	December 31, 2013				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Balance	Interest Income Recognized While Impaired
With a Related Allowance					
Commercial	$ 0	$ 0	$ 0	$ 396,564	$ 170,585
Real estate	548,500	546,370	36,322	725,574	33,303
Construction	285,315	285,315	46,635	876,569	133,113
Other	0	0	0	31,938	3,663
Totals with a related allowance	$ 833,815	$ 831,685	$ 82,957	$ 2,030,645	$ 340,664
With No Related Allowance					
Commercial	$ 2,291,570	$ 2,108,657	$ 0	$ 8,095,542	$ 942,474
Real estate	2,978,500	2,598,280	0	4,727,213	358,922
Construction	1,425,000	557,980	0	1,469,928	150,051
Other	0	0	0	0	0
Totals with no related allowance	$ 6,695,070	$ 5,264,917	$ 0	$ 14,292,683	$ 1,451,447
Total					
Commercial	$ 2,291,570	$ 2,108,657	$ 0	$ 8,492,106	$ 1,113,059
Real estate	3,527,000	3,144,650	36,322	5,452,787	392,225
Construction	1,710,315	843,295	46,635	2,346,497	283,164
Other	0	0	0	31,938	3,663
Totals	$ 7,528,885	$ 6,096,602	$ 82,957	$ 16,323,328	$ 1,792,111

Note 5 – Allowance for Loan Losses:

An analysis of the allowance for loan losses for the years ended December 31, 2014, 2013, and 2012, is below:

	2014	2013	2012
Beginning Balance	$ 3,816,559	$ 3,879,299	$ 4,492,337
Charge-offs:			
Commercial	(15,000)	(5,190)	(726,537)
Real estate	(82,846)	(160,078)	(57,605)
Construction	(60,675)	0	(743,140)
Other	(30,137)	(1,101)	(2,937)
Total charge-offs	(188,658)	(166,369)	(1,530,219)
Recoveries:			
Commercial	4,500	103,354	73,940
Real estate	57,855	275	896
Construction	60,675	0	1,750
Other	22,308	0	400
Total recoveries	145,338	103,629	76,986
Provision for loan losses	0	0	840,195
Ending balance	$ 3,773,239	$ 3,816,559	$ 3,879,299

Note 5 – Allowance for Loan Losses: (continued)

The allowance is comprised of three distinct reserve components: (1) specific reserves related to loans individually evaluated, (2) quantitative reserves related to loans collectively evaluated, and (3) qualitative reserves related to loans collectively evaluated. A summary of the methodology the Bank employs on a quarterly basis with respect to each of these components in order to evaluate the overall adequacy of the allowance for loan losses is as follows:

Specific Reserve for Loans Individually Evaluated

To identify loans considered for impairment evaluation, Management will begin with a review of the Loan Portfolio Watch List. A loan is impaired when, based on current information and events, it is probable that the Bank will be unable to collect all amounts due according to the contractual terms of the loan agreement. "All amounts due, according to the contractual terms", means that both the contractual interest payments and the contractual principal payments of a loan will be collected as scheduled in the loan agreement. However, an insignificant delay or insignificant shortfall in amount of payments on the loan does not mean the loan is impaired.

Once determined to be impaired, impairment will be measured by the present value of expected cash flow at the loan's effective interest rate, less the fair value of the loans' collateral and costs to sell.

Loans determined to be impaired will be identified and listed individually with the impairment measurement amount (even if the amount is zero). These loans will be deducted from the appropriate loan pool when calculating the estimated loss under ASC 450-10.

Quantitative Reserve for Loans Collectively Evaluated

Under ASC 450-10, loss estimates are calculated for groups of loans with similar risk characteristics. The Bank identifies the similar loan groups as Commercial, Real Estate, Construction, and Other. Charge-off amounts are compared to average loans outstanding to calculate a 2-Year Historic Average Loan Loss Percentage. This percentage is applied to the current loans outstanding for each loan pool, less the impaired loans for each loan pool. The result is the required general reserves amount.

Qualitative Reserve for Loans Collectively Evaluated

The Bank also considers the necessity to adjust the average historical net loan charge-off rates relative to each of the above loan pools for potential risk factors that could result in actual losses deviating from prior loss experience. Such qualitative risk factors considered are: (1) levels of and trends in delinquencies and impaired loans, (2) levels of and trends in charge-offs and recoveries, (3) trends in volume and term of loans, (4) effects of any changes in risk selection and underwriting standards, and other changes in lending policies, procedures, and practice, (5) experience, ability, and depth of lending management and other relevant staff, (6) national and local economic trends and conditions, (7) industry conditions, and (8) effects of changes in credit concentrations.

Note 5 – Allowance for Loan Losses: (continued)

Activity in the allowance for loan losses by loan class for the years ended December 31, 2014 and 2013, is as follows:

2014	Commercial	Real Estate	Construction	Other	Total
Allowance for Loan Loss					
Beginning balance	$ 2,608,013	$ 411,937	$ 775,482	$ 21,127	$ 3,816,559
Charge-offs	(15,000)	(82,846)	(60,675)	(30,137)	(188,658)
Recoveries	4,500	57,855	60,675	22,308	145,338
Provision	0	0	0	0	0
Ending balance	$ 2,597,513	$ 386,946	$ 775,482	$ 13,298	$ 3,773,239
Allowance Related to:					
Loans individually evaluated for impairment	$ 86,552	$ 45,749	$ 0	$ 0	$ 132,301
Loans collectively evaluated for impairment	2,510,961	341,197	775,482	13,298	3,640,938
Totals	$ 2,597,513	$ 386,946	$ 775,482	$ 13,298	$ 3,773,239
Loans					
Loans individually evaluated for impairment	$ 7,438,109	$ 3,114,658	$ 557,980	$ 0	$ 11,110,747
Loans collectively evaluated for impairment	132,184,925	206,761,275	41,114,289	16,721,767	396,782,256
Totals	$ 139,623,034	$ 209,875,933	$ 41,672,269	$ 16,721,767	$ 407,893,003

2013	Commercial	Real Estate	Construction	Other	Total
Allowance for Loan Loss					
Beginning balance	$ 2,509,849	$ 571,740	$ 775,482	$ 22,228	$ 3,879,299
Charge-offs	(5,190)	(160,078)	0	(1,101)	(166,369)
Recoveries	103,354	275	0	0	103,629
Provision	0	0	0	0	0
Ending balance	$ 2,608,013	$ 411,937	$ 775,482	$ 21,127	$ 3,816,559
Allowance Related to:					
Loans individually evaluated for impairment	$ 0	$ 36,322	$ 46,635	$ 0	$ 82,957
Loans collectively evaluated for impairment	2,608,013	375,615	728,847	21,127	3,733,602
Totals	$ 2,608,013	$ 411,937	$ 775,482	$ 21,127	$ 3,816,559
Loans					
Loans individually evaluated for impairment	$ 2,108,657	$ 3,144,650	$ 843,295	$ 0	$ 6,096,602
Loans collectively evaluated for impairment	119,304,727	180,740,317	28,598,290	12,951,239	341,594,573
Totals	$ 121,413,384	$ 183,884,967	$ 29,441,585	$ 12,951,239	$ 347,691,175

Both commercial and consumer loans are deemed impaired upon being contractually modified in a troubled debt restructuring ("TDR"). TDRs typically result from loss mitigation activities and occur when the Bank grants a concession to a borrower who is experiencing financial difficulty in order to minimize the loss. The modifications to the Company's TDRs were concessions on the interest rate charged and paying real estate taxes. The effect of the modifications to the Company was a reduction in interest income. Once restructured in a TDR, a loan is generally considered impaired until its maturity, regardless of whether the borrower performs under the modified terms. Although such a loan may be returned to accrual status if all principal and interest is paid to date, the loan would continue to be evaluated for an asset-specific allowance for loan losses.

Note 5 – Allowance for Loan Losses: (continued)

The following tables present TDRs, modified by class at December 31, 2014 and 2013:

2014	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial	3	$ 3,824,692	$ 3,791,994
Real estate	6	1,308,488	1,283,817
Construction	1	1,202,432	557,980
Other	0	0	0
Totals	10	$ 6,335,612	$ 5,633,791

2013	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial	0	$ 0	$ 0
Real estate	6	1,268,142	1,227,529
Construction	1	1,202,432	557,980
Other	0	0	0
Totals	7	$ 2,470,574	$ 1,785,509

Default occurs when payments are not received in accordance with terms specified in the loan document, which may result in the loan being fully or partially charged-off. For the years ended December 31, 2014, 2013, and 2012, there were no restructured loans that subsequently defaulted resulting in a principal charge-off.

Two of the Bank's TDRs as of December 31, 2011, were paid-off in 2013, and one TDR as of December 31, 2013, was paid-off in 2014. No loans were placed into TDR in 2013, but four were placed into TDR in 2014 due to the Bank paying real estate taxes. The Bank had commitments of $77,494 and $11,547 to advance funds to pay taxes for loans that were considered to be TDRs as of December 31, 2014 and 2013, respectively.

Note 6 - Bank Premises and Equipment:

Major classifications of bank premises and equipment at December 31, 2014 and 2013, are as follows:

	2014	2013
Buildings and improvements	$ 1,856,589	$ 1,856,589
Furniture and fixtures	1,518,328	1,497,120
Vehicles	165,007	178,266
	3,539,924	3,531,975
Less: accumulated depreciation	3,184,283	3,130,672
	355,641	401,303
Land	200,460	200,460
Bank premises and equipment, net	$ 556,101	$ 601,763

Depreciation expense for the years ended December 31, 2014, 2013, and 2012, totaled $66,870, $55,152, and $102,792, respectively, and is included in occupancy and equipment expense in the Consolidated Statements of Income.

Note 6 – Bank Premises and Equipment: (continued)

The Bank has entered into a noncancelable lease agreement with a related party, consummated at arm's length, for its Teays Valley branch. Rent expense for the operating lease approximated $66,335, $64,080 and $61,911 for the years ended December 31, 2014, 2013, and 2012, respectively. The minimum annual rental commitment under this lease, exclusive of taxes and other charges, payable by the lessee at December 31, 2014, for the next five years is as follows:

Year	Amount
2015	$ 68,680
2016	71,120
2017	67,318
2018 and thereafter	0
Total	$ 207,118

Note 7 – Deposits:

The following is a summary of major categories of deposits at December 31, 2014 and 2013:

	2014	2013
Non-interest bearing	$ 58,547,318	$ 56,374,964
Interest bearing:		
Time deposits under $100,000	96,165,549	95,263,770
Time deposits over $100,000	246,079,558	257,412,779
Total time deposits	342,245,107	352,676,549
Money market	109,421,214	109,991,977
Savings	28,089,010	25,545,810
Total interest bearing deposits	479,755,331	488,214,336
Total deposits	$ 538,302,649	$ 544,589,300

Scheduled maturities of time and certificates of deposit at December 31, 2014, are as follows:

Year	Amount
2015	$ 312,370,782
2016	29,874,325
2017	0
Total	$ 342,245,107

The Bank has, and expects to have in the future, banking transactions in the ordinary course of business with directors and officers of the Bank and their associates. Such related party deposits were accepted on substantially the same terms including interest rates and maturities as those prevailing at the time for comparable transactions with unrelated parties. Aggregate deposit transactions with related parties approximated $50,224,716 and $52,367,324 at December 31, 2014 and 2013, respectively.

Note 8 – Income Taxes:

The components of applicable income tax expense (benefit) for the years ended December 31, 2014, 2013, and 2012, are summarized as follows:

	2014	2013	2012
Current expense:			
Federal	$ 2,972,922	$ 2,419,190	$ 1,014,773
State	252,207	229,129	128,758
Total current	3,225,129	2,648,319	1,143,531
Deferred expense:			
Federal	(33,091)	39,128	256,433
State	(4,056)	4,795	31,426
Total deferred	(37,147)	43,923	287,859
Income tax expense	$ 3,187,982	$ 2,692,242	$ 1,431,390

Deferred income taxes reflect the net effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities at December 31, 2014 and 2013, are as follows:

	2014	2013
Deferred tax assets:		
Allowance for loan losses	$ 1,420,426	$ 1,398,387
Defined benefit plan	1,574,622	746,973
Available-for-sale securities	0	7,150
Total deferred tax assets	2,995,048	2,152,510
Deferred tax liabilities:		
Available-for-sale securities	(208,623)	0
Discount on investment securities	(2,902)	(2,247)
Depreciation and amortization	0	(15,763)
Total deferred tax liabilities	(211,525)	(18,010)
Net deferred tax assets	$ 2,783,523	$ 2,134,500

No valuation allowance for deferred tax assets was recorded at December 31, 2014 and 2013, as the Company believes it is more likely than not that all of the deferred tax assets will be realized because they were supported by recoverable taxes paid in prior years.

A reconciliation of the significant differences between the federal statutory income tax rate and the Company's effective income tax rate is as follows:

	2014		2013		2012	
	Amount	%	Amount	%	Amount	%
Federal statutory rate	$ 3,227,566	34.00%	$ 2,624,267	34.00%	$ 1,450,202	34.00%
Increase/(decrease) resulting from:						
State income tax	163,780	1.72	154,390	2.00	105,721	2.48
Tax exempt income	(136,684)	(1.44)	(129,734)	(1.68)	(135,287)	(3.17)
Nondeductible expenses	4,383	0.05	4,668	0.06	5,975	0.14
Depreciation	885	0.01	14,627	0.19	0	0.00
Other items	(71,948)	(0.76)	24,024	0.31	4,779	0.11
Income tax expense	$ 3,187,982	33.58%	$ 2,692,242	34.88%	$ 1,431,390	33.56%

Note 8 – Income Taxes: (continued)

The approximate tax (benefit) effects of the net investment securities gains (losses) were $20,631, $1,806, and ($699) for the years 2014, 2013, and 2012, respectively.

As of December 31, 2014 and 2013, there were no net operating loss carryforwards for income tax purposes.

In accordance with ASC Topic 740-10, *Income Taxes*, the Bank has concluded that there were no significant uncertain tax positions requiring recognition in the consolidated financial statements for the tax years ended 2011 through 2014. The Bank is subject to U.S. Federal income tax examinations for the returns filed after December 31, 2011. The Company and its subsidiaries state income tax returns are open to audit under the statute of limitations for the years ended December 31, 2011 through 2014. There were no unrecognized tax benefits at December 31, 2014 or 2013.

The Bank recognizes interest and penalties accrued related to unrecognized tax benefits, if applicable, in other operating expenses. During the years ended December 31, 2014, 2013, and 2012, the Bank recognized $149, $0, and $4,850 in interest or penalties.

Note 9 – Employee Benefit Plans:

The Company provides retirement benefits to its employees through the Putnam County Bank 401(k) Plan, which is intended to be compliant with Employee Retirement Income Security Act (ERISA) Section 404(c). The Company's total expense associated with the retirement benefit plan approximated $46,380 and $44,584 for the years ended December 31, 2014 and 2013, respectively.

The Company also maintains a defined benefit pension plan ("the Defined Benefit Plan"). The Defined Benefit Plan was frozen as of October 31, 2012. The Defined Benefit Plan maintains a December 31 year-end for purposes of computing its benefit obligations.

The following table sets summarizes activity with the frozen Defined Benefit Plan in 2014 and 2013:

	2014	2013
Change in fair value of plan assets:		
Fair value at beginning of measurement period	$ 5,539,393	$ 5,077,147
Actual gain/(loss) on plan assets	268,278	707,424
Contributions	245,000	100,000
Benefits paid	(386,052)	(345,178)
Fair value at end of measurement period	5,666,619	5,539,393
Change in benefit obligation:		
Benefit obligation at beginning of measurement period	(6,710,541)	(6,875,998)
Interest cost	(319,616)	(268,252)
Actuarial gain/(loss)	(2,451,163)	88,531
Benefits paid	386,052	345,178
Benefit obligation at end of measurement period	(9,095,268)	(6,710,541)
Funded status	$ (3,428,649)	$ (1,171,148)
Weighted-average assumptions for balance sheet liability at end of year:		
Discount rate	4.90%	4.00%
Expected long-term rate of return	8.00%	8.00%
Weighted-average assumptions for benefit cost at beginning of year:		
Discount rate	4.00%	4.50%
Expected long-term rate of return	8.00%	8.00%

Note 9 – Employee Benefit Plans: (continued)

The funded status of the plan was a liability as of December 31, 2014, and is included within Other Liabilities within the Consolidated Balance Sheets, and a $3,157,578, net of tax, underfunded pension liability in Accumulated Other Comprehensive Income within Shareholders' Equity at December 31, 2014.

The following table presents the components of the net periodic pension cost of the Defined Benefit Plan:

	2014	2013	2012
Components of net periodic benefit:			
Service cost	$ 0	$ 0	$ 391,676
Interest cost	319,616	268,252	280,921
Expected return on plan assets	(425,392)	(411,932)	(363,324)
Net amortization and deferral	198,900	231,272	217,624
Net periodic pension cost	$ 93,124	$ 87,592	$ 526,897

The Bank anticipates making contributions of $245,000 to the plan for the year ending December 31, 2015. The following table summarizes the expected benefits to be paid in each of the next five years and in the aggregate for the five years thereafter:

Plan Year Ending December 31,	Expected Benefits to be Paid
2015	$ 404,773
2016	399,716
2017	394,100
2018	395,464
2019	409,282
2020 through 2024	2,150,094
Total	$ 4,153,429

Asset allocation for the Defined Benefit Pension Plan as of the measurement date, by asset category, is as follows:

Plan Assets	Target Allocation 2014	Allowable Allocation Range	Percentage of Plan Assets at	
			December 31, 2014	December 31, 2013
Equity securities	50%	40-60%	52%	51%
Debt securities	50%	40-60%	47%	47%
Other		0-3%	1%	2%
Totals			100%	100%

The primary long-term objective for the plan is to maintain assets at a level that will sufficiently cover future beneficiary obligations. The plan is overseen by Pentegra Retirement Services, who will invest the assets of the plan in a diversified combination of asset classes, investment strategies, and pooled vehicles. The asset allocation guidelines displayed in the table above reflect the Bank's risk tolerance and long-term objectives and is reviewed periodically to meet the above target allocations. The expected long-term rate of return for the plan's assets is based on the expected return of each of the above categories, weighted based on the median of the target allocation for each class.

The major categories of assets in the Company's Defined Benefit Plan as of year-end are presented in the following table. Assets are segregated by the level of the valuation inputs within the fair value hierarchy established by ASC Topic 820 utilized to measure fair value (See Note 15 for fair value hierarchy).

Note 9 – Employee Benefit Plans: (continued)

The following tables present the balances of the plan assets, by fair value, as of December 31, 2014 and 2013:

	Fair Value Measurement Using			
December 31, 2014:	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 48,055	$ -	$ -	$ 48,055
Fixed income mutual funds:				
Domestic	895,483	-	-	895,483
Alternative	1,778,541	-	-	1,778,541
Equity securities:				
Common stock	-	288,996	-	288,996
Equity mutual funds:				
Domestic equity large cap	1,416,777	-	-	1,416,777
Domestic equity small cap	607,459	-	-	607,459
International equity	631,308	-	-	631,308
Totals	$ 5,377,623	$ 288,996	$ -	$ 5,666,619

	Fair Value Measurement Using			
December 31, 2013:	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 79,879	$ -	$ -	$ 79,879
Fixed income mutual funds:				
Domestic	870,750	-	-	870,750
Alternative	1,741,952	-	-	1,741,952
Equity securities:				
Common stock	-	284,378	-	284,378
Equity mutual funds:				
Domestic equity large cap	1,308,685	-	-	1,308,685
Domestic equity small cap	572,624	-	-	572,624
International equity	681,125	-	-	681,125
Totals	$ 5,255,015	$ 284,378	$ -	$ 5,539,393

PUTNAM BANCSHARES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR YEARS ENDED DECEMBER 31, 2014, 2013, AND 2012
(Continued)

Note 10 – Putnam Bancshares, Inc. (Parent Company Only) Financial Information:

CONDENSED BALANCE SHEETS

	December 31, 2014	December 31, 2013
ASSETS		
Cash	$ 132,201	$ 87,512
Investment in Putnam County Bank	80,412,114	76,841,717
Investment in Putnam County Title Insurance Agency	(3,293)	7,867
Total assets	$ 80,541,022	$ 76,937,096
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable	$ 8,647	$ 0
Income taxes payable	12,021	8,647
Total liabilities	20,668	8,647
Shareholders' equity	80,520,354	76,928,449
Total liabilities and shareholders' equity	$ 80,541,022	$ 76,937,096

CONDENSED STATEMENTS OF INCOME

	For Years Ended December 31, 2014	2013	2012
INCOME	$ 1,560,000	$ 1,500,000	$ 1,440,000
EXPENSES:			
Operating expenses	18,114	33,575	33,983
Income before income tax benefit and equity in undistributed earnings of subsidiaries	$ 1,541,886	$ 1,466,425	$ 1,406,017
Applicable income taxes (benefit)	12,021	8,647	1,607
Income before equity in undistributed earnings of subsidiaries	$ 1,529,865	$ 1,457,778	$ 1,404,410
Equity in undistributed earnings of subsidiaries	4,774,994	3,568,413	1,429,501
Net income	$ 6,304,859	$ 5,026,191	$ 2,833,911

Note 10 – Putnam Bancshares, Inc. (Parent Company Only) Financial Information: (continued)

CONDENSED STATEMENTS OF CASH FLOWS

	For Years Ended December 31,		
	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 6,304,859	$ 5,026,191	$ 2,833,911
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed earnings of subsidiaries	(4,774,994)	(3,568,413)	(1,429,501)
(Increase)/decrease in prepaid expenses	0	0	5,167
Increase/(decrease) in accounts payable	8,647	0	0
Increase/(decrease) in income taxes payable	3,374	7,041	1,607
Net cash provided by operating activities	1,541,886	1,464,819	1,411,184
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment in subsidiary	62,803	53,575	34,680
Net cash provided by investing activities	62,803	53,575	34,680
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividends paid	(1,560,000)	(1,500,000)	(1,440,000)
Net cash used in financing activities	(1,560,000)	(1,500,000)	(1,440,000)
Net change in cash	44,689	18,394	5,864
Cash at beginning of year	87,512	69,118	63,254
Cash at end of year	$ 132,201	$ 87,512	$ 69,118

Note 11 – Related Party Transactions:

In the normal course of business, the Company and its subsidiary, Putnam County Bank, have loans, deposits and other transactions with its executive officers, directors and certain business organizations and individuals with which such persons are associated. In the opinion of Management, such transactions are consistent with prudent banking practices and are within applicable banking regulations. In 2014, the Company had an agreement with a related-party for their insurance. They paid $73,509 in 2014 and are under contract to pay $73,509 and $22,629 for the years ended December 31, 2015 and 2016, respectively.

Note 12 – Commitments and Contingencies:

The Bank is a party to certain 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, commercial letters of credit, and standby letters of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the Consolidated Balance Sheets. The contract or notional amounts of those instruments reflect the extent of involvement the Bank has in particular classes of financial instruments.

Note 12 – Commitments and Contingencies: (continued)

A summary of the notional amounts of the financial instruments with off-balance sheet risk at December 31, 2014 and 2013, is as follows:

Contract Amount	2014	2013
Commitments to extend credit	$ 26,832,280	$ 24,154,972
Commercial and standby letters of credit	28,262	25,512
Totals	$ 26,860,542	$ 24,180,484

The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and commercial and standby letters of credit is represented by the contractual amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

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 commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on Management's credit evaluation of the counterpart. Collateral requirements vary but may include accounts receivable, inventory, property, plant and equipment, or real estate.

Commercial and standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. These guarantees are primarily issued to support private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans.

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Based upon information currently available, Management believes that such loss contingencies, in the aggregate, will not have a material adverse effect on the Bank's business, financial position, or results of operations.

Note 13 – Concentrations of Credit Risk:

The majority of the Bank's loans, commitments, and commercial and standby letters of credit have been granted to customers in the Bank's market area. Others have since relocated, but continue to be depositors of the Bank. Investments in state and municipal securities and loans to governmental entities are within the Bank's home state. The concentrations of credit by type of loan are set forth in Note 4. The distribution of commitments to extend credit approximates the distribution of loans outstanding. Commercial and standby letters of credit were granted primarily to commercial borrowers.

Note 14 – Regulatory Matters:

Putnam Bancshares, Inc.'s principal source of funds for future dividend payments to shareholders is from dividend payments received from its wholly-owned subsidiary, Putnam County Bank.

The Bank, as a state chartered member bank of the Federal Reserve System, is subject to the dividend restrictions set forth by the West Virginia Division of Financial Institutions as well as the Federal Reserve Board. Under such restrictions, the Bank may not, without the prior approval of the West Virginia Division of Financial Institutions and the Federal Reserve Board, declare dividends in excess of the sum of the current year's net income, as defined, plus the retained net profits from the two preceding years. The Bank normally restricts dividends to a lesser amount. The dividends as of December 31, 2014, that the Bank could declare without the approval of the West Virginia Division of Financial Institutions and the Federal Reserve Board amounted to approximately $8,263,188.

Note 14 – Regulatory Matters: (continued)

The Bank is also subject to various regulatory capital requirements administered by federal and state banking agencies. Failure to meet the minimum capital requirements can initiate certain actions by regulators that, if undertaken, could have a material effect on the Bank and the consolidated financial statements. Capital adequacy guidelines require minimum ratios of 4% for Tier 1 capital, 8% for total risk-based capital, and 4% for Tier 1 leverage capital. To be well capitalized under the regulatory framework for prompt corrective actions, the ratios must be at least 6%, 10%, and 5%, respectively.

Capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk-weighting of assets and certain off-balance sheet items, and other factors. As of December 31, 2014 and 2013, the Bank exceeded all capital adequacy requirements to which it is subject and had regulatory capital ratios in excess of the levels established for well capitalized institutions. Management believes, as of December 31, 2014 and 2013, that the Company and the Bank met all capital adequacy requirements to which they were subject.

As of December 31, 2013, the most recent notification from the Bank's primary regulatory agency categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, an institution must maintain minimum total risk-based, Tier I risk-based and Tier I leverage ratios as set forth in the table below. There are no conditions or events since the notification that management believes have changed the Bank's category.

The Bank's actual ratios as well as a comparison of the period-end capital balances with the related amounts established by the regulatory agencies are as follows:

		Capital Amounts		
December 31, 2014	Ratios	Actual	Minimum	Well Capitalized
Tier 1 capital (to risk-weighted assets)	23.28%	$ 83,317,000	$ 14,314,000	$ 21,471,000
Total risk-based capital (to risk-weighted assets)	24.34%	87,090,000	28,629,000	35,786,000
Tier 1 leverage capital (to average assets)	13.32%	83,317,000	25,019,000	31,274,000
December 31, 2013				
Tier 1 capital (to risk-weighted assets)	24.79%	$ 78,570,000	$ 12,678,000	$ 19,017,000
Total risk-based capital (to risk-weighted assets)	25.99%	82,387,000	25,355,000	31,694,000
Tier 1 leverage capital (to average assets)	12.49%	78,570,000	25,172,000	31,465,000

Note 15 – Fair Value of Financial Instruments:

ASC Topic 825, *Financial Instruments*, requires disclosure of the fair value of financial assets and financial liabilities, including those financial assets and financial liabilities that are not measured and reported at fair value on a recurring basis or nonrecurring basis. The following summarizes the methods and significant assumptions used by the Bank in estimating its fair value disclosures for financial instruments:

Note 15 – Fair Value of Financial Instruments: (continued)

Cash and Due from Banks: The carrying values of cash and due from banks approximate their estimated fair value (Level 1).

Federal Funds Sold: The carrying values of federal funds sold approximate their fair value (Level 1).

Investment Securities: Estimated fair values of investment securities are based on quoted market prices, where available (Level 1). If quoted market prices are not available, estimated fair values are based on quoted market prices of comparable securities (Level 2).

Loans: The estimated fair values for loans are computed based on scheduled future cash flows of principal and interest, discounted at interest rates currently offered for loans with similar terms to borrowers of similar credit risks and terms (Level 2).

Accrued Interest Receivable and Accrued Interest Payable: The carrying values of accrued interest receivable on the Bank's investment securities and loans is assumed to approximate fair value. Likewise, the carrying value of accrued interest payable on the Bank's interest-bearing deposits is assumed to approximate fair values (Level 1).

Bank-owned Life Insurance: Fair value of insurance policy owned is based on the insurance contract's cash surrender value (Level 2).

Deposits: The estimated fair values of demand deposits are equal to their carrying values. Fair values for time deposits are estimated using a discounted cash flow calculation at rates currently offered for deposits with similar remaining maturities (Level 2).

The carrying values and estimated fair values of the Bank's financial instruments at December 31, 2014 and 2013, are summarized as follows:

	2014		2013	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Financial Assets:				
Cash and due from banks	$ 17,728,586	$ 17,728,586	$ 14,865,033	$ 14,865,033
Federal funds sold	42,000,000	42,000,000	85,000,000	85,000,000
Securities available for sale	117,426,938	117,426,938	132,879,928	132,879,928
Securities held to maturity	33,995,509	33,996,449	38,993,666	38,995,944
Loans	404,119,764	429,099,406	343,874,616	363,633,855
Accrued interest receivable	1,727,060	1,727,060	1,522,366	1,522,366
Totals	$ 616,997,857	$ 641,978,439	$ 617,135,609	$ 636,897,126
Financial Liabilities:				
Deposits	$ 538,302,649	$ 539,013,494	$ 544,589,300	$ 545,820,036
Accrued interest payable	944,270	944,270	1,017,759	1,017,759
Totals	$ 539,246,919	$ 539,957,764	$ 545,607,059	$ 546,837,795

Note 15 – Fair Value of Financial Instruments: (continued)

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

Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Accordingly, securities available for sale are recorded at fair value on a recurring basis. Additionally, from time to time, the Bank may be required to record other assets at fair value on a nonrecurring basis. These nonrecurring fair value adjustments typically involve application of lower of cost or market accounting or write-downs of individual assets.

A description of the valuation methodologies used for assets and liabilities recorded at fair value follows, as well as the classification of such instruments within the valuation hierarchy:

Securities Available for Sale: Securities are classified within Level 1 where quoted market prices are available in an active market. Inputs include securities that have quoted prices in active markets for identical assets. If quoted market prices are not available, fair value is estimated using quoted prices of securities with similar characteristics, at which point the securities would be classified with Level 2 of the hierarchy. Level 2 securities include mortgage-backed securities issued by government sponsored entities and municipal bonds.

Impaired Loans: Loans are measured for impairment using the methods permitted by ASC Topic 310, *Receivables*. Fair value of impaired loans is measured by either the loans obtainable market price, if available (Level 1), the fair value of the collateral if the loan is collateral dependent (Level 2), or the present value of expected future cash flows, discounted at the loan's effective interest rate (Level 3). Fair value of the collateral is determined by appraisals or by independent valuation.

Other Real Estate Owned ("OREO"): Properties are recorded at the balance of the loan or at estimated fair value less estimated selling costs, whichever is less, at the date acquired. Fair values of OREO at December 31, 2014, are determined by sales agreements or appraisals, and costs to sell are based on estimation per the terms and conditions of the sales agreements or amounts commonly used in real estate transactions. Inputs include appraisal values on the properties or recent sales activity for similar assets in the property's market, and thus OREO measured at fair value would be classified within Level 2 of the hierarchy.

Assets at Fair Value on a Recurring Basis

	Fair Value Measurement Using			
December 31, 2014	Level 1	Level 2	Level 3	Total
Available for Sale Securities				
U.S. Government treasuries	$ -	$ 5,017,190	$ -	$ 5,017,190
U.S. Government agencies	-	103,416,065	-	103,416,065
Municipal bonds	-	8,011,520	-	8,011,520
Mutual funds	-	982,163	-	982,163
Totals	$ -	$ 117,426,938	$ -	$ 117,426,938

PUTNAM BANCSHARES, INC. AND SUBSIDIARIES
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(Continued)

Note 15 – Fair Value of Financial Instruments: (continued)

December 31, 2013	Fair Value Measurement Using Level 1	Level 2	Level 3	Total
Available for Sale Securities				
U.S. Government agencies	$ -	$ 123,495,245	$ -	$ 123,495,245
Municipal bonds	-	8,413,463	-	8,413,463
Mutual funds	-	971,220	-	971,220
Totals	$ -	$ 132,879,928	$ -	$ 132,879,928

Assets Recorded at Fair Value on a Nonrecurring Basis

The Bank may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis in accordance with U.S. generally accepted accounting principles. These include assets that are measured at the lower of cost or market that were recognized at fair value below cost at the end of the period. The following table measures financial assets measured at fair value on a nonrecurring basis as of December 31, 2014 and 2013:

December 31, 2014	Fair Value Measurement Using Level 1	Level 2	Level 3	Total
Impaired loans	$ -	$ 12,679,856	$ -	$ 12,679,856
OREO	$ -	$ 2,684,940	$ -	$ 2,684,940

December 31, 2013	Fair Value Measurement Using Level 1	Level 2	Level 3	Total
Impaired loans	$ -	$ 6,875,062	$ -	$ 6,875,062
OREO	$ -	$ 3,546,850	$ -	$ 3,546,850

ASC Topic 825 provides the Company with an option to report selected financial assets and liabilities at fair value. The fair value option established by this statement permits the Company to choose to measure eligible items at fair value at specified election dates and report unrealized gains and losses on items for which the fair value option has been elected in earnings at each reporting date subsequent to implementation.

The Company has chosen not to elect the fair value option for any items that are not already required to be measured at fair value in accordance with U.S. GAAP and, as such, has not included any gains or losses in earnings for the year ended December 31, 2014.

Note 16 – Prior Period Adjustment:

It was observed in 2014 that the frozen defined benefit pension plan was not being recorded on the books. This was done in 2014 and is now recorded through December 31, 2014. The 2012 and 2013 financial statements and applicable notes were restated to show the results of the defined benefit plan as if it were recorded in the earliest reporting period.

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FOR YEARS ENDED DECEMBER 31, 2014, 2013, AND 2012
(Continued)

Note 16 - Prior Period Adjustment: (continued)

December 31, 2013	As Previously Reported	Consolidated Balance Sheet	Consolidated Statement of Income	Consolidated Statement of Comprehensive Income	Consolidated Statements of Changes in Shareholders' Equity	As Restated
Other assets	$ 3,589,839	$ 746,973	$	$	$	$ 4,336,812
Other liabilities	1,456,638	1,171,148				2,627,786
Salaries and employee benefits	4,226,898		(12,408)			4,214,490
Provision for income taxes	2,687,696		4,546			2,692,242
Net Income	5,018,329		7,862			5,026,191
Defined benefit pension plan:						
Net gains/ (losses) arising during the period	-			615,295		615,295
Tax effect	-			(225,444)		(225,444)
Other comprehensive income/ (loss), net of tax	(2,243,208)			389,851		(1,853,357)
Comprehensive income	2,775,121			397,713		3,172,834
Retained earnings:						
Beginning of year	72,546,659				1,199,460	73,746,119
End of year	76,064,988				1,207,322	77,272,310
Accumulated other comprehensive income:						
Beginning of year	2,230,844				(2,021,348)	209,496
End of year	(12,364)				(1,631,497)	(1,643,861)

December 31, 2012	As Previously Reported	Consolidated Balance Sheet	Consolidated Statement of Income	Consolidated Statement of Comprehensive Income	Consolidated Statements of Changes in Shareholders' Equity	As Restated
Other assets	$ 2,236,949	$ 976,963	$	$	$	$ 3,213,912
Other liabilities	1,717,699	1,798,851				3,516,550
Salaries and employee benefits	5,869,172		(523,875)			5,345,297
Provision for income taxes	1,239,442		191,948			1,431,390
Net Income	2,501,984		331,927			2,833,911
Defined benefit pension plan:						
Net gains/ (losses) arising during the period	-			193,715		193,715
Tax effect	-			(70,977)		(70,977)
Other comprehensive income/ (loss), net of tax	(359,077)			122,738		(236,339)
Comprehensive income	2,142,907			454,665		2,597,572
Retained earnings:						
Beginning of year	71,484,675				867,533	72,352,208
End of year	72,546,659				1,199,460	73,746,119
Accumulated other comprehensive income:						
Beginning of year	2,589,921				(2,144,086)	445,835
End of year	2,230,844				(2,021,348)	209,496

Note 17 – Subsequent Events:

The Bank has evaluated subsequent events through March 23, 2015, in connection with the preparation of these consolidated financial statements, which is the date the consolidated financial statements were available to be issued.