Board of Governors of the Federal Reserve System

Annual Report of Holding Companies—FR Y-6

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

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

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

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

I, LINDA L RAMSEY
Name of the Holding Company Director and Official

SECRETARY/TREASURER
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.*

Linda L Ramsey
Signature of Holding Company Director and Official

05-02-2018
Date of Signature

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

For Federal Reserve Bank Use Only

RSSD ID ____________
C.I. ____________

Date of Report (top-tier holding company's fiscal year-end):
December 31, 2017
Month / Day / Year

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

Reporter's Name, Street, and Mailing Address

FCNB BANCORP, INC
Legal Title of Holding Company

PO BOX 209
(Mailing Address of the Holding Company) Street / P.O. Box

FAYETTEVILLE	WV	25840
City	State	Zip Code

101 N COURT STREET FAYETTEVILLE WV 25840
Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

DENISE A LIGHT	EVP, CEO & CASHIER
Name	Title

304-574-1212
Area Code / Phone Number / Extension

304-574-9038
Area Code / FAX Number

dlight@fayconatl-bank.com
E-mail Address

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

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

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

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

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

For Use By Tiered Holding Companies

Top-tiered holding companies must list the names, mailing address, and physical locations of each of their subsidiary holding companies low.

Legal Title of Subsidiary Holding Company

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

City State Zip Code

Physical Location (if different from mailing address)

Legal Title of Subsidiary Holding Company

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City State Zip Code

Physical Location (if different from mailing address)

Attachment #1

Fayette County National Bank

FCNB Bancorp, Inc.

Consolidated Financial Report
December 31, 2017

Arnett Carbis Toothman llp
CPAs & Advisors

CONTENTS

Arnett
Carbis
Toothman llp
CPAs & Advisors

actcpas.com

101 Washington Street, East
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800.642.3601

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
FCNB Bancorp, Inc. and Subsidiary
Fayetteville, West Virginia

Report on Financial Statements

We have audited the accompanying consolidated financial statements of FCNB Bancorp, Inc. and Subsidiary, which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2017, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 FCNB Bancorp, Inc. and its subsidiary as of December 31, 2017 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2017, in accordance with accounting principles generally accepted in the United States of America.

Arnett Carbis Toothman LLP

Charleston, West Virginia
January 30, 2018

FCNB BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
December 31, 2017 and 2016

	2017	2016
ASSETS		
Cash and due from banks	$ 1,356,789	$ 1,333,039
Interest bearing deposits with other banks	292,704	437,324
Securities available for sale	22,263,667	27,634,409
Loans, less allowance for loan losses of $717,275 and $726,576, respectively	61,528,753	60,639,208
Loans held for sale	59,000	-
Bank premises and equipment, net	1,179,036	1,224,140
Accrued interest receivable	291,065	340,107
Other assets	878,684	896,610
Total assets	$ 87,849,698	$ 92,504,837
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits:		
Non interest bearing	$ 15,930,329	$ 14,976,798
Interest bearing	57,801,630	59,653,712
Total deposits	73,731,959	74,630,510
Short-term borrowings	2,925,000	7,000,000
Other liabilities	263,018	82,611
Total liabilities	76,919,977	81,713,121
Shareholders' Equity		
Common stock, $25 par value, 24,000 shares authorized; 12,000 shares issued, outstanding 2017 - 9,685; 2016 - 9,710	300,000	300,000
Capital surplus	345,233	345,233
Retained earnings	11,770,024	11,516,969
Less cost of shares acquired for the treasury, 2,315 and 2,290 shares, 2017 and 2016, respectively	(1,498,347)	(1,469,856)
Accumulated other comprehensive income	12,811	99,370
Total shareholders' equity	10,929,721	10,791,716
Total liabilities and shareholders' equity	$ 87,849,698	$ 92,504,837

See Notes to Consolidated Financial Statements

FCNB BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME
For the Years Ended December 31, 2017, 2016, and 2015

	2017	2016	2015
Interest income:			
Interest and fees on loans	$ 3,264,427	$ 3,242,407	$ 3,157,257
Interest on interest bearing deposits with other banks	18,035	11,805	13,342
Interest and dividends on securities:			
Taxable	470,270	549,742	557,314
Tax-exempt	98,234	124,097	154,509
Total interest income	3,850,966	3,928,051	3,882,422
Interest expense:			
Interest on deposits	207,614	215,360	201,939
Interest on short-term borrowings	14,867	32,696	26,613
Total interest expense	222,481	248,056	228,552
Net interest income	3,628,485	3,679,995	3,653,870
Provision for loan losses	58,000	40,000	30,000
Net interest income after provision for loan losses	3,570,485	3,639,995	3,623,870
Other income:			
Service charges and fees	248,010	298,604	282,161
Securities gains	3,948	6,005	51,293
Gain (loss) on sale of other assets	(13,522)	9,684	-
Other	118,647	127,998	108,002
	357,083	442,291	441,456
Other expenses:			
Salaries, wages, and employee benefits	1,498,006	1,738,552	1,521,033
Net occupancy expense of bank premises	112,995	142,407	142,821
Equipment rentals, depreciation and maintenance	144,878	170,281	174,212
Other	1,083,844	1,143,484	1,086,293
	2,839,723	3,194,724	2,924,359
Income before income tax expense	1,087,845	887,562	1,140,967
Income tax expense	428,021	273,865	371,458
Net income	$ 659,824	$ 613,697	$ 769,509
Basic earnings per common share	$ 68.09	$ 63.33	$ 79.48
Average common shares outstanding	9,690	9,690	9,682

See Notes to Consolidated Financial Statements

FCNB BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2017, 2016, and 2015

	2017	2016	2015
Net income	$ 659,824	$ 613,697	$ 769,509
Other comprehensive income (loss)			
Gross unrealized gains (losses) arising during the period	(120,942)	(432,063)	(88,236)
Adjustments for income tax (expense)/ benefit	37,119	164,185	33,530
	(83,823)	(267,878)	(54,706)
Less: Reclassification adjustment for (gains)/losses included in net income	(3,948)	(6,005)	(51,293)
Adjustments for income tax expense/ (benefit)	1,212	2,280	19,490
	(2,736)	(3,725)	(31,803)
Other comprehensive income/(loss), net of tax	(86,559)	(271,603)	(86,509)
Comprehensive income	$ 573,265	$ 342,094	$ 683,000

See Notes to Consolidated Financial Statements

FCNB BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the Years Ended December 31, 2017, 2016, and 2015

	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance, December 31, 2014	$ 300,000	$ 300,000	$ 10,948,490	$ (1,423,315)	$ 457,482	$ 10,582,657
Net income	-	-	769,509	-	-	769,509
Cash dividend declared on common stock ($42 per share)	-	-	(406,560)	-	-	(406,560)
Net change in treasury stock, 20 shares	-	-	-	(32,825)	-	(32,825)
Change in net unrealized gain (loss) on securities	-	-	-	-	(86,509)	(86,509)
Balance, December 31, 2015	300,000	300,000	11,311,439	(1,456,140)	370,973	10,826,272
Net income	-	-	613,697	-	-	613,697
Cash dividend declared on common stock ($42 per share)	-	-	(408,167)	-	-	(408,167)
Net change in treasury stock, 30 shares	-	45,233	-	(13,716)	-	31,517
Change in net unrealized gain (loss) on securities	-	-	-	-	(271,603)	(271,603)
Balance, December 31, 2016	300,000	345,233	11,516,969	(1,469,856)	99,370	10,791,716
Net income	-	-	659,824	-	-	659,824
Cash dividend declared on common stock ($42 per share)	-	-	(406,769)	-	-	(406,769)
Net change in treasury stock, 25 shares	-	-	-	(28,491)	-	(28,491)
Change in net unrealized gain (loss) on securities	-	-	-	-	(86,559)	(86,559)
Balance, December 31, 2017	$ 300,000	$ 345,233	$ 11,770,024	$ (1,498,347)	$ 12,811	$ 10,929,721

See Notes to Consolidated Financial Statements

FCNB BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2017, 2016, and 2015

	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 659,824	$ 613,697	$ 769,509
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	85,228	90,134	89,362
Provision for loan losses	58,000	40,000	30,000
Provision for deferred income taxes (benefit)	99,142	7,663	4,656
Amortization of security premiums and (accretion) of discounts, net	81,461	113,572	98,862
Securities (gains)	(3,948)	(6,005)	(51,293)
(Gain) loss on sale of other real estate and repossessed assets	13,522	(9,684)	-
Loss on disposal of equipment	(7,189)	-	6,032
Loans (originated) for sale, net of proceeds	(59,000)	-	-
(Increase) decrease in accrued interest receivable	49,042	(12,962)	211
(Increase) decrease in other assets	(209,907)	(63,127)	(54,898)
Increase (decrease) in other liabilities	180,407	(129,333)	(38,882)
Net cash provided by operating activities	946,582	643,955	853,559
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales of securities available for sale	5,254,948	493,961	966,292
Proceeds from maturities and calls of securities available for sale	3,918,000	4,303,000	3,738,000
Proceeds from principal payments of securities available for sale	-	15,321	3,933
Purchase of securities available for sale	(4,004,609)	(4,633,875)	(4,227,000)
Proceeds from (purchase of) interest bearing deposits with other banks	144,620	570,414	392,471
Principal collected from (loans made to) customers, net	(947,545)	(176,818)	(3,032,138)
Purchases of bank premises and equipment	(88,445)	(147,896)	(96,266)
Procees from disposal of bank premises and equipment	55,510	-	-
Proceeds from sale of other real estate	153,500	76,000	-
Net cash provided by (used in) investing activities	4,485,979	500,107	(2,254,708)

Continued

FCNB BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS - Continued
For the Years Ended December 31, 2017, 2016, and 2015

	2017	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase (decrease) in demand deposits, NOW and savings accounts	(1,368,668)	(4,477,826)	1,657,810
Proceeds from sales of (payments for maturing) time deposits, net	470,117	1,300,353	(1,057,601)
Net proceeds from short term borrowings	(4,075,000)	2,000,000	1,000,000
Net (purchases)/sales in treasury stock	(28,491)	31,517	(32,825)
Dividends paid	(406,769)	(408,167)	(406,560)
Net cash (used in) provided by financing activities	(5,408,811)	(1,554,123)	1,160,824
Increase(Decrease) in cash and due from banks	23,750	(410,061)	(240,325)
Cash and due from banks:			
Beginning	1,333,039	1,743,100	1,983,425
Ending	$ 1,356,789	$ 1,333,039	$ 1,743,100
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash payments for:			
Interest paid to depositors	$ 204,595	$ 214,518	$ 203,877
Interest paid on short-term borrowings	$ 14,867	$ 32,696	$ 26,613
Income taxes paid	$ 186,857	$ 351,057	$ 308,715
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES			
Other real estate and asset repossessions acquired in settlement of loans	$ 87,235	$ -	$ -

See Notes to Consolidated Financial Statements

FCNB BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies

Nature of business: FCNB Bancorp, Inc. is a bank holding company incorporated in West Virginia. The wholly owned bank subsidiary, Fayette County National Bank (the Bank), is a commercial bank with operations in Fayette County, West Virginia. The Bank provides consumer and commercial loans and deposit services principally to individuals and small businesses in Fayette County, West Virginia and the surrounding area.

Basis of presentation: The accounting and reporting policies of FCNB Bancorp, Inc. (the Company) and its wholly owned subsidiary conform to generally accepted accounting principles and to general practices within the banking industry.

Principles of consolidation: The accompanying consolidated financial statements include the accounts of FCNB Bancorp, Inc., and its subsidiary, Fayette County National Bank. All significant intercompany transactions have been eliminated in consolidation.

Accounting estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates. For the year ended December 31, 2017, we evaluated subsequent events through January 30, 2018.

Presentation of cash flows: For purposes of reporting cash flows, cash and due from banks includes cash on hand and amounts due from banks (including cash items in process of clearing). Cash flows from demand deposits, NOW accounts, savings accounts, federal funds sold and federal funds purchased are reported net since their original maturities are less than three months. Cash flows from loans and certificates of deposit and other time deposits are reported net.

Securities: Debt and equity 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 positive intent and ability to hold to maturity are reported at cost and adjusted for amortization of premiums and accretion of discounts. There are no securities classified as held to maturity at December 31, 2017 and 2016.

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 a separate component of shareholders' equity.

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

Realized gains and losses on sales of securities are recognized on the specific identification method. Amortization of premiums and accretion of discounts is computed using methods which approximate the interest method of accounting.

Other than temporary impairment: Declines in the fair value of available for sale and held to maturity securities that are deemed to be other than temporary are reflected in earnings as realized losses. In estimating other than temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuers, and (3) the intent and ability of the company to retain its investment in the issuer for a period of time sufficient to allow for an anticipated recovery in fair value. In addition, the risk of future other than temporary impairment may be influenced by additional bank failures, prolonged recession in

FCNB BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

the U.S. economy, changes to real estate values, interest deferrals and whether the Federal government provides assistance to financial institutions.

Loans and allowance for loan losses: Loans are stated at the amount of unpaid principal and reduced by an 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. 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. Loans are charged against the allowance for loan losses when management believes that the collectibility 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.

For all loans, interest is accrued daily on the outstanding balances using methods which generally result in a level rate of return.

Certain direct loan origination fees and costs, net, are deferred and amortized as adjustments of the related loan yields over the estimated contractual lives of the loans.

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 specific loan agreement. 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 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.

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. Interest is accrued daily on impaired loans unless the loan is placed on non-accrual status. Impaired loans are placed on non-accrual status when the payments of principal and interest are in default for a period of 90 days, unless the loan is both well-secured and in the process of collection. Interest on non-accrual loans is recognized primarily using the cost-recovery method. Loans may be returned to accrual status when repayment is reasonably assured and there has been demonstrated performance under the terms of the loan or, if applicable, the terms of the restructured loans.

Loans held for sale: Loans held for sale are those loans the Bank has the intent to sell in the foreseeable future. They are carried at the lower of aggregate cost or market value. Gains and losses on sales of loans are recognized at settlement dates and are determined by the difference between the sales proceeds and the carrying value of the loans.

Concentrations of credit risk: Fayette County National Bank predominately grants installment, commercial and residential loans to customers in Fayette County, West Virginia. Although the Bank has a diversified loan portfolio, a substantial portion of its debtor's ability to honor their contracts is dependent upon the mining, whitewater rafting and tourism sectors of the economy as well as commercial 1-4 residential rental properties.

Bank premises and equipment: Bank premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed primarily by the straight-line method for bank premises and equipment over the estimated useful lives of the assets. Repairs and maintenance expenditures are charged to operating expenses as incurred. Major improvements and additions to premises and equipment are capitalized.

FCNB BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Other real estate: Other real estate consists primarily of real estate held for resale 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 fair value, less the estimated cost to sell the asset, with any write-down being charged to the allowance for loan losses. Expenses incurred in connection with operating these properties are charged to operating expenses. Gains and losses on the sales of these properties are credited or charged to operating income in the year of the transactions.

Income taxes: The consolidated provision for income taxes includes Federal and state income taxes and is based on pretax income reported in the financial statements, adjusted for transactions that may never enter into the computation of income taxes payable. Deferred tax assets and liabilities are determined based on differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Valuation allowances are established when deemed necessary to reduce deferred tax assets to the amount expected to be realized within a short term.

Basic earnings per share: Basic earnings per common share is computed based upon the weighted average shares outstanding. The weighted average shares outstanding were 9,690, 9,690, and 9,682 for each of the three respective years in the three year period ended December 31, 2017.

Reclassifications: Certain amounts in the consolidated financial statements for 2016 and 2015, as previously presented, have been reclassified to conform to current year classifications.

Significant Authoritative Guidance: *ASU 2016-01 – Financial Instruments- Overall (Subtopic 825-10).* In January 2016, the FASB issued guidance to address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments for entities that hold financial assets or owe financial liabilities. The guidance will require: (a) certain equity investments to be measured at fair value with changes recognized in net income; (b) a qualitative assessment to identify impairment of equity investments without readily determinable fair value; (c) elimination of disclosures of the fair value of financial instruments measured at amortized costs and method(s) and significant assumptions used to estimate the fair value; (d) the exit price notion be used when measuring fair value; (e) separate presentation in other comprehensive income of the portion of the total change in the fair value of a liability; (f) separate presentation of financial assets and financial liabilities by measurement category and form of financial asset; and (g) clarification of how to evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity's other deferred tax assets. This guidance is effective for public entities for fiscal years beginning after December 15, 2017, and for other entities, including not-for-profit entities and employee benefit plans within the scope of Topic 960 through 965 on plan accounting, for fiscal years beginning after December 15, 2018. Early adoption is not permitted except for certain exceptions for public entities. The Bank is currently evaluating the impact, if any, that adoption will have on its consolidated financial statements.

ASU 2016-02 Leases (Topic 842). In February 2016, the FASB issued guidance related to recognition by a lessee of assets and liabilities on leases with terms of more than 12 months on the balance sheet. Consistent with U.S. GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease; however, unlike current U.S. GAAP, which requires that only capital leases be recognized on the balance sheet, the ASU requires that both types of leases be recognized on the balance sheet. The ASU also requires disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and

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quantitative requirements, providing additional information about the amounts recorded in the financial statements. Lessor accounting remains largely unchanged from current U.S. GAAP, but the ASU contains some targeted improvements that are intended to align, where necessary, lessor accounting with the lessee accounting model and with the updated revenue recognition guidance issued in May 2014. Transition guidance is provided within the ASU and generally requires a retrospective approach. This guidance is effective for public entities with annual reporting periods beginning after December 15, 2018. For all other entities (nonpublic entities), the amendments in these ASUs will be effective for annual reporting periods beginning after December 15, 2019. Early application of the amendments in this guidance is permitted for all entities. The Bank is evaluating the impact, if any, that adoption will have on its consolidated financial statements.

ASU 2016-13 – Measurement of Credit Losses on Financial Instruments. In June 2016, the FASB issued guidance to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. This guidance replaces the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to assess credit loss estimates. The guidance will require a financial asset measured at amortized cost basis to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial asset to present the net carrying value at the amount expected to be collected on the financial asset. The guidance will eliminate the probable initial recognition threshold in current GAAP, and instead, reflect an entity's current estimate of all expected credit losses. Credit losses relating to available-for-sale debt securities should be recorded through an allowance for credit losses rather than a write-down. An entity will be able to record reversals of credit losses in current period net income, which, in turn, should align the income statement recognition of credit losses within the reporting period in which changes occur. The guidance affects entities holding financial assets and net investments in leases that are not accounted for at fair value through net income. This guidance is effective for all public entities that are U.S. Securities Exchange Commission (SEC) filers for fiscal years beginning after December 15, 2019. For all other entities, including not-for-profit entities and employee benefit plans within the scope of Topic 960 through 965 on plan accounting, guidance is effective for fiscal years beginning after December 15, 2020. All entities may adopt the amendments in this ASU as of the fiscal years beginning after December 15, 2018. The Bank is currently evaluating the impact, if any, that adoption will have on its consolidated financial statements.

ASU 2016-15- Classification of Certain Cash Receipts and Cash Payments (Topic 230). In August 2016, the FASB issued guidance to address eight specific cash flow issues with the objective of reducing the existing diversity in the practice. This guidance is effective for all public entities for fiscal years beginning after December 15, 2017. For all other entities, this guidance is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted. The Bank is currently evaluating the impact, if any, that adoption will have on its consolidated financial statements.

ASU 2017-01- Business Combinations (Topic 805). In January 2017, the FASB issued amendments to Topic 805 to clarify the definition of a business relative to adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The definition of a business affects many areas of accounting including acquisitions, disposals, goodwill, and consolidation. The amendments in this ASU provide a screen to determine when an integrated set of assets and activities (collectively referred to as a "set") is not a business. The screen requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or group of similar identifiable assets, the set is not a business. If the screen is not met, it (1) requires that to be considered a business, a set must include, at

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a minimum, an input and a substantive process that together significantly contribute to the ability to create output, and (2) removes the evaluation of whether a market participant could replace the missing elements. This guidance is effective for public entities with fiscal years ending after December 15, 2017, and for all other entities for fiscal years ending after December 15, 2018. Early adoption is permitted, under certain circumstances and amendments should be applied on a prospective basis. The Bank is currently evaluating the impact, if any, that adoption will have on its consolidated financial statements.

ASU 2017-08- Receivables- Nonrefundable Fees and Other Costs (Subtopic 310-20). In March 2017, the FASB issued guidance to amend the amortization period for certain purchased callable debt securities held at a premium. The FASB is shortening the amortization period for the premium to the earliest call date. Under current GAAP, entities generally amortize the premium as an adjustment of yield over the contractual life of the instrument. The amendments do not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. This guidance is effective for public entities for fiscal years beginning after December 15, 2018, and for all other entities for fiscal years beginning after December 15, 2019. Early adoption is permitted. The Bank is currently evaluating the impact, if any, that adoption will have on its consolidated financial statements.

Note 2. Restrictions on Cash and Due From Banks

The Bank is required to maintain reserve balances in cash or on deposit with the Federal Reserve Bank, based on a percentage of deposits. The total of those reserve balances approximated $642,000 at December 31, 2017. The Bank has usable vault cash of $642,000, therefore, leaving no reserve balance required.

Note 3. Securities

The amortized cost, unrealized gains, unrealized losses and estimated fair values of securities at December 31, 2017 and 2016, are summarized as follows:

	2017			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Carrying Value (Estimated Fair Value)
Available for sale:				
Taxable:				
Securities of other U.S. Government agencies and corporations	$ 18,367,963	$ 142,022	$ 105,077	$ 18,404,908
Certificates of Deposit	903,000	-	-	903,000
Total taxable	19,270,963	142,022	105,077	19,307,908
Tax Exempt:				
Obligations of states and political subdivisions - tax exempt	2,958,138	16,205	18,584	2,955,759
Total securities available for sale	$ 22,229,101	$ 158,227	$ 123,661	$ 22,263,667

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	2016			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Carrying Value (Estimated Fair Value)
Available for sale:				
Taxable:				
Securities of other U.S. Government agencies and corporations	$ 21,941,629	$ 353,096	$ 109,646	$ 22,185,079
Certificates of Deposit	$ 398,000	$ -	$ -	398,000
Total taxable	22,339,629	353,096	109,646	22,583,079
Tax Exempt:				
Obligations of states and political subdivisions - tax exempt	5,135,324	19,563	103,557	5,051,330
Total securities available for sale	$ 27,474,953	$ 372,659	$ 213,203	$ 27,634,409

The maturities, amortized cost and estimated fair values of securities are summarized as follows:

	2017 Available for Sale	
	Amortized Cost	Carrying Value (Estimated Fair Value)
Due within 1 year	$ 2,397,648	$ 2,414,880
Due after 1 year but within 5 years	19,243,140	19,262,920
Due after 5 years but within 10 years	588,313	585,867
Due after 10 years	-	-
Total	$ 22,229,101	$ 22,263,667

Provided below is a summary of securities available for sale which were in an unrealized loss position at December 31, 2017 and 2016.

	2017					
	Less than 12 months		12 months or more		Total	
	Fair Value	Loss	Fair Value	Loss	Fair Value	Loss
Securities of other U.S. Government agencies and corporations	$ 6,473,453	$ 59,098	$ 2,810,292	$ 45,979	$ 9,283,745	$ 105,077
Obligations of states and political subdivisions - tax exempt	1,785,185	17,476	207,636	1,108	1,992,821	18,584
	$ 8,258,638	$ 76,574	$ 3,017,928	$ 47,087	$ 11,276,566	$ 123,661

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	2016					
	Less than 12 months		12 months or more		Total	
	Fair Value	Loss	Fair Value	Loss	Fair Value	Loss
Securities of other U.S. Government agencies and corporations	$ 8,782,943	$ 98,172	$ 335,638	$ 11,474	$ 9,118,581	$ 109,646
Obligations of states and political subdivisions - tax exempt	3,337,439	103,557	-	-	3,337,439	103,557
	$ 12,120,382	$ 201,729	$ 335,638	$ 11,474	$ 12,456,020	$ 213,203

Impairment is evaluated considering numerous factors, and their relative significance varies 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.

The Bank has 24 securities in an unrealized loss position as of December 31, 2017. These securities are predominately rated investment grade securities and the unrealized losses are due to overall increases in market interest rates 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 portfolios are other-than-temporarily impaired at December 31, 2017.

The proceeds from sales, calls and maturities of securities, and principal payments received on mortgage backed obligations and the related gross gains and losses realized are as follows:

	Proceeds From			Gross Realized	
For the Years Ended December 31,	Sales	Calls and Maturities	Principal Payments	Gains	Losses
2017					
Securities available for sale	$ 5,254,948	$ 3,918,000	$ -	$ 3,948	$ -
2016					
Securities available for sale	$ 493,961	$ 4,303,000	$ 15,321	$ 6,005	$ -
2015					
Securities available for sale	$ 966,292	$ 3,738,000	$ 3,933	$ 51,293	$ -

At December 31, 2017 and 2016, securities with amortized costs of $16,691,448 and $22,680,934, respectively, with estimated fair values of $16,742,025 and $22,890,954, respectively, were pledged to secure public deposits and for other purposes required or permitted by law.

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Included in obligations of states and political subdivisions at December 31, 2017, are certain obligations to the following state and its political subdivisions:

West Virginia	$1,678,151

There are no significant concentrations to any one political subdivision or agency within this state.

Note 4. Loans

Loans are summarized as follows:

	December 31, 2017	December 31, 2016
Commerical, financial and agricultural	$ 8,721,332	$ 8,998,724
Real estate- mortgage	47,830,534	46,698,212
Real estate- unimproved/development land	2,895,997	2,766,353
Installment loans	3,066,938	3,173,292
Total loans	62,514,801	61,636,581
Less: Allowance for loan losses	717,275	726,576
Unamortized loan fees and costs, net	268,773	270,797
Loans, net	$ 61,528,753	$ 60,639,208

The following presents loan maturities as of December 31, 2017:

	Within 1 Year	After 1 but Within 5 Years	After 5 Years
Commerical, financial and agricultural	$ 276,520	$ 1,537,944	$ 6,906,868
Real estate - mortgage	506,186	1,334,071	45,990,277
Installment loans	352,183	2,308,334	406,421
Real estate -			
Unimproved/Development Land	6,767	55,354	2,833,876
Total Loans	$ 1,141,656	$ 5,235,703	$ 56,137,442

Loans due after one year with:	
Variable rates	$ 33,089,238
Fixed rates	28,283,907
	$ 61,373,145

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The following table presents the non-accrual loans included in the net balance of loans at December 31, 2017 and 2016, respectively.

	December 31, 2017	December 31, 2016
Commercial real estate	$ 285,865	$ 287,014
Real Estate - mortgage	880,741	898,924
Real Estate - Unimproved/Development Land	23,465	49,912
Total	$ 1,190,071	$ 1,235,850

If interest on non-accrual loans had been accrued, such income would have approximated $57,000, $60,000 and $48,000 for the years ended December 31, 2017, 2016 and 2015, respectively.

In the past the Bank has made loans, in the normal course of business, to its directors, officers and employees and will continue to make such loans in the future. At December 31, 2017 and 2016, outstanding loans of this nature totaled $934,550 and $796,453, respectively.

For the years ended December 31, 2017 and 2016, loans made to executive officers, directors and shareholders aggregating $60,000 or more to any one party totaled $568,721 and $294,458, 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, and current economic trends, among other factors. The loans are analyzed individually by classifying the loans as to credit risk. The Bank internally grades all new commercial loans. In addition, the Bank performs an annual loan review on all non-homogeneous commercial loans exceeding $125,000, at which time these loans are re-graded.

The following definition of risk grades are as follows:

Pass: Loans that are secured by cash and cash equivalents or have characteristics that reduce credit risk in the transaction, as well as minimal documentation exceptions or no identification risk of collection. The loan would not subsequently introduce loan-loss risk. They are loans that do not fit any of the other categories described below.

Watch: Loans that are generally satisfactory with the exception of supporting documentation, lack of financial information, defined source of repayment, previous slowness but currently paying as agreed. Typically, these loans will have a specific plan of action by the loan office, documented on the Commercial Summary, to correct the deficiencies, provide a plan of repayment, or work the credit out of the Bank.

Special Mention: The assets in this category are currently protected but are potentially weak. Those assets constitute an undue and unwanted credit risk but not to the point of justifying a classification of substandard. Credit risk may be relatively minor yet constitute an unwarranted risk in light of the circumstances surrounding a specific asset.

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Substandard: Loans inadequately protected by the current sound net worth and paying capacity of the obligor, or pledged collateral, if any. There is a distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.

Doubtful: Loans that will have all the weaknesses inherent in a substandard loan with the added factor that the weaknesses are pronounced to a point where collection or liquidation in full is highly improbable.

Loss: Loans that are considered to be un-collectible and of such little value that their continuance as active assets of the Bank is not warranted. This assignment does not mean that an asset has absolutely no recovery or salvage value, but simply that is not practicable or desirable to defer writing off the basically worthless asset, even though partial recovery may be affected in the future.

The following table presents the recorded investment in loans that are graded based on the risk associated with the loan. For the years ended December 31, 2017 and 2016.

	December 31, 2017					
			Residential			
	Commercial	Commercial Real Estate	1-4 Family	Construction	Installment	Real Estate-Unimproved/ Development Land
Pass	$ 1,157,296	$ 4,633,932	$ 45,359,376	$ 418,094	$ 3,063,351	$ 1,912,104
Watch	-	2,072,495	916,277	-	-	477,034
Special Mention	-	-	-	-	-	-
Substandard	-	857,609	1,123,335	-	3,587	506,859
Doubtful	-	-	13,452	-	-	
Total	$ 1,157,296	$ 7,564,036	$ 47,412,440	$ 418,094	$ 3,066,938	$ 2,895,997

	December 31, 2016					
			Residential			
	Commercial	Commercial Real Estate	1-4 Family	Construction	Installment	Real Estate-Unimproved/ Development Land
Pass	$ 1,004,538	$ 4,970,609	$ 42,699,350	$ 1,236,329	$ 3,163,387	$ 2,059,928
Watch	83,042	2,112,585	1,253,915	-	-	124,462
Special Mention	-	127,397	-	-	-	-
Substandard	-	700,553	1,491,077	-	9,905	554,471
Doubtful	-	-	17,541	-	-	27,492
Total	$ 1,087,580	$ 7,911,144	$ 45,461,883	$ 1,236,329	$ 3,173,292	$ 2,766,353

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Note 5. Allowance for Loan Losses

An analysis of the allowance for loan losses for the years ended December 31, 2017, 2016 and 2015 is as follows:

	2017	2016	2015
Balance, beginning of year	$ 726,576	$ 729,891	$ 740,394
Losses:			
Real estate- mortgage	53,566	18,134	10,400
Installment loans	49,978	52,204	65,572
Total	103,544	70,338	75,972
Recoveries:			
Commerical, financial and agricultural	4,000	2,800	3,630
Real estate- mortgage	13,639	1,294	7,972
Installment loans	18,604	22,929	23,867
Total	36,243	27,023	35,469
Less: Net losses	67,301	43,315	40,503
Provision for loan losses	58,000	40,000	30,000
Balance, end of year	$ 717,275	$ 726,576	$ 729,891

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 our allowance for loan losses is as follows.

Specific Reserve for Loans Individually Evaluated

The Bank identifies loan relationships having aggregate balances of $125,000 and greater and that may also have credit weaknesses. Such loan relationships are identified primarily through the analysis of internal loan evaluations, past due loan reports, and loans adversely classified by regulatory authorities. Each loan so identified is then individually evaluated to determine whether it is impaired – that is, 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 underlying loan agreement. The Bank measures impairment based on the fair value of the loan's collateral, which is generally, determined utilizing current appraisals. A specific reserve is established in an amount equal to the excess, if any, of the recorded investment in each impaired loan over the fair value of its underlying collateral, less estimated costs to sell.

Quantitative Reserve for Loans Collectively Evaluated

Second, the Bank stratifies the loan portfolio into the following loan pools: commercial, commercial real estate, residential 1-4 family, residential construction, consumer and other. Loans within each pool are then further segmented between (1) loans which were individually evaluated for impairment and not deemed to be impaired, (2) smaller-balance homogenous loans.

Quantitative reserves relative to each loan pool are established using an allocation equaling 100% of the respective pool's average 12 month net loan charge-off rate (determined based upon the most recent twelve quarters) which is applied to the aggregate recorded investment in the smaller-balance homogenous pool of loans.

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Qualitative Reserve for Loans Collectively Evaluated

Third, the Bank 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.

For purposes of evaluating impairment, the Bank considers groups of smaller-balance, homogeneous loans to include; mortgage loans secured by residential property, other than those which significantly exceed the bank's typical residential mortgage loan amount (currently those in excess of $30,000); and installment loans to individuals, exclusive of those loans in excess of $30,000.

The following tables set forth the Bank's impaired loan information by class of loans:

	December 31, 2017				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Balance	Interest Income Recognized while impaired
With no related allowance					
Commercial	$ -	$ -	$ -	$ -	$ -
Commercial real estate	285,865	285,865	-	286,440	-
Installment	-	-	-	-	-
Residential - 1-4 family	742,831	742,831	-	770,420	8,227
Real Estate Unimproved/ Development Land	5,445	5,445	-	5,700	-
Total with no related allowance	**$ 1,034,141**	**$ 1,034,141**	**$ -**	**$ 1,062,560**	**$ 8,227**
With a related allowance					
Commercial	$ -	$ -	$ -	$ -	$ -
Commercial real estate	-	-	-	-	-
Installment	-	-	-	-	-
Residential - 1-4 family	441,116	481,794	40,680	451,077	8,497
Real Estate Unimproved/ Development Land	18,020	22,576	4,556	20,221	-
Total with a related allowance	**$ 459,136**	**$ 504,370**	**$ 45,236**	**$ 471,298**	**$ 8,497**
Total					
Commercial	$ -	$ -	$ -	$ -	$ -
Commercial real estate	285,865	285,865	-	286,440	-
Installment	-	-	-	-	-
Residential - 1-4 family	1,183,947	1,224,625	40,680	1,221,497	16,724
Real Estate Unimproved/ Development Land	23,465	28,021	4,556	25,921	-
Total	**$ 1,493,277**	**$ 1,538,511**	**$ 45,236**	**$ 1,533,858**	**$ 16,724**

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	December 31, 2016				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Balance	Interest Income Recognized while impaired
With no related allowance					
Commercial	$ -	$ -	$ -	$ -	$ -
Commercial real estate	287,014	287,014	-	285,882	8,175
Installment	-	-	-	-	-
Residential - 1-4 family	650,576	650,576	-	443,921	5,726
Real Estate Unimproved/ Development Land	27,492	27,492	-	18,328	-
Total with no related allowance	**$ 965,082**	**$ 965,082**	**$ -**	**$ 748,131**	**$ 13,901**
With a related allowance					
Commercial	$ -	$ -	$ -	$ -	$ -
Commercial real estate	-	-	-	-	-
Installment	2,757	2,767	10	3,409	385
Residential - 1-4 family	518,941	567,049	48,108	581,018	8,756
Real Estate Unimproved/ Development Land	21,939	22,420	481	25,504	-
Total with a related allowance	**$ 543,637**	**$ 592,236**	**$ 48,599**	**$ 609,931**	**$ 9,141**
Total					
Commercial	$ -	$ -	$ -	$ -	$ -
Commercial real estate	287,014	287,014	-	285,882	8,175
Installment	2,757	2,767	10	3,409	385
Residential - 1-4 family	1,169,517	1,217,625	48,108	1,024,939	14,482
Real Estate Unimproved/ Development Land	49,431	49,912	481	43,832	-
Total	**$ 1,508,719**	**$ 1,557,318**	**$ 48,599**	**$ 1,358,062**	**$ 23,042**

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The following table presents the contractual aging of the recorded investment in past due loans as of December 31, 2017 and 2016.

December 31, 2017

	Past Due						Recorded Investment ≥ 90 days
	30-59 days	60-89 days	≥ 90 days	Total	Current	Total Loans	and Accruing
Commercial	$ -	$ -	$ -	-	$ 1,157,296	$ 1,157,296	$ -
Commericial real estate	-	-	285,865	285,865	7,278,171	7,564,036	-
Residential 1-4 family	707,809	391,042	777,839	1,876,690	45,535,750	47,412,440	34,966
Construction	-	-	-	-	418,094	418,094	-
Installment	34,390	19,273		53,663	3,013,275	3,066,938	-
Real Estate Unimproved/ development land	40,520	26,381	52,850	119,751	2,776,246	2,895,997	47,404
Total	$ 782,719	$ 436,696	$ 1,116,554	$ 2,335,969	$ 60,178,832	$ 62,514,801	$ 82,370

December 31, 2016

	Past Due						Recorded Investment ≥ 90 days
	30-59 days	60-89 days	≥ 90 days	Total	Current	Total Loans	and Accruing
Commercial	$ 8,545	$ -	$ -	$ 8,545	$ 1,079,035	$ 1,087,580	$ -
Commericial real estate	127,397	-	287,014	414,411	7,496,733	7,911,144	-
Residential 1-4 family	1,056,690	410,558	1,116,452	2,583,700	42,878,183	45,461,883	229,014
Construction	-	-	-	-	1,236,329	1,236,329	-
Installment	48,137	14,417	-	62,554	3,110,738	3,173,292	
Real Estate Unimproved/ development land	79,162	8,966	27,492	115,620	2,650,733	2,766,353	-
Total	$ 1,319,931	$ 433,941	$ 1,430,958	$ 3,184,830	$ 58,451,751	$ 61,636,581	$ 229,014

Activity in the allowance for loan losses by loan class during the years ended December 31, 2017 and 2016, are as follows:

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2017	Commercial	Commercial Real Estate	Residential 1-4 Family	Residential Construction	Installment	Real Estate-Unimproved/ Development Land	Total
Allowance for credit losses:							
Beginning balance	$ 3,384	$ 86,193	$ 363,024	$ 4,220	$ 46,582	$ 223,173	$ 726,576
Charge-offs	-	-	(53,566)	-	(49,978)	-	(103,544)
Recoveries	4,000	-	13,639	-	18,604	-	36,243
Provision	(3,208)	13,272	6,341	(2,585)	26,404	17,776	58,000
Ending balance	$ 4,176	$ 99,465	$ 329,438	$ 1,635	$ 41,612	$ 240,949	$ 717,275
Allowance Related to:							
Individually evaluated for impairment	$ -	$ 72,040	$ 94,501	$ -	$ 771	$ 220,288	$ 387,600
Collectively evaluated for impairment	4,176	27,425	234,937	1,635	40,841	20,661	329,675
Total	$ 4,176	$ 99,465	$ 329,438	$ 1,635	$ 41,612	$ 240,949	$ 717,275
Loans:							
Individually evaluated for impairment	$ -	$ 857,609	$ 1,402,462	$ -	$ 3,587	$ 506,859	$ 2,770,517
Collectively evaluated for impairment	1,157,296	6,706,427	46,009,978	418,094	3,063,351	2,389,138	59,744,284
Total	$ 1,157,296	$ 7,564,036	$ 47,412,440	$ 418,094	$ 3,066,938	$ 2,895,997	$ 62,514,801

2016	Commercial	Commercial Real Estate	Residential 1-4 Family	Residential Construction	Installment	Real Estate-Unimproved/ Development Land	Total
Allowance for credit losses:							
Beginning balance	$ 2,455	$ 132,117	$ 293,007	$ 2,713	$ 54,630	$ 244,969	$ 729,891
Charge-offs	-	-	(18,134)	-	(52,204)	-	(70,338)
Recoveries	-	2,800	1,294	-	22,929	-	27,023
Provision	929	(48,724)	86,857	1,507	21,227	(21,796)	40,000
Ending balance	$ 3,384	$ 86,193	$ 363,024	$ 4,220	$ 46,582	$ 223,173	$ 726,576
Allowance Related to:							
Individually evaluated for impairment	$ -	$ 58,642	$ 173,392	$ -	$ 1,547	$ 214,668	$ 448,249
Collectively evaluated for impairment	3,384	27,551	189,632	4,220	45,035	8,505	278,327
Total	$ 3,384	$ 86,193	$ 363,024	$ 4,220	$ 46,582	$ 223,173	$ 726,576
Loans:							
Individually evaluated for impairment	$ -	$ 827,951	$ 1,750,475	$ -	$ 9,905	$ 581,963	$ 3,170,294
Collectively evaluated for impairment	1,087,580	7,083,193	43,711,408	1,236,329	3,163,387	2,184,390	58,466,287
Total	$ 1,087,580	$ 7,911,144	$ 45,461,883	$ 1,236,329	$ 3,173,292	$ 2,766,353	$ 61,636,581

FCNB BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For quarterly loan review purposes, the Bank only includes loans risk graded in their system as "substandard" or higher. The above balances for loans individually evaluated for impairment include only such loan balances and related allowances. The Bank does; however, review a larger number of loans on a recurring basis for internal purposes.

The following tables present by class the troubled debt restructurings (TDR) that were restructured during the year ended December 31, 2017 and 2016. Generally, the modifications were extensions of term, modifying the payment terms from principal and interest to interest only for an extended period, or reduction in interest rate. All TDRs are evaluated individually for allowance for loan loss purposes:

	2017		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Troubled Debt Restructurings			
Commercial	-	$ -	$ -
Commercial real estate	-	-	-
Installment	-	-	-
Residential - 1-4 family	1	6,261	6,261
Real estate - unimproved/development land	-	-	-
Total	1	$ 6,261	$ 6,261

	2017	
	Number of Contracts	Recorded Investment
Troubled Debt Restructurings That Subsequently Defaulted		
Commercial	-	$ -
Commercial real estate	1	232,908
Installment	-	-
Residential - 1-4 family	6	518,928
Real estate - unimproved/development land	-	-
Total	7	$ 751,836

FCNB BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	2016		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Troubled Debt Restructurings			
Commercial	-	$ -	$ -
Commercial real estate		-	
Installment	-	-	-
Residential - 1-4 family	2	205,493	205,493
Real estate - unimproved/development land	-	-	-
Total	2	$ 205,493	$ 205,493

	2016	
	Number of Contracts	Recorded Investment
Troubled Debt Restructurings That Subsequently Defaulted		
Commercial	-	$ -
Commercial real estate	1	233,090
Installment	-	-
Residential - 1-4 family	7	561,011
Real estate - unimproved/development land	-	-
Total	8	$ 794,101

Note 6. Bank Premises and Equipment

The major categories of bank premises and equipment and accumulated depreciation at December 31, 2017 and 2016 are summarized as follows:

	2017	2016
Land	$ 392,660	$ 392,660
Buildings and improvements	1,748,519	1,938,281
Furniture and equipment	866,270	937,991
	3,007,449	3,268,932
Less accumulated depreciation	1,828,413	2,044,792
Bank premises and equipment, net	$ 1,179,036	$ 1,224,140

Depreciation expense for the years ended December 31, 2017, 2016 and 2015, totaled $85,228, $90,134 and $89,362, respectively.

FCNB BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7. Deposits

The following is a summary of interest bearing deposits by type at December 31, 2017 and 2016, respectively.

	2017	2016
NOW accounts	$ 16,373,999	$ 17,272,276
Money market accounts	9,242,515	9,999,258
Savings accounts	21,984,827	22,652,006
Certificates of deposit	10,200,289	9,730,172
Total	$ 57,801,630	$ 59,653,712

Time certificates of deposit in denominations of $100,000 or more totaled $6,142,189 and $5,136,402 as of December 31, 2017 and 2016, respectively. Interest expense on such certificates of deposit was $37,296, $49,429 and $32,816 for the years ended December 31, 2017, 2016 and 2015, respectively.

The following is a summary of the maturity distribution of certificates of deposit in amounts of $100,000 or more as of December 31, 2017:

	2017	
	Amount	Percent
Three months or less	$ 3,059,251	56.0%
Three through six months	834,051	10.0%
Six through twelve months	1,446,939	12.0%
Over twelve months	801,948	22.0%
Total	$ 6,142,189	100.0%

At December 31, 2017, the scheduled maturities of all certificates of deposits are as follows:

2017	$ 8,217,424
2018	1,346,461
2019	576,471
2020 and thereafter	59,933
Total time deposits	$ 10,200,289

The Bank is a holder of deposits for two local governmental entities approximating $7,361,033 at December 31, 2017, which represents a concentration.

The Bank is a holder of related party deposits approximating $1,824,599 and $1,956,704 at December 31, 2017 and 2016, respectively.

Note 8. Other Borrowings

The Bank has short-term borrowings under the line of credit for the purchase of Federal Funds at an amount not to exceed $2,400,000. Other short-term borrowings consist of lines of credit from the Federal Home Loan Bank (FHLB) under its RepoPlus Program. Borrowings under this arrangement will be granted for terms of 1 to 364 days and will bear interest at both fixed and variable rates set at the time of the funding request with variable

FCNB BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

rates subject to change each month. Also, included in other borrowings are borrowings from the FHLB under its Mid Term Repo-Fixed and RepoPlus-Fixed Programs that will mature during the year ending December 31, 2017. These lines of credit are secured by a blanket lien on all unpledged and unencumbered assets of the subsidiary bank.

Additional details regarding short-term borrowings during the years ended December 31, 2017 and 2016 are presented below.

	2017	
	Federal Funds Purchased	FHLB Borrowings
Oustanding at year end	$ -	$ 2,925,000
Average amount outstanding during the year	$ -	$ 1,573,740
Maximum amount outstanding at any month end	$ -	$ 8,000,000
Weighted average interest rate	-	0.94%

	2016	
	Federal Funds Purchased	FHLB Borrowings
Oustanding at year end	$ -	$ 7,000,000
Average amount outstanding during the year	$ -	$ 5,139,686
Maximum amount outstanding at any month end	$ -	$ 7,000,000
Weighted average interest rate	-	0.64%

Note 9. Income Taxes

The components of applicable income tax expense (benefit) for the years ended December 31, 2017, 2016 and 2015 are as follows:

	2017	2016	2015
Current:			
Federal	$ 312,563	$ 252,479	$ 348,059
State	16,316	13,723	18,743
	328,879	266,202	366,802
Deferred:			
Federal	100,906	7,042	4,278
State	(1,764)	621	378
	99,142	7,663	4,656
Total	$ 428,021	$ 273,865	$ 371,458

FCNB BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A reconciliation between the amount of reported income tax expense and the amount computed by multiplying the statutory income tax rate by book pretax income for the years ended December 31, 2017, 2016 and 2015, is as follows:

	2017		2016		2015	
	Amount	Percent	Amount	Percent	Amount	Percent
Computed tax at applicable statutory rate	$ 369,868	34.0	$ 301,772	34.0	$ 387,929	34.0
Increase (decrease) in taxes resulting from:						
State income taxes, net	10,769	1.0	9,057	1.0	12,370	1.0
Tax-exempt interest	(33,400)	(3.1)	(42,193)	(4.8)	(52,533)	(4.6)
Disallowed interest expense	707	0.1	907	0.1	871	0.1
Impact of tax rate change on deferred taxes	120,900	11.1	-	0.0	-	0.0
Other, net	(40,823)	(3.8)	4,322	0.5	22,821	2.0
Applicable income taxes	$ 428,021	39.3	$ 273,865	30.8	$ 371,458	32.5

Deferred income taxes for 2017 and 2016 reflect the impact of "temporary differences" between amounts of assets and liabilities for financial reporting purposes and such amounts as measured for tax purposes. Deferred tax assets and liabilities represent the future tax return consequences of temporary differences, which will either be taxable or deductible when the related assets and liabilities are recovered or settled.

The Tax Cuts and Jobs Act of 2017 (the Act) was enacted on December 22, 2017. Consequent to the passage of the Act, the Bank's deferred tax assets and liabilities were adjusted for the effects of the Act's changes in the tax law and rates. For the year ended December 31, 2017, the Bank recorded a $120,900 charge to income tax expense to reflect the impact of the Act's tax rate change on the Bank's net deferred tax assets.

Management believes that the Bank will generate sufficient future taxable income to realize the deferred tax assets. Management continually reviews the need for a valuation allowance and will recognize tax benefits only as reassessment indicates that it is more likely than not that the benefits will be realized.

As of December 31, 2017 and 2016, the Company had no unrecognized tax benefits. Such benefits would impact the effective tax rate if recognized. The Company is subject to U.S. Federal income tax examinations for returns filed after December 31, 2014. State income tax returns are generally subject to a period of examinations for a period of three to five years.

FCNB BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The tax effects of temporary differences which give rise to the Bank's deferred tax assets and liabilities as of December 31, 2017 and 2016 are as follows:

	2017		2016	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
Depreciation	$ -	$ 36,169	$ -	$ 66,338
Accretion on tax-exempts	-	-	-	-
Nonaccrual interest	43,260	-	58,721	-
Deferred loan origination fees	64,505	-	100,195	-
Allowance for loan losses	150,219	-	227,630	-
OREO writedown	1,385	-	2,135	-
Net unrealized loss/gain on securities	-	21,755	-	60,086
	$ 259,369	$ 57,924	$ 388,681	$ 126,424

Note 10. Profit-Sharing Plan

The Bank maintains a profit-sharing plan for those employees who meet the eligibility requirements set forth in the plan. The amount of the annual contribution to the plan is at the discretion of the Bank's Board of Directors. The Bank charged $60,000, $48,000, and $48,000 to operations as a contribution to the plan for the years ended December 31, 2017, 2016, and 2015, respectively.

Note 11. Commitments and Contingencies

The Bank is involved in various legal actions arising in the ordinary course of business. In the opinion of management and counsel, these matters will not have a material adverse effect on the consolidated financial statements.

Financial instruments with off-balance sheet risk:

The Bank is a party of 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. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the statement of financial position. The contract amounts of those instruments reflect the extent of involvement the Bank has in particular classes of financial instruments.

	Contract Amount	
	2017	2016
Commitments to extend credit	$ 2,027,417	$ 1,315,651
Total	$ 2,027,417	$ 1,315,651

FCNB BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 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. 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. Collateral held varies but may include accounts receivable, inventory, equipment or real estate.

Note 12. Restrictions on Dividends and Capital

The primary source of funds for the dividends paid by FCNB Bancorp, Inc. are dividends received from its subsidiary bank. Dividends paid by the Bank are subject to restrictions by banking regulations. The most restrictive provision requires approval by the regulatory agency if dividends declared in any year exceed the year's net income, as defined, plus the retained net profits of the two preceding years. During 2018, the net retained profits available for distribution as dividends from the Bank without regulatory approval are approximately $373,500 plus net retained income for the interim periods through the date of declaration.

The FCNB Bancorp, Inc. and subsidiary are subject to various regulatory capital requirements administered by Federal banking agencies. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and Bank must meet specific capital guidelines that involve quantitative measures of the assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices.

Quantitative measures established by regulation to ensure capital adequacy require a bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital (as defined) to average assets (as defined). Management believes, as of December 31, 2017, that the Company and Bank meet all capital adequacy requirements to which they are subject.

The most recent notification from the Office of the Comptroller of the Currency categorized the Company and Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as adequately capitalized the Bank must maintain minimum total risk-based, Tier I risk-based, common equity Tier 1 capital, and Tier I leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the institution's category.

The Company and Bank's actual capital amounts and ratios are presented in the following table:

FCNB BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Actions Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2017:						
CET1 (to Risk-Weighted Assets)						
FCNB, Inc.	$ 10,942,531	23.5%	$ 2,094,795	4.5%	$ 3,025,815	6.5%
FCNB	$ 10,773,000	23.1%	$ 2,094,795	4.5%	$ 3,025,815	6.5%
Total Capital (to Risk-Weighted Assets)						
FCNB, Inc.	$ 11,659,806	25.0%	$ 3,724,080	8.0%	$ 4,655,100	10.0%
FCNB	$ 11,356,000	24.4%	$ 3,724,080	8.0%	$ 4,655,100	10.0%
Tier I Capital (to Risk-Weighted Assets)						
FCNB, Inc.	$ 10,942,531	23.5%	$ 1,862,040	4.0%	$ 2,793,060	6.0%
FCNB	$ 10,773,000	23.1%	$ 1,862,040	4.0%	$ 2,793,060	6.0%
Tier I Capital (to Average Assets)						
FCNB, Inc.	$ 10,942,531	12.2%	$ 3,583,680	4.0%	$ 5,375,520	6.0%
FCNB	$ 10,773,000	12.0%	$ 3,583,680	4.0%	$ 5,375,520	6.0%

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Actions Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2016:						
CET1 (to Risk-Weighted Assets)						
FCNB, Inc.	$ 10,692,346	22.1%	$ 2,173,905	4.5%	$ 3,140,085	6.5%
FCNB	$ 10,593,000	21.9%	$ 2,173,905	4.5%	$ 3,140,085	6.5%
Total Capital (to Risk-Weighted Assets)						
FCNB, Inc.	$ 11,418,922	23.6%	$ 3,864,720	8.0%	$ 4,830,900	10.0%
FCNB	$ 11,198,000	23.2%	$ 3,864,720	8.0%	$ 4,830,900	10.0%
Tier I Capital (to Risk-Weighted Assets)						
FCNB, Inc.	$ 10,692,346	22.1%	$ 1,932,360	4.0%	$ 2,898,540	6.0%
FCNB	$ 10,593,000	21.9%	$ 1,932,360	4.0%	$ 2,898,540	6.0%
Tier I Capital (to Average Assets)						
FCNB, Inc.	$ 10,692,346	11.4%	$ 3,762,720	4.0%	$ 5,644,080	6.0%
FCNB	$ 10,593,000	11.3%	$ 3,762,720	4.0%	$ 5,644,080	6.0%

FCNB BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13. Fair Value Measurements

ASC Topic 820 "*Fair Value Measurements and Disclosures*" (ASC 820) defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 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: Quoted prices (unadjusted) or identical assets or liabilities in active markets that the 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, such as loans held for sale. These nonrecurring fair value adjustments typically involve application of lower of cost or market accounting or write-downs of individual assets.

The following is a description of valuation methodologies used for assets and liabilities recorded at fair value.

Available-for-Sale Securities: Investment securities available-for-sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions and other factors such as credit loss assumptions. Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange, U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter markets and money market funds. Level 2 securities include mortgage-backed securities issued by government sponsored entities, mortgage backed securities, certificate of deposits and municipal bonds. Level 3 securities include local community development bonds.

FCNB BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Assets at Fair Value on a Recurring Basis

The table below presents the recorded amount of assets measured at fair value on a recurring basis.

Available for Sale Securities	Total at December 31, 2017	Fair Value Measurements Using: Level 1	Level 2	Level 3
U.S. Government agencies and corporations	$ 18,404,908	$ -	$ 18,404,908	$ -
Mortgage Backed securities - U.S. govt. agencies and corporations	-	-	-	-
Certificates of deposit	903,000	-	903,000	-
Obligations of state and political subdivisions - tax-exempt	2,955,759	-	2,955,759	-
Total available for sale securities	$ 22,263,667	$ -	$ 22,263,667	$ -

Available for Sale Securities	Total at December 31, 2016	Fair Value Measurements Using: Level 1	Level 2	Level 3
U.S. Government agencies and corporations	$ 22,185,079	$ -	$ 22,185,079	$ -
Mortgage Backed securities - U.S. govt. agencies and corporations	-		-	
Certificates of deposit	398,000	-	398,000	-
Obligations of state and political subdivisions - tax-exempt	5,051,330	-	5,051,330	-
Total available for sale securities	$ 27,634,409	$ -	$ 27,634,409	$ -

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. There were no assets recorded at fair value on a nonrecurring basis as of December 31, 2017 and 2016.

FCNB BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14. Condensed Financial Statements of Parent Company

The investment of the Company in its wholly-owned subsidiary is presented on the equity method of accounting. Information relative to the Company's balance sheets at December 31, 2017 and 2016, and the related statements of income and cash flows for the years ended December 31, 2017, 2016 and 2015, is presented below:

Balance Sheets	2017	2016
Assets		
Cash	$ 143,867	$ 99,127
Investment in subsidiary, eliminated in consolidation	10,785,854	10,692,589
Total assets	$ 10,929,721	$ 10,791,716
Liabilities	$ -	$ -
Shareholders' equity		
Common stock, $25.00 par value, authorized and issued 12,000 shares outstanding	300,000	300,000
Capital surplus	345,233	345,233
Retained earnings	11,770,024	11,516,969
Less cost of shares acquired for the treasury, 2,315 shares, 2017; 2,290 shares, 2016	(1,498,347)	(1,469,856)
Accumulated other comprehensive income	12,811	99,370
Total shareholders' equity	10,929,721	10,791,716
Total liabilities and shareholders' equity	$ 10,929,721	$ 10,791,716

Statements of Income	2017	2016	2015
Income - dividends from bank subsidiary	$ 480,000	$ 420,000	$ 486,000
Expenses - operating	-	-	-
Income before income taxes and undistributed income	480,000	420,000	486,000
Applicable income tax expense (benefit)	-	-	-
Income before undistributed income	480,000	420,000	486,000
Equity in undistributed income of subsidiary	179,824	193,697	283,509
Net income	$ 659,824	$ 613,697	$ 769,509

FCNB BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Statements of Cash Flows	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITES			
Net income	$ 659,824	$ 613,697	$ 769,509
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed net income of subsidiary	(179,824)	(193,697)	(283,509)
Net cash provided by operating activities	480,000	420,000	486,000
CASH FLOWS FROM FINANCING ACTIVITIES			
Net (purchase)/sales in treasury stock	(28,491)	31,517	(32,825)
Dividends paid to shareholders	(406,769)	(408,167)	(406,560)
Net cash (used in) financing activities	(435,260)	(376,650)	(439,385)
Increase (decrease) in cash	44,740	43,350	46,615
Cash:			
Beginning	99,127	55,777	9,162
Ending	143,867	99,127	55,777

The FCNB Bancorp, Inc. accounts for its investment in its subsidiary by the equity method. During the years ended December 31, 2017, 2016 and 2015, respectively, changes were as follows:

	Number of Shares Owned	Percent of Shares Owned
Fayette County National Bank	12,000	100%
Balance at December 31, 2014		$ 10,573,495
Add (deduct):		
Net income of subsidiary		769,509
Dividends declared by the bank subsidiary		(486,000)
Change in equity in net unrealized gain (loss) on securities of bank subsidiary		(86,509)
Balance at December 31, 2015		10,770,495
Add (deduct):		
Net income of subsidiary		613,697
Dividends declared by the bank subsidiary		(420,000)
Change in equity in net unrealized gain (loss) on securities of bank subsidiary		(271,603)
Balance at December 31, 2016		10,692,589
Add (deduct):		
Net income of subsidiary		659,824
Dividends declared by the bank subsidiary		(480,000)
Change in equity in net unrealized gain (loss) on securities of bank subsidiary		(86,559)
Balance at December 31, 2017		$ 10,785,854

ATTACHMENT #2

Form FR Y-6

FCNB Bancorp, Inc.
Fayetteville, West Virginia
Fiscal Year Ending December 31, 2017

Report Item

1: The bank holding company prepares an annual report for its securities holders and is not registered with the SEC.

2a:

FCNB Bancorp, Inc.
Fayetteville, West Virginia
Incorporated in West Virginia
LEI # N/A

100%

The Fayette County National Bank of Fayetteville
Fayetteville, West Virginia
Incorporated in West Virginia
LEI # 2549005QV7K44ND43364

2b: Domestic branch listing provided on next page.

Results: A list of branches for your depository institution: FAYETTE COUNTY NATIONAL BANK OF FAYETTEVILLE, THE (ID_RSSD: 488420).
This depository institution is held by FCNB BANCORP, INC. (2355759) of FAYETTEVILLE, WV.
The data are as of 12/31/2017. Data reflects information that was received and processed through 01/04/2018.

ATTACHMENT #3

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

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

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

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

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

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

Data Action	Effective Date	Branch Service Type	Branch ID_RSSD*	Popular Name	Street Address	City	State	Zip Code	County	Country	FDIC UNINUM*	Office Number*	Head Office	Head Office ID_RSSD*	Comments
OK		Full Service (Head Office)	488420	FAYETTE COUNTY NATIONAL BANK OF FAYETTEVILLE, THE	101 NORTH COURT STREET	FAYETTEVILLE	WV	25840	FAYETTE	UNITED STATES	Not Required	Not Required	FAYETTE COUNTY NATIONAL BANK OF FAYETTEVILLE, THE	488420	
OK		Full Service	2228657	ANSTED BRANCH	20165 MIDLAND TRAIL	ANSTED	WV	25812	FAYETTE	UNITED STATES	Not Required	Not Required	FAYETTE COUNTY NATIONAL BANK OF FAYETTEVILLE, THE	488420	
OK		Full Service	369828	OAK HILL BRANCH	1554 EAST MAIN STREET	OAK HILL	WV	25901	FAYETTE	UNITED STATES	Not Required	Not Required	FAYETTE COUNTY NATIONAL BANK OF FAYETTEVILLE, THE	488420	

ATTACHMENT #4

Form FR Y-6

FCNB Bancorp, Inc.
Fayetteville, West Virginia
Fiscal Year Ending December 31, 2017

Report Item 3: **Securities Holders**

(1)(a)(b)(c)			(2)(a)(b)(c)		
Current securities holders with ownership, control or holdings of 5% or more with power to vote as of fiscal year ending 12-31-17.			Securities holders not listed in 3(1)(a) through 3(1)(c) that had ownership, control or holdings of 5% or more with power to vote as of fiscal year ending 12-31-17.		
(1)(a) Name City, State, Country	(1)(b) Country of Citizenship or Incorporation	(1)(c) Number and Percentage of Each Class of Voting Securities	(2)(a) Name City, State, Country	(2)(b) Country of Citizenship or Incorporation	(2)(c) Number and Percentage of Each Class of Voting Securities
Stephanie Kelly Ford Fayetteville, WV, USA	USA	40 - 0.41% Common Stock		NONE - N/A	
Kathleen H. Kelly Revocable Stephanie Kelly Ford, Trustee Inter Vivos Trust Fayetteville, WV, USA	USA	756 - 7.80% Common Stock			
Kathleen H. Kelly Oak Hill, WV, USA	USA	40 - 0.41% Common Stock			
Kimberly Kelly LaPrade Fincastle, VA, USA	USA	12 - 0.12% Common Stock			
	TOTAL	848 - 8.73% Common Stock			
Gloria King Oak Hill, WV, USA	USA	588 - 6.07% Common Stock			
Charles M. Mahood Fayetteville, WV, USA	USA	720 - 7.43% Common Stock			

Form FR Y-6

FCNB Bancorp, Inc.
Fayetteville, West Virginia
Fiscal Year Ending December 31, 2017

Report Item 3: Securities Holders (1)(a)(b)(c)			(2)(a)(b)(c)		
Current securities holders with ownership, control or holdings of 5% or more with power to vote as of fiscal year ending 12-31-17.			Securities holders not listed in 3(1)(a) through 3(1)(c) that had ownership, control or holdings of 5% or more with power to vote as of fiscal year ending 12-31-17.		
(1)(a) Name City, State, Country	(1)(b) Country of Citizenship or Incorporation	(1)(c) Number and Percentage of Each Class of Voting Securities	(2)(a) Name City, State, Country	(2)(b) Country of Citizenship or Incorporation	(2)(c) Number and Percentage of Each Class of Voting Securities
Wade Hampton Mahood, Jr. Living Trust Dated 7-12-01 New Smyrna Beach, FL, USA	USA	560 - 5.78% Common Stock		NONE - N/A	
Wade Hampton Mahood, Jr. New Smyrna Beach, FL, USA	USA	160 - 1.65% Common Stock			
	TOTAL	720 - 7.43% Common Stock			
Katherine Chaffin Rye, NY, USA	USA	360 - 3.715% Common Stock			
Thomas Ethan Crosby Crafton, MD, USA	USA	360 - 3.715% Common Stock			
	TOTAL	720 - 7.43% Common Stock			

Form FR Y-6

FCNB Bancorp, Inc.
Fayetteville, West Virginia
Fiscal Year Ending December 31, 2017

Report Item 3: Securities Holders

(1)(a)(b)(c)			(2)(a)(b)(c)		
Current securities holders with ownership, control or holdings of 5% or more with power to vote as of fiscal year ending 12-31-17.			Securities holders not listed in 3(1)(a) through 3(1)(c) that had ownership, control or holdings of 5% or more with power to vote as of fiscal year ending 12-31-17.		
(1)(a) Name City, State, Country	(1)(b) Country of Citizenship or Incorporation	(1)(c) Number and Percentage of Each Class of Voting Securities	(2)(a) Name City, State, Country	(2)(b) Country of Citizenship or Incorporation	(2)(c) Number and Percentage of Each Class of Voting Securities
Judith A. Hamilton-Brooks Charlotte, NC, USA	USA	196 - 2.02% Common Stock		NONE - N/A	
Debra L. Hamilton Charleston, WV, USA	USA	196 - 2.02% Common Stock			
James E. Hamilton Beckley, WV, USA	USA	196 - 2.02% Common Stock			
Patricia L. Hamilton Charleston, WV, USA	USA	196 - 2.02% Common Stock			
		Total 784 - 8.10% Common Stock			

Form FR Y-6

FCNB Bancorp, Inc.
Fayetteville, West Virginia
Fiscal Year Ending December 31, 2017

Report Item 3: Securities Holders (1)(a)(b)(c)			(2)(a)(b)(c)		
Current securities holders with ownership, control or holdings of 5% or more with power to vote as of fiscal year ending 12-31-17.			Securities holders not listed in 3(1)(a) through 3(1)(c) that had ownership, control or holdings of 5% or more with power to vote as of fiscal year ending 12-31-17.		
(1)(a) Name City, State, Country	(1)(b) Country of Citizenship or Incorporation	(1)(c) Number and Percentage of Each Class of Voting Securities	(2)(a) Name City, State, Country	(2)(b) Country of Citizenship or Incorporation	(2)(c) Number and Percentage of Each Class of Voting Securities
Marjorie Jurek Raleigh, NC, USA	USA	160 - 1.65% Common Stock		NONE - N/A	
Sarah E. Kelly Washington, D.C., USA	USA	200 - 2.07% Common Stock			
Elizabeth McCarthy Raleigh, NC, USA	USA	160 - 1.65% Common Stock			
Henry Selby Richmond, VA, USA	USA	120 - 1.24% Common Stock			
Barbara Wells Richmond, Va, USA	USA	160 - 1.65% Common Stock			
		Total 800 - 8.26% Common Stock			

Form FR Y-6
FCNB Bancorp, Inc.
Fiscal Year Ending December 31, 2017

ATTACHMENT #5

Report Item #4: Insiders
(1), (2), (3)(a)(b)(c), and (4)(a)(b)(c)

Name, City State, Country (1)	Principal Occupation if other than with Holding Company (2)	Title & Position with Holding Company (3)(a)	Title & Position with Subsidiaries (include names of subsidiaries) (3)(b)	Title & Position with other Businesses (include names of other businesses) (3)(c)	Percentage of Voting Shares in Holding Company (4)(a)	Percentage of Voting Shares in Subsidiaries (include names of subsidiaries) (4)(b)	List of names of other companies (include partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held) (4)(c)
A. Bahlmann Abbot, III Greenwood, VA	Architect	President & Director	Director Fayette County National Bank	Owner	1.34%	N/A	School House Studio Works - 100%
Michael L. Rahall Fayetteville, WV	Merchant	Chairman	Chairman & President Fayette County National Bank	President/Member Meld, Inc. M & D's Almost Heaven Properties, LLC Rahall's Wild & Wonderful Properties, LLC	0.93%	N/A	MELD, Inc. - 50% M & D's Almost Heaven Properties, LLC - 50% Rahall's Wild & Wonderful Properties, LLC - 50%
Linda L. Ramsey Fayetteville, WV	N/A	Director & Secretary/Treasurer	Director Fayette County National Bank	N/A	1.19%	N/A	N/A
John Franklin Hindson, III Fayetteville, WV	Business Owner	Director	Director Fayette County National Bank	Business Owner F & D Rentals	0.41%	N/A	Hindson Insurance Agency - 100% F & D Rentals 50%
Charles M. Mahood Fayetteville, WV	N/A	Director	Director Fayette County National Bank	N/A	7.43%	N/A	N/A
Stephanie K. Ford Fayetteville, WV	Psychologist	Director	Director Fayette County National Bank	N/A	8.22%	N/A	N/A
Denise A. Light Fayetteville, WV	Banker	Director	EVP, CEO & Cashier Director Fayette County National Bank	N/A	0.41%	N/A	N/A
Helen L. Rakes Fayetteville, WV	Banker	Director	SVP, SLO & Compliance Officer Director Fayette County National Bank	N/A	0.41%	N/A	N/A