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FRB RICHMOND

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, Hugh G. Hitchcock
Name of the Holding Company Director and Official

President/CEO/Director
Title of the Holding Company Director and Official

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

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

Signature of Holding Company Director and Official

03/27/2018
Date of Signature

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

No LEI
Reporter's Legal Entity Identifier (LEI) (20-Character LEI Code)

Reporter's Name, Street, and Mailing Address

Davis Trust Financial Corporation
Legal Title of Holding Company

227 Davis Avenue/P.O. Box 1546
(Mailing Address of the Holding Company) Street / P.O. Box

City	State	Zip Code
Elkins	WV	26241

Same
Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Name	Title
Hugh G. Hitchcock	President/CEO

304-636-0991 Ext 290
Area Code / Phone Number / Extension

304-636-5528
Area Code / FAX Number

hhitchcock@davistrust.com
E-mail Address

www.davistrust.com (sub. Davis Trust Company)
Address (URL) for the Holding Company's web page

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 2878294
C.I.

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."

Public reporting burden for this information collection is estimated to vary from 1.3 to 101 hours per response, with an average of 5.50 hours per response, including time to gather and maintain data in the required form and to review instructions and complete the information collection. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to: Secretary, Board of Governors of the Federal Reserve System, 20th and C Streets, NW, Washington, DC 20551, and to the Office of Management and Budget, Paperwork Reduction Project (7100-0297), Washington, DC 20503.

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 below.

None for Davis Trust Financial Corporation

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)

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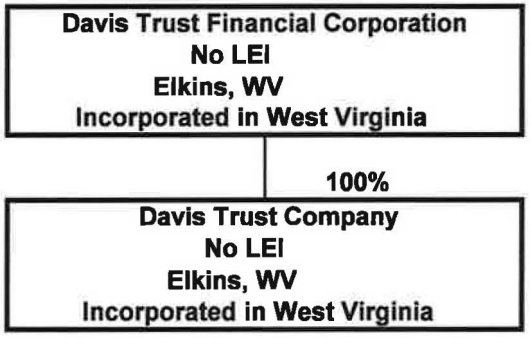
Physical Location (if different from mailing address)

Form FR Y-6
Davis Trust Financial Corporation
Elkins, 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. As specified by the appropriate Reserve Bank, two copies are enclosed.

2a: Organizational Chart



2b: Item 2b, Domestic Branch Listing, completed and submitted via e-mail as per instructions to the Federal Reserve Bank of Richmond on March 26, 2018.

Results: A list of branches for your depository institution: DAVIS TRUST COMPANY (ID_RSSD: 357526).
This depository institution is held by DAVIS TRUST FINANCIAL CORPORATION (2878294) of ELKINS, WV.
The data are as of 12/31/2017. Data reflects information that was received and processed through 01/04/2018.

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)	357526	DAVIS TRUST COMPANY	DAVIS AVE AND THIRD STREET	ELKINS	WV	26241	RANDOLPH	UNITED STATES	Not Required	Not Required	DAVIS TRUST COMPANY	357526	
OK		Full Service	3926343	BEVERLY PIKE BRANCH	950 BEVERLY PIKE	ELKINS	WV	26241	RANDOLPH	UNITED STATES	Not Required	Not Required	DAVIS TRUST COMPANY	357526	

Form FR Y-6
Davis Trust Financial Corporation
Elkins, West Virginia
Fiscal Year Ending December 31, 2017

Report Item 3: Securities holders
(1)(a) (1)(b) (1)(c) (2)(a) (2)(b) (2)(c)

Current securities holders with ownership, control or holdings of 5% or more with power to vote as of fiscal year ending 12-31-2017			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 during the fiscal year ending 12-31-2017		
(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**	**(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**
June B. Myles Redding, CT, USA	USA	4,150 - 7.40% Common Stock	**None**		
Christopher J. Polino Elkins, WV, USA	USA	9,602 - 17.11% Common Stock			
William T. Jordan - Trustee for Grace L. Jordan Living Trust Topeka, KS, USA - **Note 1**	USA	1,880 - 3.35% Common Stock			
William T. Jordan - Trustee for William T. Jordan Living Trust Topeka, KS, USA - **Note 1**	USA	1,944 - 3.47% Common Stock			

Note 1 - William T. Jordan, in his capacity as trustee of both the William T. Jordan and Grace L. Jordan Living Trusts, has voting rights to 3,824 shares (6.82%) of Davis Trust Financial Corporation (DTFC) Common Stock as of 12/31/2017.

Form FR Y-6
Davis Trust Financial Corporation
Elkins, WV
Fiscal Year Ending December 31, 2017

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

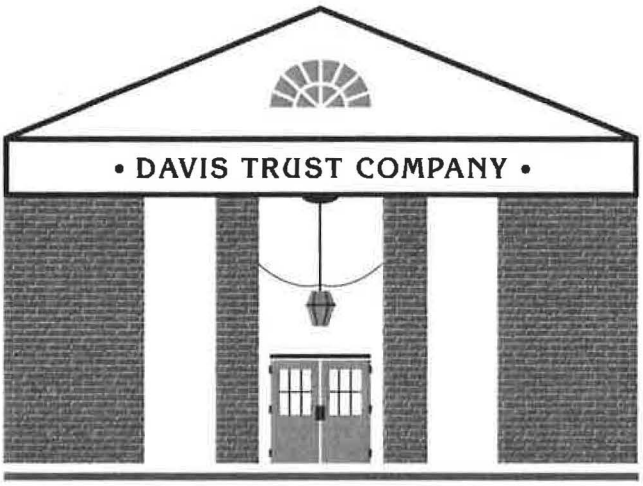
('1) Names & Address (City, State, Country)	('2) Principal Occupation if other than with Holding Company	(3)(a) Title & Position with Holding Company	(3)(b) Title & Position with Subsidiaries (Include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (Include names of other businesses)	(4)(a) Percentage of Voting Shares in 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)
Michael R. Price Elkins, WV, USA	N/A	Director & President/CEO	Director & President/CEO (Davis Trust Co.)	N/A	**Note 1**	**Note 2**	N/A
Hugh G. Hitchcock Elkins, WV, USA	N/A	Vice President & Secretary	Director, Executive VP & Secretary (Davis Trust Co.)	N/A	**Note 1**	**Note 2**	N/A
Lois M. Pritt Elkins, WV, USA	N/A	Asst. Secretary	Chief Operating Officer & Asst. Secretary (Davis Trust Co.)	N/A	**Note 1**	**Note 2**	N/A
Rachel Hayes Elkins, WV, USA	N/A	Treasurer	CFO/Treasurer (Davis Trust Co.)	N/A	**Note 1**	**Note 2**	N/A
June B. Myles Redding, CT, USA	Timber Company Owner	Director	Director (Davis Trust Co.)	President - Myles Lumber Company Elkins, WV	**7.40%**	**Note 2**	Myles Lumber Company **100%**
Patrick A. Carr Elkins, WV, USA	Retired Businessman	Director	Director (Davis Trust Co.)	N/A	**Note 1**	**Note 2**	N/A
William G. Hartman Elkins, WV, USA	Retired Businessman	Director	Director (Davis Trust Co.)	N/A	**Note 1**	**Note 2**	N/A
James L. Schoonover Elkins, WV, USA	Retired Davis Trust Executive	Director	Director (Davis Trust Co.)	N/A	**1.26%**	**Note 2**	N/A

Form FR Y-6
Davis Trust Financial Corporation
Elkins, WV
Fiscal Year Ending December 31, 2017

Report Item 4: Insiders - Page 2
(1) (2) (3)(a)(b)('c) and (4)(a)(b)('c)

('1) Names & Address (City, State, Country)	('2) Principal Occupation if other than with Holding Company	(3)(a) Title & Position with 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 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)
Stephen E. Shepler Elkins, WV, USA	Retired Businessman	Director	Director (Davis Trust Co.)	NA	**1.43%**	**Note 2**	NA
Darroll L. Talbott, Jr. Elkins, WV, USA	Branch Manager Regional Petroleum Distributor	Director	Director (Davis Trust Co.)	Branch Manager - Guttman Oil Company	**Note1**	**Note 2**	NA
John T. Wilson Elkins, WV, USA	Lumber Company Owner	Director	Director (Davis Trust Co.)	Owner - Wilson Quality Millwork	**0.68%**	**Note 2**	Wilson Quality Millwork 100%
Christopher J. Polino Elkins, WV, USA	General Contractor	Principal Shareholder	NA	President - Polino Contracting, Inc.	**17.11%** **NOTE 3**	**Note 2**	Polino Contracting Company **100%**

Note 1 - Individual's percentage of voting shares is < 1/2 of 1%
Note 2 - Davis Trust Financial Corporation is the sole shareholder of the single bank subsidiary, Davis Trust Company.
Note 3 - Although Christopher J. Polino is no longer a Director of the holding company, information must be provided because he is considered a "principal securities holder" of the holding company.



DAVIS TRUST FINANCIAL CORPORATION
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL REPORT

DECEMBER 31, 2017

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BROWN EDWARDS
certified public accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders
Davis Trust Financial Corporation
Elkins, West Virginia

We have audited the accompanying consolidated financial statements of Davis Trust Financial Corporation and Subsidiaries (the "Company"), which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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 of material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Davis Trust Financial Corporation and Subsidiaries as of December 31, 2017 and 2016, and the results of their operations and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
March 7, 2018

DAVIS TRUST FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2017 and 2016

	2017	2016
ASSETS		
Cash and amounts due from banks	$ 7,476,668	$ 18,358,538
Federal funds sold	-	832,676
Total cash and cash equivalents	7,476,668	19,191,214
Time deposits in other banks	1,450,000	-
Investment securities (see note 3)		
Held to maturity securities	19,192,080	14,220,297
Available for sale securities	9,517,407	9,713,264
Other equity investments	1,781,451	2,081,151
Total investment securities	30,490,938	26,014,712
Loans receivable (see note 4)	85,449,866	76,417,014
Less: allowance for loan losses	(677,810)	(618,241)
Net loans receivable	84,772,056	75,798,773
Premises and equipment, net (see note 5)	5,493,869	5,584,691
Other real estate owned and repossessed assets, net	4,699,957	4,941,985
Interest receivable	513,801	420,547
Cash surrender value of life insurance	6,136,405	6,093,284
Funded status of pension plan (see note 12)	3,162,643	2,548,856
Deferred tax assets (see note 8)	1,254,816	2,249,069
Other assets	344,781	401,515
	21,606,272	22,239,947
Total Assets	$ 145,795,934	$ 143,244,646
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits (see note 6)		
Non-interest bearing	$ 50,372,656	$ 45,536,044
Interest bearing	78,428,875	80,735,097
Total deposits	128,801,531	126,271,141
Borrowings and other liabilities	2,074,418	1,809,748
Total Liabilities	130,875,949	128,080,889
STOCKHOLDERS' EQUITY		
Common stock, $100 par value, 80,000 shares authorized and issued, including 23,897 shares and 23,882 shares in treasury at December 31, 2017 and 2016, respectively	8,000,000	8,000,000
Surplus	8,000,000	8,000,000
Retained earnings	9,249,735	8,860,716
Accumulated other comprehensive loss	(3,669,366)	(3,040,580)
Treasury stock at cost	(6,660,384)	(6,656,379)
Total Stockholders' Equity	14,919,985	15,163,757
Total Liabilities and Stockholders' Equity	$ 145,795,934	$ 143,244,646

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

DAVIS TRUST FINANCIAL CORPORATION AND SUBSIDIARIES

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

	2017	2016
Interest income:		
Interest and fees on loans	$ 4,135,819	$ 3,985,708
Interest on federal agencies	389,818	382,080
Interest and dividends on securities	383,460	307,239
Interest on deposits at other financial institutions	75,694	66,621
Interest on federal funds sold	8,562	3,028
Total interest and dividend income	4,993,353	4,744,676
Interest expense	232,198	270,356
Net interest income	4,761,155	4,474,320
Provision for loan losses (see note 4)	60,695	80,701
Net interest income after provision for loan losses	4,700,460	4,393,619
Other income:		
Trust department	72,994	92,940
Service charges	815,613	855,625
Income on insurance contracts	137,435	163,688
Rental income	124,734	141,742
Other income	156,153	99,293
Total other income	1,306,929	1,353,288
Other expenses:		
Salaries and employee benefits	2,450,504	2,290,797
Occupancy and equipment expense	476,840	494,565
Legal and professional fees	167,183	305,019
Marketing expense	57,158	62,639
FDIC insurance premiums	44,667	100,135
Foreclosed property cost	353,782	336,293
Data processing expense	654,498	621,275
Directors fees	197,064	215,863
Office supplies and postage	189,562	201,038
Other expenses	367,405	371,327
Total other expenses	4,958,663	4,998,950
Income before income tax expense	1,048,726	747,957
Income tax expense (see note 8)	979,944	155,404
Net income	$ 68,782	$ 592,553
Earnings per share	$ 1.23	$ 10.25

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

DAVIS TRUST FINANCIAL CORPORATION AND SUBSIDIARIES

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

	2017	2016
Net income	$ 68,782	$ 592,553
Other comprehensive loss, net of tax:		
Change in unfunded pension liability, net of tax effect of ($8,810) and $108,804 for 2017 and 2016	11,905	(170,006)
Change in unrealized gain/(loss) on available for sale securities, net of tax effect of ($32,753) and $27,303 for 2017 and 2016	44,261	(42,661)
Total other comprehensive loss	$ 56,166	$ (212,667)
Comprehensive income (loss), net of tax	$ 124,948	$ 379,886

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

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Years Ended December 31, 2017 and 2016

	Common Stock	Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Stockholders' Equity
BALANCE, December 31, 2015	$ 8,000,000	$ 8,000,000	$ 8,604,922	$ (2,827,913)	$ (4,652,010)	$ 17,124,999
Net income	-	-	592,553	-	-	592,553
Other comprehensive loss	-	-	-	(212,667)	-	(212,667)
Acquisition of 7,507 shares Treasury stock	-	-	-	-	(2,004,369)	(2,004,369)
Dividends on common stock ($6.00) per share	-	-	(336,759)	-	-	(336,759)
BALANCE, December 31, 2016	8,000,000	8,000,000	8,860,716	(3,040,580)	(6,656,379)	15,163,757
Cumulative effect of tax rate change	-	-	684,952	(684,952)	-	-
Net income	-	-	68,782	-	-	68,782
Other comprehensive loss	-	-	-	56,166	-	56,166
Acquisition of 15 shares Treasury stock	-	-	-	-	(4,005)	(4,005)
Dividends on common stock ($6.50) per share	-	-	(364,715)	-	-	(364,715)
BALANCE, December 31, 2017	$ 8,000,000	$ 8,000,000	$ 9,249,735	$ (3,669,366)	$ (6,660,384)	$ 14,919,985

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

DAVIS TRUST FINANCIAL CORPORATION AND SUBSIDIARIES

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

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 68,782	$ 592,553
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	60,695	80,701
(Gains) losses on other real estate owned	(151)	1,985
Valuation writedowns on other real estate owned	254,477	220,814
Depreciation	192,076	211,708
Loss on disposition of property and equipment	384	560
Amortization and accretion of securities, net	34,041	18,223
(Increase) decrease in interest receivable	(93,254)	(49,189)
(Increase) in cash surrender value life insurance	(43,121)	(163,688)
(Increase) decrease in deferred tax asset	429,655	39,644
(Increase) decrease in other assets	56,734	(123,501)
Increase (decrease) in borrowings and other liabilities	264,671	384,787
Net cash provided by operating activities	1,224,989	1,214,597
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of time deposits in other banks	(1,450,000)	-
Proceeds from calls and maturities of held to maturity securities	1,183,901	5,700,000
Purchases of held to maturity securities	(6,186,891)	(10,029,099)
Proceeds from sales of available for sale securities	200,000	-
Purchases of available for sale securities	-	(365,000)
Proceeds from redemption of other securities	299,700	233,700
Purchase of other securities	-	(21,500)
Proceeds from sale of other real estate owned	16,628	319,882
Net (increase) decrease in loans	(9,062,905)	(2,119,611)
Purchases of premises and equipment	(101,638)	(142,015)
Net cash used in investing activities	(15,101,205)	(6,423,643)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in deposits	2,530,390	1,043,622
Dividends paid	(364,715)	(336,759)
Acquisition of treasury stock	(4,005)	(2,004,369)
Net cash provided by (used in) financing activities	2,161,670	(1,297,506)
Increase (decrease) in cash and cash equivalents	(11,714,546)	(6,506,552)
CASH AND CASH EQUIVALENTS		
Beginning	19,191,214	25,697,766
Ending	$ 7,476,668	$ 19,191,214
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest on deposits and borrowings	$ 233,906	$ 274,142
Income Taxes	$ -	-
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Other real estate acquired in settlement of loans	$ 28,925	$ 1,786,826

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

Note 1. Summary of Significant Accounting Policies

Nature of operations:

Davis Trust Financial Corporation is a bank holding company with its principal activity the ownership and management of its wholly-owned subsidiaries, Davis Trust Company ("the Bank") and Gassaway Properties, LLC ("Gassaway"), collectively referred to herein as the "Company". Davis Trust Company is a community bank with operations in Elkins, West Virginia. The Bank provides retail and commercial loans and deposit services to individuals and small businesses in Randolph County, West Virginia and adjacent counties. As a state bank, the Bank is subject to regulation and examination by the West Virginia Division of Financial Institutions and the Federal Deposit Insurance Corporation. The holding company is subject to regulation and periodic examination by the Federal Reserve Bank of Richmond. Gassaway Properties is a limited liability company formed on October 2, 2014 for the purpose of holding certain foreclosed assets.

Basis of consolidated financial statement presentation:

The consolidated financial statements include the accounts of Davis Trust Financial Corporation and its wholly-owned subsidiaries, Davis Trust Company and Gassaway Properties, LLC. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of estimates:

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

Investment securities:

Debt securities are classified as held to maturity when the Bank has the positive intent and ability to hold the securities to maturity. Securities held to maturity are carried at amortized cost. The amortization of premiums and accretion of discounts are recognized in interest income using methods approximating the interest method over the period to maturity.

Debt securities not classified as held to maturity are classified as available for sale. Securities available for sale are carried at fair value with unrealized gains and losses reported in other comprehensive income. Realized gains (losses) on securities available for sale are included in other income (expense) and, when applicable, are reported as a reclassification adjustment, net of tax, in other comprehensive income.

Other equity investments include the Company's investment in stock of the Federal Home Loan Bank of Pittsburgh ("FHLB"). This investment is recorded at cost, since it may only be repurchased by the issuer at par and is held as a condition of membership and as collateral under borrowings from the FHLB. At December 31, 2017 and 2016, there were no outstanding borrowings from the FHLB.

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

Loans receivable:

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

Allowance for loan losses:

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

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

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

Loan charge-off policies:

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

Bank premises, furniture and equipment:

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

Note 1. Summary of Significant Accounting Policies (Continued)

Other real estate owned:

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

Income taxes:

The Company accounts for income taxes using the deferred method under which the tax effects of the transactions reported in the consolidated financial statements consist of taxes currently due plus deferred taxes related primarily to differences between the basis of the allowance for loan losses, the timing of recognition of deferred compensation and pension costs, valuation adjustments on foreclosed property and accumulated depreciation. Deferred tax assets and liabilities represent the future tax return consequences of those differences which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred tax assets and liabilities are reflected at income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. The Company files consolidated income tax returns with its wholly-owned subsidiaries. Any interest or penalties assessed by income taxing authorities would be reflected as interest expense and other operating expenses, respectively, in the consolidated statement of income. The federal income tax returns of the Company for 2014, 2015 and 2016 are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

Assets held in trust:

Assets held in a fiduciary or agency capacity for customers are not included in the consolidated statements of financial position since such items are not assets of the Company. Trust income is principally reported on a cash basis. Reporting such income on an accrual basis would not materially affect the Company's consolidated financial position or results of operations.

Reclassifications:

Certain reclassifications have been made to prior period balances to conform with the current year's presentation format.

Subsequent events:

In preparing these consolidated financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through March 7, 2018, the date the consolidated financial statements were available to be issued.

Note 2. Cash Concentrations and Restrictions on Cash

At December 31, 2017, and during the year, the Company had interest bearing and non-interest deposits due from other banks and Federal Funds sold to other banks in excess of the limits of depository insurance. At December 31, 2017, the Company had time deposits in other banks of $1,450,000. The Company does not expect any losses from those depository relationships. The Bank is required to maintain average reserve balances with the Federal Reserve Bank. At December 31, 2017 and 2016, the reserve requirement approximated $1,302,000 and $1,203,000 respectively, and was met through vault cash.

Note 3. Investment Securities

The carrying amounts of investment securities as shown in the consolidated statements of financial position and their approximate fair values as of December 31, 2017 and 2016 are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2017:				
Held-to-maturity:				
U.S. government agencies	$ 8,098,301	$ 48,611	$ (381,789)	$ 7,765,123
Municipals	8,105,396	32,184	(67,664)	8,069,916
Mortgage Backed	2,988,383	-	(62,766)	2,925,617
	19,192,080	80,795	(512,219)	18,760,656
Available-for-sale:				
U.S. government agencies	8,144,674	176,150	(18,433)	8,302,391
Municipals	1,065,000	35,021	-	1,100,021
Equities	1	114,994		114,995
	9,209,675	326,165	(18,433)	9,517,407
Total	$ 28,401,755	$ 406,960	$ (530,652)	$ 28,278,063

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2016:				
Held-to-maturity:				
U.S. government agencies	$ 8,097,529	$ 78,014	$ (556,600)	$ 7,618,943
Municipals	6,122,768	16,508	(218,715)	5,920,561
	14,220,297	94,522	(775,315)	13,539,504
Available-for-sale:				
U.S. government agencies	8,147,508	175,667	(5,861)	8,317,314
Municipals	1,265,000	28,974	(3,638)	1,290,336
Equities	1	105,613	-	105,614
	9,412,509	310,254	(9,499)	9,713,264
Total	$ 23,632,806	$ 404,776	$ (784,814)	$ 23,252,768

Certain investment securities with a carrying value of $1,000,000 at December 31, 2016 and 2017 were pledged to secure lines of credit with the Federal Reserve Bank.

Note 3. Investment Securities (Continued)

The amortized cost and estimated fair value of securities as of December 31, 2017, by contractual maturity, are as follows:

	Securities Held-to-Maturity		Securities Available for Sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Amounts maturing in:				
One year or less	$ -	$ -	$ 3,114,289	$ 3,102,723
After one year through five years	1,348,301	1,396,633	1,161,582	1,155,214
After five years through ten years	7,255,837	6,916,146	4,433,803	4,632,480
After ten years	10,587,942	10,447,877	500,000	511,996
Equities	-	-	1	114,994
	$ 19,192,080	$ 18,760,656	$ 9,209,675	$ 9,517,407

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

The tables below show gross unrealized losses and fair value at December 31, 2017 and 2016 aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position.

	Less Than 12 Months		12 Months or Longer		Total	
December 31, 2017	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. Government agencies and corporations	$ 4,092,439	$ (18,433)	$ 6,718,211	$ (381,789)	$ 10,810,650	$ (400,222)
Municipals	3,754,345	(23,886)	1,704,538	(43,778)	5,458,883	(67,664)
Mortgage Backed	2,925,617	(62,766)	-	-	2,925,617	(62,766)
	$ 10,772,401	$ (105,085)	$ 8,422,749	$ (425,567)	$ 19,195,150	$ (530,652)

	Less Than 12 Months		12 Months or Longer		Total	
December 31, 2016	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. Government agencies and corporations	$ 909,385	$ (562,461)	$ -	$ -	$ 909,385	$ (562,461)
Municipals	4,361,041	(222,353)	-	-	4,361,041	(222,353)
	$ 5,270,426	$ (784,814)	$ -	$ -	$ 5,270,426	$ (784,814)

The Company's unrealized losses on investments were caused by interest rate fluctuations. The severity and duration of these unrealized losses will change with interest rates and the economy. Because the securities are governments and their agencies and the Company has the ability and intent to hold them for a period of time sufficient to allow for an anticipated recovery, they are not considered to be other than temporarily impaired. The Company had 25 and 22 securities at December 31, 2017 and 2016 that were in a loss position, respectively.

Proceeds received from the sale of available for sale securities were $200,000 in 2017. There were no realized gains or losses on sales of investment securities in 2016 or 2017.

Note 4. Loans Receivable and Related Allowance for Loan Losses

The following table summarizes the primary segments of the loan portfolio as of December 31, 2017 and 2016:

	December 31, 2017	December 31, 2016
Commercial	$ 10,915,150	$ 7,707,044
Commercial real estate	46,808,158	41,228,916
Residential real estate	25,246,442	23,974,883
Consumer	2,740,554	3,798,879
Subtotal	85,710,304	76,709,722
Unearned interest	(260,438)	(292,708)
Total Loans	$ 85,449,866	$ 76,417,014

The segments of the Company's loan portfolio are disaggregated to a level that allows management to monitor risk and performance. In reviewing risk, management has determined there to be several different risk categories within the loan portfolio. The allowance for loan losses consists of amounts applicable to: (1) the residential real estate loan portfolio; (2) the consumer loan portfolio; (3) the commercial real estate loan portfolio; and (4) the commercial loan portfolio. The residential mortgage loan segment is made up of fixed rate and adjustable rate single-family amortizing term loans, which are primarily first liens as well as home equity lines of credit. The consumer loan segment consists of loans secured by automobiles, consumer goods, savings accounts, together with personal lines of credit, overdraft loans, other types of secured consumer loans, and unsecured personal loans. Overdrafts on deposit accounts at December 31, 2017 and 2016 of $30,650 and $20,877, respectively, are reclassified into total consumer loans for purposes of these disclosures. The commercial real estate segment consists of loans made for the acquisition of commercial properties both owner-occupied and that held for lease and for financing the activities of commercial customers but, in all cases, is secured by commercial real estate. The commercial segment consists of loans made for financing the activities of commercial customers but secured by assets other than real estate.

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

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

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

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

	2017					
	Impaired Loans with Specific Allowance		Impaired Loans with No Specific Allowance	Total Impaired Loans		Interest Income Recognized While Impaired
	Recorded Investment	Related Allowance	Recorded Investment	Average Recorded Investment	Unpaid Principal Balance	
Commercial	$ 737,036	$ 28,107	$ 3,424,501	$ 4,161,538	$ 4,150,118	$ 184,207
Commercial Real Estate	5,871,110	126,966	2,315,219	8,186,328	8,107,818	498,210
Residential Real Estate	570,514	130,022	67,733	638,248	598,725	25,656
Consumer	3,995	10	1,680	5,675	5,531	1,005
Total impaired loans	$ 7,182,655	$ 285,105	$ 5,809,133	$ 12,991,789	$ 12,862,192	$ 709,078

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

The following table presents impaired loans by class, segregated by those for which a specific allowance was required and those for which a specific allowance was not necessary as of December 31, 2016:

	2016					
	Impaired Loans with Specific Allowance		Impaired Loans with No Specific Allowance	Total Impaired Loans		Interest Income Recognized While Impaired
	Recorded Investment	Related Allowance	Recorded Investment	Average Recorded Investment	Unpaid Principal Balance	
Commercial	$ 2,154,942	$ 1,932	$ 554,593	$ 2,697,121	$ 2,709,535	$ 144,858
Commercial Real Estate	5,539,535	148,924	2,387,075	7,962,549	7,879,196	459,284
Residential Real Estate	458,189	90,913	208,700	665,420	660,963	18,833
Consumer	8,124	67	-	8,932	8,124	536
Total impaired loans	$ 8,160,790	$ 241,836	$ 3,150,368	$ 11,334,022	$ 11,257,818	$ 623,511

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

To help ensure that risk ratings are accurate and reflect the present and future capacity of borrowers to repay a loan as agreed, the Company's loan rating process includes both internal and external oversight. The Company's loan officers are responsible for the timely and accurate risk rating of the loans in their portfolios at origination. The Company engages an external consultant to conduct loan reviews on a semi-annual basis. Generally, the external consultant reviews all relationships that equal or exceed $250,000, and adversely classified commercial credits. Detailed reviews, including plans for resolution, are completed on loans classified as Substandard on a quarterly basis.

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

The Company's process requires the review and evaluation of an impaired loan to be updated at least quarterly. The following table presents the classes of the loan portfolio summarized by the pass categories of Exceptional, Quality, Acceptable, and Pass/Watch as well as the criticized categories of Special Mention, Substandard, and Doubtful within the internal risk rating system as of December 31, 2017 and 2016.

Credit Quality Indicators
As of December 31, 2017

	Exceptional	Quality	Acceptable	Pass Watch	Special Mention	Substandard	Doubtful	Total
Commercial Real Estate	$ 10,362	$ -	$ 28,616,930	$ 12,005,912	$ 989,868	$ 5,185,086	$ -	$ 46,808,158
Commercial	26,741	74,026	5,748,004	932,227	4,124,242	9,910	-	10,915,150
Total	$ 37,103	$ 74,026	$ 34,364,934	$ 12,938,139	$ 5,114,110	$ 5,194,996	$ -	$ 57,723,308

Credit Quality Indicators
As of December 31, 2016

	Exceptional	Quality	Acceptable	Pass Watch	Special Mention	Substandard	Doubtful	Total
Commercial Real Estate	$ 10,769	$ -	$ 24,406,921	$ 15,616,594	$ 1,194,632	$ -	$ -	$ 41,228,916
Commercial	30,410	-	3,891,598	3,785,036	-	-	-	7,707,044
Total	$ 41,179	$ -	$ 28,298,519	$ 19,401,630	$ 1,194,632	$ -	$ -	$ 48,935,960

Residential mortgage and consumer loans are primarily evaluated according to whether or not they are performing or non-performing according to contract terms. Management considers all residential and consumer loans 30 days or more past due to be non-performing. These loans and their status at December 31, 2017 and 2016 were as follows:

As of December 31, 2017

	Residential Real Estate	Consumer	Total
Performing	$ 22,990,605	$ 2,700,933	$ 25,691,539
Non-performing	2,255,837	39,621	2,295,458
Total	$ 25,246,442	$ 2,740,554	$ 27,986,996

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

	As of December 31, 2016		
	Residential Real Estate	Consumer	Total
Performing	$ 19,496,652	$ 3,276,621	$ 22,773,273
Non-performing	4,478,231	522,258	5,000,489
	$ 23,974,883	$ 3,798,879	$ 27,773,762

Management further monitors the performance and credit quality of the loan portfolio by analyzing the age of the portfolio as determined by the length of time a recorded payment is past due. The following table presents the classes of the loan portfolio summarized by the aging categories of performing loans and nonaccrual loans as of December 31, 2017 and 2016:

	Past Due Loans As of December 31, 2017						
	Current	30-59 Days Past Due	60-89 Days Past Due	90 Days Past Due	Total Loans	Recorded Investment > 90 Days and Accruing	Total Loans on Nonaccrual
Commercial Real Estate	$ 46,268,452	$ -	$ 433,018	$ 106,688	$ 46,808,158	$ -	$ 599,509
Commercial	10,679,442	186,093	49,615	-	10,915,150	-	-
Residential Real Estate	22,990,605	1,668,232	127,561	460,044	25,246,442	-	645,619
Consumer	2,700,933	17,680	12,109	9,832	2,740,554	-	11,071
Total	$ 82,639,433	$ 1,872,005	$ 622,303	$ 576,564	$ 85,710,304	$ -	$ 1,256,199

	Past Due Loans As of December 31, 2016						
	Current	30-59 Days Past Due	60-89 Days Past Due	90 Days Past Due	Total Loans	Recorded Investment > 90 Days and Accruing	Total Loans on Nonaccrual
Commercial Real Estate	$ 41,168,857	$ 47,203	$ -	$ 12,856	$ 41,228,916	$ -	$ 12,856
Commercial	7,695,076	11,968	-	-	7,707,044	-	-
Residential Real Estate	22,645,016	591,839	421,894	316,134	23,974,883	-	500,798
Consumer	3,654,025	121,154	17,183	6,517	3,798,879	-	6,517
Total	$ 75,162,974	$ 772,164	$ 439,077	$ 335,507	$ 76,709,722	$ -	$ 520,171

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

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

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

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

The following table summarizes the primary segments of the ALLL, segregated into the amount required for loans individually evaluated for impairment and the amount required for loans collectively evaluated for impairment as of December 31, 2017 and 2016. Activity in the allowance is presented for the twelve months ended December 31, 2017 and 2016:

	Commercial	Commercial Real Estate	Residential Real Estate	Consumer	Total
ALLL balance at December 31, 2016	$ 31,943	$ 265,213	$ 301,449	$ 19,636	$ 618,241
Charge-offs	-	-	(3,606)	(18,867)	(22,473)
Recoveries	-	8,544	665	12,137	21,346
Provision	49,256	(86,342)	87,787	9,995	60,696
ALLL balance at December 31, 2017	$ 81,199	$ 187,415	$ 386,295	$ 22,901	$ 677,810
Ending ALLL for loans:					
Individually evaluated for impairment	$ 28,107	$ 126,966	$ 130,022	$ 10	$ 285,105
Collectively evaluated for impairment	53,092	60,449	256,273	22,891	392,705
Total ALLL evaluated for impairment	$ 81,199	$ 187,415	$ 386,295	$ 22,901	$ 677,810
Loans:					
Individually evaluated for impairment	$ 4,161,537	$ 8,186,329	$ 638,247	$ 5,675	$ 12,991,788
Collectively evaluated for impairment	6,753,613	38,621,829	24,608,195	2,734,879	72,718,516
	$ 10,915,150	$ 46,808,158	$ 25,246,442	$ 2,740,554	$ 85,710,304

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

	Commercial	Commercial Real Estate	Residential Real Estate	Consumer	Total
ALLL balance at December 31, 2015	$ 109,373	$ 246,359	$ 199,936	$ 29,765	$ 585,433
Charge-offs	-	-	(63,361)	(31,994)	(95,355)
Recoveries	750	32,921	1,840	11,951	47,462
Provision (as restated)	(78,180)	(14,067)	163,034	9,914	80,701
ALLL balance at December 31, 2016	$ 31,943	$ 265,213	$ 301,449	$ 19,636	$ 618,241
Ending ALLL for loans:					
Individually evaluated for impairment	$ 1,932	$ 148,924	$ 90,913	$ 67	$ 241,836
Collectively evaluated for impairment	30,011	116,289	210,536	19,569	376,405
Total ALLL evaluated for impairment	$ 31,943	$ 265,213	$ 301,449	$ 19,636	$ 618,241
Loans:					
Individually evaluated for impairment	$ 2,709,535	$ 7,926,610	$ 666,889	$ 8,124	$ 11,311,158
Collectively evaluated for impairment	4,997,509	33,302,306	23,307,994	3,790,755	65,398,564
	$ 7,707,044	$ 41,228,916	$ 23,974,883	$ 3,798,879	$ 76,709,722

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

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

Loan modifications that are considered TDRs completed during the year ending December 31, 2017 were as follows:

December 31, 2017	Number of Contracts	Pre-Modification Outstanding Balance	Post-Modification Outstanding Balance
Loan Category			
Commercial Real Estate	-	$ -	$ -
Commercial	3	25,876	25,876
Residential	-	-	-
Consumer	-	-	-
Total	3	$ 25,876	$ 25,876

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

Loan modifications that are considered TDRs completed during the year ending December 31, 2016 were as follows:

December 31, 2016	Number of Contracts	Pre-Modification Outstanding Balance	Post-Modification Outstanding Balance
Loan Category			
Commercial Real Estate	1	$ 254,890	$ 254,890
Commercial	-	-	-
Residential	2	253,557	253,557
Consumer	1	4,926	4,926
Total	4	$ 513,373	$ 513,373

All of the TDRs that were completed in 2017 were modified to extend the maturity dates and all of the TDRs that were completed in 2016 were modified to reduce interest rates.

As of December 31, 2017, none of the loan modifications classified as TDRs during 2016 or 2017 subsequently defaulted and there were no commitments to lend additional fund to borrowers owing receivables whose terms have been modified in troubled debt restructurings.

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

As of December 31, 2017 the recorded investment in consumer mortgage loans secured by residential real estate properties where formal foreclosure procedures are in process was $147,507, which consisted of three loans.

The Company conducts its business through two offices located in Randolph County, West Virginia, and surrounding counties. At December 31, 2017 and 2016, the majority of the Company's loan portfolio was secured by properties located in this region. The Company does not believe it has significant concentrations of credit risk to any one group of borrowers given its underwriting and collateral requirements although substantially all loans are directly or indirectly dependent on the local economy.

Note 5. Premises and Equipment

A summary of premises and equipment at December 31, 2017 and 2016 are as follows:

	2017	2016
Land	$ 2,228,328	$ 2,228,328
Land improvements	156,894	156,894
Buildings	5,591,919	5,542,562
Equipment	2,454,175	2,422,107
	10,431,316	10,349,891
Less accumulated depreciation	(4,937,447)	(4,765,200)
Bank premises and equipment, net	$ 5,493,869	$ 5,584,691

Depreciation expense related to premises and equipment was $192,076, and $211,708, for the years ended December 31, 2017 and 2016, respectively.

Note 6. Deposits

Deposit account balances at December 31, 2017 and 2016 are summarized as follows:

	2017	2016
Non-interest bearing checking	$ 50,372,656	$ 45,536,044
Interest bearing checking	16,001,364	18,939,448
Savings deposits	34,810,017	32,088,145
Individual retirement accounts	8,242,540	8,188,915
Certificates of deposits	19,374,954	21,518,589
Total deposits	$ 128,801,531	$ 126,271,141

Scheduled maturities of certificates of deposit and individual retirement accounts at December 31, 2017 were as follows:

Maturities	
2018	$ 19,063,929
2019	4,122,704
2020	1,525,211
2021	1,695,693
2022	1,209,957
2023 and thereafter	-
	$ 27,617,494

Included in time deposits are certificates of deposits of $250,000 or more totaling $2,140,616, and $1,876,273, at December 31, 2017 and 2016, respectively.

Note 7. Financial Instruments with Off-Balance Sheet Risk

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

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

	2017	2016
Commitments to extend credit	$ 13,283,003	$ 10,665,677
Standby letters of credit	302,423	286,500
Recourse on sold loans	1,056,561	1,079,943

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

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

The Company originates single-family residential loans that meet the criteria established by the Federal Home Loan Bank of Chicago. These loans are sold on the secondary market to the Federal Home Loan Bank of Pittsburgh. The FHLB requires a certain amount of credit enhancement, or recourse, on loans sold to them. Loans are sold in pools and the amount of recourse against the Company is limited to the amount remaining in each pool. All other collection efforts, including the sale of the underlying collateral, must be exhausted before funds are taken from the credit enhancement pool.

Note 8. Income Taxes

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

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

	2017	2016
Current tax expense	$ 21,603	$ -
Deferred tax expense	958,341	155,404
Income tax expense	$ 979,944	$ 155,404

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

	2017	2016
Deferred tax assets:		
Deferred compensation plans	$ 323,003	$ 477,188
Allowance for loan losses	92,876	121,654
Unrecognized pension cost	479,778	987,832
Interest on non-accrual loans	21,059	12,067
Valuation adjustment of foreclosed property	289,646	354,359
Disallowed charitable contributions	34,321	35,714
Net operating loss/amt carryforward	133,340	453,046
	1,374,023	2,441,860
Deferred tax liabilities:		
Securities available-for-sale	(76,933)	(117,294)
Accumulated depreciation	(42,274)	(75,497)
	(119,207)	(192,791)
Net deferred tax asset	$ 1,254,816	$ 2,249,069

The Company has net operating loss carryforwards and alternative minimum tax credit carryforwards of approximately $597,000 and $657,000, respectively. The net operating loss carryforwards will begin to expire in 2043 if not utilized to offset taxable income prior to that date.

Note 8. Income Taxes (Continued)

The Company recognizes interest and penalties related to tax as part of the tax provision. With respect to the realization of deferred tax assets, management believes that a valuation allowance is not necessary. The Company files income tax returns in the U.S. federal jurisdiction. The Company is subject to income tax examinations by tax authorities for years 2014 through 2017.

On December 22, 2017, President Trump signed into law new U.S. tax reform legislation (the "Act"). The Act makes significant changes to U.S. corporate income tax laws including a decrease in the corporate income tax rate to 21% effective for tax years beginning after December 31, 2017. As a result of the change in tax rate, a deferred tax expense of $718,484 was recorded in 2017.

In January 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-210, *Income Statement – Reporting Comprehensive Income (Topic 220)*. The guidance is intended to help organizations reclassify certain stranded income tax effects in accumulated other comprehensive income results from the Tax Cuts and Jobs Act of 2017 (the "Act"). The Company has reclassified $684,952 from accumulated other comprehensive income to retained earnings as of December 31, 2017.

Note 9. Related Party Transactions

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

In the normal course of business, loans are extended to directors, officers, and their associates. A summary of the activity with respect to related party loans for the years ended December 31, 2017 and 2016 is as follows:

	2017	2016
Balance, January 1	$ 719,699	$ 605,490
Borrowings	264,937	195,612
Repayments	(75,345)	(81,403)
Balance, December 31	$ 909,291	$ 719,699

The Bank held related party deposits of $2,771,320, and $5,473,936, at December 31, 2017 and 2016, respectively.

Note 10. Limitations on Dividends

The primary source of funds of the Holding Company is dividends received from the Bank. The West Virginia State Code imposes certain restrictions on dividends paid by a state bank. A state bank cannot pay dividends in excess of the total net profits, as defined, of the current year and the combined retained profits of the previous two years without the consent of state banking authorities. Both of the dividends that were paid in 2016 were paid with permission from state authorities. Both of the dividends that were paid in 2017 were paid with permission from state authorities.

Note 11. Supplemental Executive and Director Retirement Plan

The Company has a non-qualified Supplemental Executive and Director Retirement Plan (SEDRP) with certain executive officers and directors which provides an income benefit payable at projected normal retirement age or death. Provisions charged to the consolidated statement of income and the cumulative liability under the plans is computed using a 4.75% present value discount. The liability accrued under these plans at December 31, 2017 and 2016 is $1,550,825 and $1,476,985 respectively, which is included in borrowings and other liabilities in the accompanying consolidated statements of financial position. The cost of these plans included in the consolidated statements of income was $106,337 and $57,233, for the years ended December 31, 2017 and 2016, respectively.

The Company also maintains life insurance on the directors and officers participating in the SEDRP. At December 31, 2017 and 2016, the cash surrender value of these insurance contracts was $6,136,405 and $6,093,284, respectively.

Note 12. Defined Benefit Pension Plan

The Company is a participant in The Allegheny Group Retirement Plan, a noncontributory defined benefit pension plan that covers all employees who are 21 years of age and have completed one year of service. Benefits fully vest after five years of credited service. Benefits paid to retirees are based on age at retirement, years of service and average compensation. Employers who sponsor defined benefit plans must recognize the funded status of defined benefit pension as an asset or liability in its balance sheet and recognize changes in that funded status in the year in which the changes occur through comprehensive income. For pension plans, the benefit obligation is the projected benefit obligation.

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

Note 12. Defined Benefit Pension Plan (Continued)

	2017	2016
Accumulated benefit obligation	$ 9,722,280	$ 9,036,048
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 9,905,650	$ 9,514,242
Service cost	118,394	145,740
Interest cost	392,050	400,521
Actuarial (gain) loss	153,584	69,390
Benefit payments	(501,627)	(310,568)
Assumption changes	660,791	86,325
Benefit obligation at end of year	$ 10,728,842	$ 9,905,650
Change in fair value of plan assets:		
Fair value of plan assets at beginning of year	$ 12,454,506	$ 12,322,819
Actual return on plan assets	1,477,448	442,255
Contributions	461,158	-
Benefit payments	(501,627)	(310,568)
Fair value of plan assets at end of year	$ 13,891,485	$ 12,454,506
Funded status	$ 3,162,643	$ 2,548,856
Amounts recognized in the balance sheets consist of:		
Funded status of pension plan	$ 3,162,643	$ 2,548,856

	2017	2016
Amounts recognized in accumulated other comprehensive loss:		
Transition obligation, net of tax	$ -	$ -
Prior service cost	-	-
Net actuarial loss	(5,200,216)	(5,285,314)
Total amounts included in other comprehensive loss	$ (5,200,216)	$ (5,285,314)

The Company expects that approximately $350,041, before tax, of accumulated other comprehensive loss will be recognized as a portion of net periodic benefit costs in 2018. The expected pension benefit for 2018 is $85,697. The Company has no prior service costs or unrecognized transition obligation subject to amortization.

Note 12. Defined Benefit Pension Plan (Continued)

The following table details the actuarial assumptions used in determining the projected benefit obligations and net benefit cost of the pension plan for 2017 and 2016:

	2017	2016
Assumptions used to determine benefit obligations:		
Discount rate	3.55%	4.05%
Expected long-term rate of return on plan assets	6.75%	6.75%
Expected rate of compensation increase	3.00%	3.00%
Assumptions used to determine benefit costs:		
Discount rate	4.05%	4.30%
Expected long-term rate of return on plan assets	6.75%	6.75%
Expected rate of compensation increase	3.00%	3.00%

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

Components of net periodic benefit are as follows:

	2017	2016
Service cost	$ 118,394	$ 145,740
Interest cost	392,050	400,521
Expected return on plan assets	(892,024)	(871,184)
Amortization of unrecognized transition obligation	-	-
Recognized loss	314,050	305,945
Net periodic cost/ (benefit)	$ (67,530)	$ (18,978)

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

Note 12. Defined Benefit Pension Plan (Continued)

The Company's target and actual asset allocation in the pension plan as of December 31, 2017 and 2016 were:

	Target		Actual	
	2017	2016	2017	2016
Asset category:				
Domestic equity securities	38%	40%	32%	28%
Debt securities	20%	15%	23%	28%
International equity securities	22%	22%	23%	19%
Cash	5%	3%	9%	16%
Other	15%	20%	13%	9%

The assets of the plan are combined with those of the other participants in the plan and managed by one plan trustee. The investments of the plan are priced to market by the trustee using fair values for securities based on quoted market prices, where available. If quoted market prices are not available, the trustee uses proprietary fair value models and measurements from other pricing services. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information, and as to bonds, the terms and conditions including calls and prepayment options, among other things. As the assets of the plan are not reported separately for each participating financial institution, the Company does not present information pertaining to the fair value of the assets segregated by the levels of the fair value hierarchy allocated to it.

The following table reflects expected future benefit payments:

Year ending December 31	
2018	$ 413,438
2019	422,347
2020	425,157
2021	453,919
2022	529,093
2023-2027	2,842,445

Note 13. Regulatory Capital Requirements

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

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

Note 13. Regulatory Capital Requirements (Continued)

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

There are a number of changes in what constitutes regulatory capital, some of which are subject to transition periods. These changes include the phasing-out of certain instruments as qualifying capital. The Bank does not use any of these instruments. Under the new requirements for total capital, Tier 2 capital is no longer limited to the amount of Tier 1 capital included in total capital. Mortgage servicing rights, certain deferred tax assets and investments in unconsolidated subsidiaries over designated percentages of CET1 will be deducted from capital. The Bank has elected to permanently opt-out of the inclusion of accumulated other comprehensive income in our capital calculations, as permitted by the regulations. This opt-out will reduce the impact of market volatility on our regulatory capital levels.

The new requirements also include changes in the risk-weights of assets to better reflect credit risk and other risk exposures. These include a 150% risk weight (increased from 100%) for certain high volatility commercial real estate acquisition, development and construction loans and for non-residential mortgage loans that are 90 days past due or otherwise in non-accrual status; a 20% (increased from 0%) credit conversion factor for the unused portion of a commitment with an original maturity of one year or less that is not unconditionally cancellable; a 250% risk weight (increased from 100%) for mortgage servicing and deferred tax assets that are not deducted from capital; and increased risk weights (0% to 600%) for equity exposures.

In addition to the minimum CET1, Tier 1 and total capital ratios, the Bank will have to maintain a capital conservation buffer consisting of additional CET1 capital greater than 2.5% of risk-weighted assets above the required minimum levels in order to avoid limitations on paying dividends, engaging in share repurchases, and paying discretionary bonuses based on percentages of eligible retained income that could be utilized for such actions. This new capital conservation buffer requirement will be phased in beginning in January 2016 at 0.625% of risk-weighted assets and increasing each year until fully implemented to 2.50% in January 2019. The capital conservation buffer for 2017 is 1.25% and for 2016 is 0.625%. Management believes as of December 31, 2017, the Bank met all capital adequacy requirements to which it is subject.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At year-end 2017 and 2016, the most recent regulatory notifications categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the institution's category. Prompt corrective action provisions are not applicable to holding companies.

Note 13. Regulatory Capital Requirements (Continued)

The Bank's actual and required capital amounts (in thousands) and ratios at December 31, 2017 and 2016 are as follows:

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under The Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2017:						
Total risk-based capital (to risk-weighted assets)						
Bank	$ 18,492	17.38%	$ 8,512	8.00%	$ 10,640	10.00%
Tier I Capital (to risk-weighted assets)						
Bank	$ 17,762	16.69%	$ 6,384	6.00%	$ 8,512	8.00%
Tier I Leverage (to adjusted total assets)						
Bank	$ 17,762	12.25%	$ 5,799	4.00%	$ 7,248	5.00%
CET1 (to risk-weighted assets)						
Bank	$ 17,762	16.69%	$ 4,788	4.50%	$ 6,916	6.50%

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under The Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2016:						
Total risk-based capital (to risk-weighted assets)						
Bank	$ 18,267	18.53%	$ 7,886	8.00%	$ 9,858	10.00%
Tier I Capital (to risk-weighted assets)						
Bank	$ 17,601	17.86%	$ 5,915	6.00%	$ 7,886	8.00%
Tier I Leverage (to adjusted total assets)						
Bank	$ 17,601	12.07%	$ 5,831	4.00%	$ 7,289	5.00%
CET1 Capital (to risk-weighted assets)						
Bank	$ 17,601	17.86%	$ 4,436	4.50%	$ 6,408	6.50%

Note 14. Fair Value Measurements

U.S. Generally Accepted Accounting Principles establish a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

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

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

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

Recurring - Investment Securities:

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

Non-Recurring - Loans:

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

Non-Recurring -Foreclosed Assets / Repossessions:

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

Note 14. Fair Value Measurements (Continued)

The following tables summarize the valuation of the Company's assets and liabilities that are measured at fair value as of December 31, 2017 and 2016, segregated by the level of the valuation inputs within the fair value hierarchy. The amount reflected as fair value of impaired loans is net of specific reserves.

		Fair Value Measurements at Reporting Date Using		
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2017:				
Assets and liabilities measured on a recurring basis:				
Available-for-sale securities	$ 9,517,407	$ -	$ 9,517,407	$ -
	$ 9,517,407	$ -	$ 9,517,407	$ -
Assets and liabilities measured on a non-recurring basis:				
Impaired loans	$ 6,897,550	$ -	$ -	$ 6,897,550
Other real estate owned and repossessed assets	4,699,957	-	-	4,699,957
	$ 11,597,507	$ -	$ -	$ 11,597,507

		Fair Value Measurements at Reporting Date Using		
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2016:				
Assets and liabilities measured on a recurring basis:				
Available-for-sale securities	9,713,264	$ -	$ 9,713,264	$ -
	$ 9,713,264	$ -	$ 9,713,264	$ -
Assets and liabilities measured on a non-recurring basis:				
Impaired loans	$ 7,943,264	$ -	$ -	$ 7,943,264
Other real estate owned and repossessed assets	4,941,985	-	-	4,941,985
	$ 12,885,249	$ -	$ -	$ 12,885,249

Note 14. Fair Value Measurements (Continued)

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

	Fair Value at December 31, 2017	Valuation Technique	Significant Unobservable Inputs	Range
Other real estate owned	$ 4,699,957	Discounted appraised value	Discounted for selling costs and age of appraisals	0% - 15%
Impaired loans	$ 7,182,655	Discounted appraised value	Discounted for selling costs and age of appraisals	5% - 15%

	Fair Value at December 31, 2016	Valuation Technique	Significant Unobservable Inputs	Range
Other real estate owned	$ 4,941,985	Discounted appraised value	Discounted for selling costs and age of appraisals	0% - 15%
Impaired loans	$ 8,160,790	Discounted appraised value	Discounted for selling costs and age of appraisals	5% - 15%

Note 15. Lines of Credit

The Bank has made arrangements with and has available from the Federal Home Loan Bank, approximately $30,075,200 of lines of credit to fund any necessary cash requirements. There were no advances outstanding against these lines of credit as of December 31, 2017, although $2,800,000 of the available credit secures standby letters of credit.

Note 16. Restricted Investments

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

Note 17. Recent Accounting Pronouncements and Changes

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities,* among other things, (i) requires equity investments, with certain exceptions, to be measured at fair value with changes in fair value recognized in net income, (ii) simplifies the impairment assessment of equity investments without readily determinable fair values be requiring a qualitative assessment to identify impairment, (iii) eliminates the requirement for public business entities to disclose the methods and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet, (iv) requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes, (v) requires an entity to present separately in other comprehensive income the portion of the total change in the fair values of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments, (vi) requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the balance sheet or the accompanying notes to the financial statements and (vii) clarifies that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale. ASU 2016-01 will be effective January 1, 2019 and is not expected to have a significant impact on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* will, among other things, require lessees to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. ASU 2016-02 does not significantly change lease accounting requirements applicable to lessors; however, certain changes were made to align, where necessary, lessor accounting with the lessee accounting model and ASC Topic 606, *Revenue from Contracts with Customers.* ASU 2016-02 will be effective on January 1, 2020, and will require transition using a modified retrospective approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. This ASU is not expected to have a significant impact on the financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses of Financial Instruments,* requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts and requires enhanced disclosures related to the significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an organization's portfolio. ASU 2016-13 will be effective on January 1, 2021. The Company is currently evaluating the potential impact, if any, of ASU 2016-13 on the consolidated financial statements.

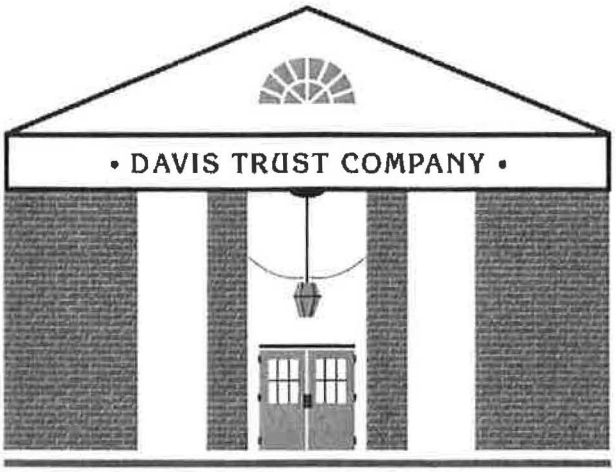
In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230) – Classification of Certain Cash Receipts and Cash Payments* provides guidance related to certain cash flow issues in order to reduce the current and potential future diversity in practice. ASU 2016-15 will be effective January 1, 2019, and is not expected to have a significant impact on the financial statements.

In March 2017, the FASB issued ASU 2017-07, *Compensation – Retirement Benefits (Topic 715) – Improving the Presentation of Net Periodic Pension Cost and Net Periodic Post Retirement Benefit Cost* which provides guidance for retirement benefits. This guidance requires that an employer disaggregate the service cost component form the other components of net benefit cost. The amendments also provide explicit guidance on how to present the service cost component and the other components of net benefit cost on the income statement and allow only the service cost component of net benefit cost to be eligible for capitalization. ASU 2017-07 will be effective January 1, 2019, and is not expected to have a significant impact on the financial statements.

Note 17. Recent Accounting Pronouncements and Changes (Continued)

In March 2017, the FASB issued ASU 2017-08, *Receivables – Nonrefundable Fees and Other Costs (Subtopic 310-20) – Premium Amortization on Purchased Callable Debt Securities* which provides guidance on the amortization period for certain purchased callable debt securities held at a premium. The FASB is shortening the amortization period for the premium to the earliest call date. Under current GAAP, entities generally amortize the premium as an adjustment of yield over the contractual life of the instrument. The amendments do not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. ASU 2017-08 is effective January 1, 2020 and the Company is currently evaluating the potential impact, if any, it will have on the consolidated financial statements.

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



DAVIS TRUST
Financial Corporation

NOTICE:

Davis Trust Financial Corporation will make available, on request, copies of this annual report. This report has not been reviewed, or confirmed for accuracy or relevance, by the Federal Deposit Insurance Corporation.

Davis Trust Company
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P.O. Box 1429
Elkins, West Virginia 26241-1429
Phone: 304-636-0991
Center Voice Tele-Banking 1-877-472-9278
www.davistrust.com

Each depositor insured to at least $250,000
FDIC
Federal Deposit Insurance Corporation www.fdic.gov

EQUAL HOUSING LENDER

DAVIS TRUST COMPANY

DAVIS TRUST
Financial Corporation

YEAR IN REVIEW
2017

DAVIS TRUST
Financial Corporation

TO OUR STOCKHOLDERS:

Over the last few years the economy in our primary market area has been fairly stagnant. During the past year we have seen some improvement. The national economy has rebounded and the state has followed suit especially in the natural gas industry. The resurgence has provided more optimism around our State. One year ago there was concern about closing a significant budget deficit. This year the budget concern has been abated. At the national level, we continue to support initiatives through the Independent Community Bankers Association to reduce some of the regulatory burden that has been detrimental to community banks as well as other businesses.

From an operational standpoint, total income increased by over $200 thousand from $6.1 million in 2016 to $6.3 million in 2017. Total pre-tax expenses were down by $98.5 thousand. Income before income taxes increased by $301 thousand year-over-year from $748 thousand in 2016 to $1.049 million in 2017. For the last few years our loan portfolio has been flat and in some years actually declined due to the sluggish economy. During the past year our overall loan portfolio increased by over $8.9 million - an increase of 11.2%. The vast majority of the portfolio increase was in commercial loans. Net income on a consolidated basis was $68.8 thousand for the year. The primary reason for this significantly lower net income figure was due to the up-front impact of the Tax Reduction and Jobs Act (TRJA) that President Trump signed into law right before the end of 2017. Long term, the TRJA should be positive in helping stimulate new business and investment. One of its main highlights is that it will lower the corporate tax rate from 34% to 21%. But in the short term our Bank, along with every other business in the country that has deferred tax assets on their books, had to immediately write-down (charge to expense) these assets to reflect the difference between the current 34% deferred tax rate and the new 21% deferred tax rate. In our situation we had to recognize a direct charge to income tax expense in the amount of $718.5 thousand. This is the income statement effect of the TRJA. There was a mitigating adjustment, also related to the TRJA, which we were allowed to take as a one-time credit (increase) to retained earnings. This adjustment is in the capital section of our balance sheet and not run through the income statement. The enactment of the TRJA is complicated, but for a more definitive explanation, I urge you to review the narrative on the final page of the 2017 Annual Report packet developed by our Executive Vice President, Rachel Hayes. Her explanation highlights in more detail "how and why" the TRJA impacted Davis Trust Company. Over the long term it will benefit the Bank, but first we had to absorb the short-term income statement impact of its enactment.

We are presently reviewing all areas of operations to assess ways we can operate more efficiently. We have continued to reduce full time equivalent employees (FTEs) over the past several years primarily through attrition and continue to utilize technology to further increase efficiencies. Last year we reported on the implementation status of our strategic plan initiatives. We will be updating our strategic plan in the second quarter of this year.

I am honored to have the opportunity to lead Davis Trust Company upon the retirement of Mike Price. Mike did a great job of advancing the Bank during his tenure as President. We have a good group of dedicated employees and together we will continue to maintain our focus to keep Davis Trust Company the strong community bank it has always been and to strive to deliver increased value to our stockholders.

Sincerely,

Hugh G. Hitchcock, President/CEO
March 7, 2018

227 Davis Avenue, P. O. Box 1546, Elkins, WV 26241 | Phone: (304) 636-0991 | Fax: (304) 636-5528 | www.davistrust.com

Michael R. Price, President/CEO of both Davis Trust Company and Davis Trust Financial Corporation has retired after more than forty years of service effective December 31, 2017.

Mike was a 1971 graduate of Elkins High School and attended Davis & Elkins College where he attained an Associate Degree in Business Administration and a Bachelor of Science Degree in Finance and Accounting. He also completed course work at the Graduate School of Banking at Louisiana State University.

He began his career at Davis Trust Company in 1977 as an Assistant Trust Officer. He was promoted to Controller in 1983 and to Controller/Assistant Secretary in 1991. Two years later he was promoted to Vice President, Secretary/Treasurer and in 1994, he began his tenure as the seventh President of Davis Trust Company.

Mike and his wife Robin are the parents of three children, daughter Kristina Ward, husband A.J. and grandson Bryce of Sissonville, WV, daughter Erin of Washington, D.C. and son Shawn of Elkins.

He is a member of the First Church of Christ and a member of the Elkins Chamber of Commerce and a past Rotarian. During his time at Davis Trust Company he served as a Board Member of the Community Bankers of West Virginia and the West Virginia Banker's Pension Fund. He will continue to serve as a Director on the Boards of both Davis Trust Company and its holding company, Davis Trust Financial Corporation.

The Board of Directors, Officers and Staff appreciate the exemplary service provided by Mike during his forty plus years at Davis Trust Company. We congratulate him on his service and wish him and Robin the very best in the years ahead.

Michael R. Price

Retires from Davis Trust Company

In Loving Memory of

LINDA "TONI" CROSTON

Linda "Toni" Croston, age 63 years, a resident of Mill Creek, passed away unexpectedly Tuesday morning, March 28, 2017. She was born March 2, 1954 at Elkins, a daughter of the late Gerald "Bill" and Maude Chewning Wamsley. On September 15, 1972 at Mill Creek, she was married to Stanley D. Croston, II who survives. Also surviving are one son, Stanley D. Croston, III of Mill Creek, a grandson, Matt Croston of Mill Creek, one brother, Roger Wamsley of Mill Creek, three sisters, Sherry "Lynn" Sprinkel of Valley Bend, Betty Pritt of Mill Creek, Sandra Haden of Beverly and her mother-in-law, Juanita Croston of Mill Creek. Also preceding her in death were one brother, Robert "Bob" Wamsley and father-in-law, Stanley Croston, Sr.

Toni attended the schools of Randolph County and completed the Office Management Course at the Randolph County Vocational Technical Center in 1990-1991. This led to her internship and employment at the Davis Trust Company beginning in August 1991. She worked diligently as a teller and was promoted to Assistant Head Teller in 2000.

Toni loved caring for her immediate and extended family including her niece Jaime who was like a daughter to her. She was close to her grandson, Matt. She was very proud of him and spoke highly of him often. Toni was known for her kindness to her family and friends which endeared her to her customers as well.

She will be greatly missed by her friends and family at home and in the bank. She will always hold a special place in our memory and our hearts.

DAVIS TRUST COMPANY OFFICERS & EMPLOYEES

THANK YOU FOR YOUR SUPPORT!

DAVIS TRUST FINANCIAL CORPORATION

BOARD OF DIRECTORS

CLASS OF 2018

June B. Myles
Timber Company

Michael R. Price
President/CEO

Darroll L. Talbott, Jr.
Oil Distributor

CLASS OF 2019

Patrick A. Carr
Retired

William G. Hartman
Retired

John T. Wilson
Lumber Company

CLASS OF 2020

James L. Schoonover
Retired Bank Executive

Stephen E. Shepler
Retired

Hugh G. Hitchcock, CPA, CIA
EVP/Sec. Director, Davis Trust Company Class of 2020

Ralph E. Wilmoth
Director Emeritus

HOW AND WHY TAX REFORM CHANGED YOUR CAPITAL POSITION

Capital used to be easy to understand. We have stock and surplus that we've carried since the bank was founded and Retained Earnings which is exactly what it sounds like – all the earnings we've kept instead of paying out in dividends.

Then it got complicated. It started back when some really big companies got into some very big trouble by misstating their financial position (among other things). It got accountants thinking about ways to more accurately report to stockholders how much of their capital is at risk. This is the Accumulated Other Comprehensive Income number you now see as part of your capital. AOCI represents how much capital MIGHT be lost IF certain things went wrong.

Davis Trust has only two items that go into the AOCI account: Unrealized Gains or Losses on Available for Sale Securities and the Unrecognized Gain or Loss in our Pension Fund.

We purchase some securities with the intention to sell them again if we need liquidity or if the market improves so much that we can better our position by selling the old security and buying a new one. We evaluate the market value of those securities every month and when it changes we have to have someplace to put the increase or decrease in value. Until we sell it, it is an Unrealized Gain or Loss and goes into the AOCI account. We don't put the whole gain or loss in that account because when we do sell it we will have to pay taxes on the gain (or deduct the loss). So we've been putting 34% of the gain or loss in the Deferred Tax Asset account and 66% of the gain or loss in the AOCI account.

We do the same thing, on a larger scale, with the market value of the pension plan assets. Those don't get evaluated every month and we don't immediately recognize the whole amount. But actuarial accountants diligently calculate this number for us every January. Again, we put 34% of the gain or loss in the Deferred Tax Asset account and 66% in the AOCI account. On the 2016 annual report those two amounts totaled $3,040,580; this year that number is $3,669,366. That's the total amount we MIGHT lose IF we cashed ALL those securities immediately. Which we didn't and wouldn't do, so we didn't and wouldn't actually lose that much.

Then Tax Reform happened and the accounting rules for that are difficult to explain because they don't make a lot of sense unless you are a tax accounting specialist. First, the accounting rules required us (and every other corporation in the US) to make these changes on the enactment date in 2017 instead of the effective date of 2018. Second, those rules require us to recognize, on our income statement, the difference between the old 34% deferred tax rate and the new 21% deferred tax rate. This is why we have in 2017 an extra $718,484 tax expense.

That created a new problem: our unrealized gains and losses are in our AOCI capital account at 66% and our deferred tax assets at 21% which doesn't add up to 100%. So the Financial Accounting Standards Board (who makes all the accounting rules) allowed corporations to fix the problem by making a one-time adjustment to retained earnings. But it has to be an adjustment – we are not allowed to put that amount through our income statement to offset the related loss. In our case, we have been able to add $684,952 back to retained earnings leaving a net loss of only $33,532.

The end result is that we had a good year of earnings but at the last minute we had to recognize a tax loss of $718,484. We were able to offset the bulk of that with an increase to Retained Earnings of $684,952 which doesn't show on the income statement. This is not a Davis Trust Company problem or even a banking industry problem. This is an adjustment every corporation had to make. Some companies and some industries were hit harder than others, but we are all following the same set of rules.

DAVIS TRUST FINANCIAL CORPORATION

Michael R. Price, President/CEO

Rachel Hayes
Treasurer

Hugh G. Hitchcock, CPA, CIA
Vice President/Secretary

Lois M. Pritt
Assistant Secretary

DAVIS TRUST COMPANY

ADMINISTRATION

Michael R. Price ..... President/CEO
Hugh G. Hitchcock, CPA, CIA ..... Executive Vice President/Secretary
Rachel Hayes ..... Chief Financial Officer/Treasurer
Brenda J. Schmidlen, CRCM, CAMS, CCBIA ..... Vice President Audit/ Compliance & BSA Officer
L. Tyler Busic ..... Security Officer

LOAN DEPARTMENT

Deborah L. Phillips ..... Vice President – Loans
Hoy A. Ferguson ..... Commercial Loan Officer
David S. Troastle ..... Loan Officer - Beverly Pike Branch
Brenda K. Vanscoy ..... Loan Officer
Pamela L. Straley ..... Loan Accounting Officer

TRUST DEPARTMENT

Paula S. Morgan, CTFA ..... Vice President – Trust
Janice L. Thompson, CTFA ..... Assistant Trust Officer

OPERATIONS

Lois M. Pritt ..... Chief Operating Officer & Assistant Secretary
Regina A. Harris ..... Information Systems Manager
Barbara S. Wetsch ..... Assistant Vice President – Operations
Ethel M. Smearman ..... Assistant Treasurer
Sherry L. Isner ..... Bookkeeping Supervisor
Debra L. Arbogast ..... Personnel Officer