RECEIVED

FR Y-6
OMB Number 7100-0297
Approval expires September 30, 2018
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Board of Governors of the Federal Reserve System

MAR 29 2018

Annual Report of Holding Companies—FR Y-6

FRB RICHMOND

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, Ben M. Susman
Name of the Holding Company Director and Official

Director/President
Title of the Holding Company Director and Official

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

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

Signature of Holding Company Director and Official

3/28/2018
Date of Signature

For holding companies not registered with the SEC–
Indicate status of Annual Report to Shareholders:

- [x] is included with the FR Y-6 report
- [ ] will be sent under separate cover
- [ ] is not prepared

For Federal Reserve Bank Use Only

RSSD ID 3186428
C.I.

Date of Report (top-tier holding company's fiscal year-end):

12/31/2017
Month / Day / Year

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

Reporter's Name, Street, and Mailing Address

Mount Hope Bankshares, Inc.
Legal Title of Holding Company

602 Main Street/P O Box 751
(Mailing Address of the Holding Company) Street / P.O. Box

Mount Hope | WV | 25880
City | State | Zip Code

Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Ben M. Susman | Director/President
Name | Title

304-877-5551 x 106
Area Code / Phone Number / Extension

304-877-3851
Area Code / FAX Number

bsusman@mthopebank.com
E-mail Address

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

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

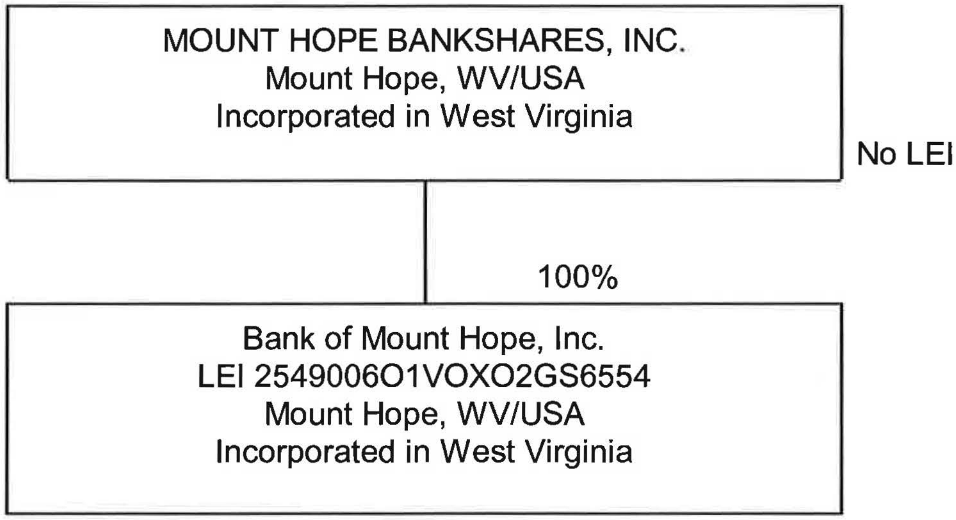
In accordance with the General Instructions for this report (check only one),

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

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

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.

2: Organizational Chart



2.b. Domestic branch listing provided to the Federal Reserve Bank via email on 3/28/2018.

Results: A list of branches for your depository institution: BANK OF MOUNT HOPE, INC. (ID_RSSD: 352820).
This depository institution is held by MOUNT HOPE BANKSHARES, INC. (3186428) of MOUNT HOPE, 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)	352820	BANK OF MOUNT HOPE, INC.	602 MAIN STREET	MOUNT HOPE	WV	25880	FAYETTE	UNITED STATES	Not Required	Not Required	BANK OF MOUNT HOPE, INC.	352820	
OK		Full Service	354927	BECKLEY BRANCH	204 PINEWOOD DRIVE	BECKLEY	WV	25801	RALEIGH	UNITED STATES	Not Required	Not Required	BANK OF MOUNT HOPE, INC.	352820	
OK		Full Service	3285349	OAK HILL BRANCH	835 EAST MAIN STREET	OAK HILL	WV	25901	FAYETTE	UNITED STATES	Not Required	Not Required	BANK OF MOUNT HOPE, INC.	352820	

3.1: Securities Holders

Current Shareholders with ownership, control, or holdings of 5% or more with power to vote as of December 31, 2017			
(1)(a) Name & Address (City, State/USA)	**(1)(b) Country of Citzenship or Incorporation**	**(1)(c) Number & Percentage of each class of Voting Securities**	
		#	**%**
Phyllis Bonifacio or Lloyd D. Bonifacio or Floyd D. Bonifacio JTWROS Mount Hope, WV	USA	19,452	5.18%
Bank of Mount Hope, Inc. E.S.O.P. Mount Hope, WV/USA E.E. Bibb, III, Trustee Beckley, WV	USA	35,833	9.54%
Ben M. Susman Beckley, WV	USA	50,031	13.33%
Dixie Susman or Ben Susman JT Ten WROS		2,000	0.53%
Retirement Accounts		6,634	1.77%
E.S.O.P. Account (2016)		9,969	2.66%
Sally M. Susman with POA Ben Susman*		99,477	26.50%
RBC-Sally Susman IRA with POA Ben Susman*		4,000	1.07%
Total Ben M. Susman Votes		172,111	45.84%
Sally M. Susman * Beckley, WV	USA	99,477	26.50%
Irrevocable Unified Credit Trust Sally Susman Trustee		18,143	4.83%
Retirement Accounts*		4,000	1.07%
Total Sally Susman Votes		**121,620**	**32.39%**

* Shares owned by Sally M. Susman but voted by Ben M. Susman as Power of Attorney.

3.2: Securities Holders

A list of Shareholders not listed in section 3(1) with ownership, control, or holdings of 5% or more with power to vote during the year.

2(a) 2 (b) 2 (c)

NONE

4: Insiders

(1) Names & Address (City, State, Country)	(2) Principal Occupation, if other than with Bank Holding Company	(3)(a) Title & Position with Bank Holding Company	(3)(b) Title & Position with Subsidiaries (include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (include names of other businesses)	(4)(a) Percentage of Voting Shares in Bank Holding Company	(4)(b) Percentage of Voting Shares in Subsidiaries (include names of subsidiaries)	(4)(c) List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
F. T. Graff, Jr. Charleston WV/USA	Attorney, Bowles Rice LLP of Counsel	Director	Director, Bank of Mount Hope	Please see attached	2.39%	None	Graff-Lane Properties, LLC, 50%; HFS, LLC 45%, TOF, LLC 33.33%, Two Hands Ventures, LLC 60%
Samuel M Jasper Fayetteville WV/USA	Business Owner	Director	Director, Bank of Mount Hope	Owner, Jasper Leasing; President, SamLin Farm LLC	1.86%	None	Jasper Leasing, 100% SamLin Farms LLC, 100%
Michael Lively Oak Hill WV/USA	Jim Lively Insurance	Director	Director Bank of Mount Hope	President, Premier Financial Corp., Member, Whistle Stop Ice Cream Shop, LLC, Vice President, Jim Lively Insurance Inc. Member, Mason Property, LLC	.87%	None	Premier Financial Corporation, 33.3%; Whistle Stop Ice Cream Shop, LLC, 50%; Mason Property, LLC, 33.3%

(1) Names & Address (City, State, Country)	(2) Principal Occupation, if other than with Bank Holding Company	(3)(a) Title & Position with Bank Holding Company	(3)(b) Title & Position with Subsidiaries (include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (include names of other businesses)	(4)(a) Percentage of Voting Shares in Bank Holding Company	(4)(b) Percentage of Voting Shares in Subsidiaries (include names of subsidiaries)	(4)(c) List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
John Shonk IV Surf Side SC/USA	Retired	Director	Director Bank of Mount Hope	Director, Shonk-DEL LLC; Director, Shonk Land Company; Director, GASCO Limited Partnership; Director, REALCO LLC; Director, GASCO, Inc.; Director, Laurel Fork, LLC; Director, WV Mineral Properties, LLC	.62%	None	None
Ben M. Susman Beckley WV/USA	President, Bank of Mount Hope	President/Director	President & Director, Bank of Mount Hope	None	45.84%	None	None
Bradley Wartella Beckley WV/USA	Sr Vice President, Bank of Mount Hope	Director/Vice President	Director/Secretary & Senior Vice President, Bank of Mount Hope	None	2.38%	None	None

ATTACHMENT

F. T. Graff, Jr.
Charleston, WV/USA

(3)(c) Title & Position with Other Businesses (include names of other businesses)

Bowles Rice LLP of Counsel
Director Emeritus-United Bankshares, Inc.
Chairman of the Board/President, Chemical Alliance Zone (non-profit)
Member Emeritus, West Virginia Roundtable (non-profit)
Trustee, Wehrle Foundation (non-profit)
Trustee, Mason Family Irrevocable Trust
President, Graff-Lane Properties, LLC
Director, Fahlgren, Inc
Trustee, Anne Patricia Bright Trusts
Trustee, Elizabeth Morrison Bright Trusts
Trustee, Sarah Townsend Bright Trusts
Manager and Owner, HFS, LLC
Manager and Owner, TOF, LLC
Manager and Owner, Two Hands Ventures, LLC

Form FR Y-6

Mount Hope Bankshares, Inc.

Mount Hope, West Virginia/USA
Fiscal Year Ending December 31, 2017

Report Item 1: Annual Report to Shareholders

The bank holding company prepares an annual report for its securities holders and is not registered with the SEC. As specified by the responsible Reserve Bank.

MOUNT HOPE BANKSHARES, INC.
AND SUBSIDIARY

Consolidated
Financial Report
December 31, 2017

Arnett
Carbis
Toothman llp
CPAs & Advisors

CONTENTS

Arnett
Carbis
Toothman llp
CPAs & Advisors

actcpas.com

101 Washington Street, East
P.O. Box 2629
Charleston, WV 25329
304.346.0441 | 304.346.8333 fax
800.642.3601

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Mount Hope Bankshares, Inc. and Subsidiary
Mount Hope, West Virginia

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mount Hope Bankshares, Inc. and Subsidiary as of December 31, 2017 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2017, in accordance with accounting principles generally accepted in the United States of America.

Arnett Carbis Toothman LLP

Charleston, West Virginia
March 5, 2018

MOUNT HOPE BANKSHARES, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
December 31, 2017 and 2016

ASSETS	2017	2016
Cash and due from banks	$ 3,473,079	$ 3,017,884
Interest bearing deposits with other banks	1,740,615	1,828,413
Federal funds sold	28,000	3,154,000
Securities available for sale	51,473,838	50,828,785
Securities held to maturity (estimated fair value, 2017 $312; 2016 $535)	314	536
Loans, less allowance for loan losses of $670,880 and $664,600, respectively	66,455,293	61,369,015
Bank premises and equipment, net	989,937	1,050,942
Accrued interest receivable	527,308	479,966
Other assets	229,503	267,388
Total assets	$ 124,917,887	$ 121,996,929
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits:		
Non interest bearing	$ 31,656,230	$ 30,594,721
Interest bearing	72,697,717	71,978,475
Total deposits	104,353,947	102,573,196
Short-term borrowings	2,291,000	840,000
Long-term borrowings	2,000,000	3,000,000
Other liabilities	297,709	226,569
Total liabilities	108,942,656	106,639,765
Shareholders' Equity		
Common stock, $2 par value 387,500 shares authorized and issued, outstanding 2017 - 375,440; 2016- 375,440	775,000	775,000
Capital surplus	910,263	910,263
Retained earnings	14,767,612	14,179,409
Less cost of shares acquired for the treasury, 2017 - 12,060; 2016 - 12,060	(265,320)	(265,320)
Accumulated other comprehensive income	(212,324)	(242,188)
Total shareholders' equity	15,975,231	15,357,164
Total liabilities and shareholders' equity	$ 124,917,887	$ 121,996,929

See Notes to Consolidated Financial Statements

MOUNT HOPE BANKSHARES, INC. AND SUBSIDIARY

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

	2017	2016	2015
Interest income:			
Interest and fees on loans:			
Taxable	$ 2,807,166	$ 2,714,942	$ 2,752,614
Nontaxable	111,534	64,818	95,994
Interest and dividends on securities:			
Taxable	679,952	696,339	687,267
Nontaxable	413,006	414,028	382,898
Interest on deposits with other banks	28,052	7,801	2,826
Interest on Federal funds sold	23,641	9,251	2,213
Total interest income	4,063,351	3,907,179	3,923,812
Interest expense:			
Interest on deposits	300,317	275,379	293,231
Interest on short-term borrowings	2,951	1,560	400
Interest on long-term borrowings	56,860	102,322	153,052
Total interest expense	360,128	379,261	446,683
Net interest income	3,703,223	3,527,918	3,477,129
Provision for loan losses	38,714	18,315	20,890
Net interest income after provision for loan losses	3,664,509	3,509,603	3,456,239
Other income:			
Service charges and fees	751,608	726,417	709,862
Securities gains	42,634	87,059	43,664
(Loss) on sale of other assets	(358)	(1,977)	-
Other	283,646	268,604	273,816
	1,077,530	1,080,103	1,027,342
Other expenses:			
Salaries and employee benefits	1,732,068	1,900,965	1,875,107
Net occupancy expense	366,759	351,738	359,219
Equipment rentals, depreciation and maintenance	137,043	149,411	156,943
Legal and accounting	98,545	114,184	118,430
Data processing	280,800	290,901	289,100
Insurance	86,534	102,366	109,594
Other operating expenses	552,132	539,763	495,141
	3,253,881	3,449,328	3,403,534
Income before income tax expense	1,488,158	1,140,378	1,080,047
Income tax expense	299,251	236,247	219,742
Net income	$ 1,188,907	$ 904,131	$ 860,305
Basic earnings per common share	$ 3.17	$ 2.41	$ 2.29
Average common shares outstanding	375,440	375,440	375,440

See Notes to Consolidated Financial Statements

MOUNT HOPE BANKSHARES, INC. AND SUBSIDIARY

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

	2017	2016	2015
Net income	$ 1,188,907	$ 904,131	$ 860,305
Other comprehensive income:			
Gross unrealized (losses) gains arising during the period	170,899	(590,138)	(490,776)
Adjustments for income tax benefit (expense)	(131,139)	230,154	191,402
	39,760	(359,984)	(299,374)
Less: Reclassification adjustment for (gains)/losses included in net income	(42,634)	(87,059)	(43,664)
Adjustments for income tax expense/(benefit)	32,738	33,953	17,029
	(9,896)	(53,106)	(26,635)
Other comprehensive income, net of tax	29,864	(413,090)	(326,009)
Comprehensive income	$ 1,218,771	$ 491,041	$ 534,296

See Notes to Consolidated Financial Statements

MOUNT HOPE BANKSHARES, INC. AND SUBSIDIARY

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

	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income	Total
Balance, December 31, 2014	$ 775,000	$ 910,263	$ 13,477,467	$ (265,320)	$ 496,911	$ 15,394,321
Net income	-	-	860,305	-	-	860,305
Cash dividends declared on common stock ($1.40 per share)	-	-	(529,369)	-	-	(529,369)
Purchase of treasury stock	-	-	-	-	-	-
Change in unrealized gain (loss) on securities	-	-	-	-	(326,009)	(326,009)
Balance, December 31, 2015	775,000	910,263	13,808,403	(265,320)	170,902	15,399,248
Net income	-	-	904,131	-	-	904,131
Cash dividends declared on common stock ($1.42 per share)	-	-	(533,125)	-	-	(533,125)
Purchase of treasury stock	-	-	-	-	-	-
Change in unrealized gain (loss) on securities	-	-	-	-	(413,090)	(413,090)
Balance, December 31, 2016	775,000	910,263	14,179,409	(265,320)	(242,188)	15,357,164
Net income	-	-	1,188,907	-	-	1,188,907
Cash dividends declared on common stock ($1.60 per share)	-	-	(600,704)	-	-	(600,704)
Purchase of treasury stock	-	-	-	-	-	-
Change in unrealized gain (loss) on securities	-	-	-	-	29,864	29,864
Balance, December 31, 2017	$ 775,000	$ 910,263	$ 14,767,612	$ (265,320)	$ (212,324)	$ 15,975,231

See Notes to Consolidated Financial Statements

MOUNT HOPE BANKSHARES, INC. AND SUBSIDIARY

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

	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 1,188,907	$ 904,131	$ 860,305
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	105,661	109,375	111,725
Provision for loan losses	38,714	18,315	20,890
Deferred income taxes (benefit)	(53,327)	(4,790)	29,474
Amortization of security premiums (accretion) of discounts, net	281,760	349,570	661,294
(Gain) loss on sale of securities	(42,634)	(87,059)	(43,664)
(Gain) loss on sale of other real estate and repossessed assets	358	1,977	-
(Increase) decrease in accrued interest receivable	(47,342)	23,542	11,435
(Increase) decrease in other assets	51,395	116,305	85,497
Increase (decrease) in other liabilities	26,067	155,595	87,808
Net cash provided by operating activities	1,549,559	1,586,961	1,824,764
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales of securities available for sale	1,050,987	7,444,987	17,050,036
Proceeds from calls and maturities of securities available for sale	3,292,609	3,845,053	1,775,010
Principal payments received on securities available for sale	6,492,913	7,427,360	8,278,321
Principal payments received on securities held to maturity	222	759	1,298
Purchases of securities available for sale	(11,592,423)	(18,923,265)	(22,723,219)
Net (increase) decrease in interest bearing deposits with other banks	87,798	9,009,248	(9,223,686)
(Increase) decrease in Federal funds sold, net	3,126,000	332,000	(3,414,000)
Loans made to customers, net	(5,177,982)	(1,589,880)	2,106,910
Purchases of bank premises and equipment	(44,656)	(88,916)	(180,406)
Proceeds from sale of other real estate and repossessed assets	39,121	-	-
Net cash provided by (used in) investing activities	(2,725,411)	7,457,346	(6,329,736)

See Notes to Consolidated Financial Statements

MOUNT HOPE BANKSHARES, INC. AND SUBSIDIARY

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

	2017	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase (decrease) in demand deposits, NOW and savings accounts	605,367	(4,587,350)	9,949,325
Proceeds from sales of time deposits, net	1,175,384	(1,010,372)	(3,017,959)
Increase (decrease) in short-term borrowings	1,451,000	212,000	38,000
Proceeds from long-term borrowings	-	-	-
Principal payments made on long-term borrowings	(1,000,000)	(3,500,000)	(2,000,000)
Dividends paid	(600,704)	(533,125)	(529,369)
Net cash provided by (used in) financing activities	1,631,047	(9,418,847)	4,439,997
Increase (decrease) in cash and due from banks	455,195	(374,540)	(64,975)
Cash and due from banks:			
Beginning	3,017,884	3,392,424	3,457,399
Ending	$ 3,473,079	$ 3,017,884	$ 3,392,424
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash payments for:			
Interest paid to depositors	$ 291,050	$ 286,642	$ 295,120
Interest paid on short-term borrowings	$ 2,951	$ 1,560	$ 400
Interest paid on long-term borrowings	$ 56,860	$ 102,322	$ 153,052
Income taxes paid	$ 345,350	$ 82,389	$ 115,492
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES			
Other real estate and asset repossessions acquired in settlement of loans	52,990	-	-

See Notes to Consolidated Financial Statements

MOUNT HOPE BANKSHARES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies

Nature of business: Mount Hope Bankshares, Inc., (the Company) is a one-bank holding company incorporated in West Virginia. The wholly-owned subsidiary, Bank of Mount Hope, Inc. (the Bank) is a commercial bank with operations in Fayette and Raleigh County, West Virginia. The Bank provides consumer and commercial loans and deposit services principally to individuals and small businesses in Raleigh and Fayette Counties, West Virginia and the surrounding area.

Basis of presentation: The accounting and reporting policies of Mount Hope Bankshares, Inc. and Subsidiary (the Bank) conform to accounting principles generally accepted in the United States of America and to general practices within the banking industry.

Principles of Consolidation: The accompanying consolidated financial statements include the accounts of Mount Hope Bankshares, Inc., and its subsidiary, Bank of Mount Hope, Inc. All significant intercompany accounts and transactions have been eliminated in consolidation.

Accounting 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 revenues and expenses during the reported period. Actual results could differ from those estimates. For the year ended December 31, 2017, the Company evaluated subsequent events through March 5, 2018.

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

Interest bearing deposits with other banks: Interest bearing deposits with other banks mature within one year and are carried at cost.

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

Securities held to maturity - Debt securities for which the Bank has the positive intent and ability to hold to maturity are reported at cost and adjusted for amortization of premiums and accretion of discounts.

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Loans and allowance for loan losses: Loans are stated at the amount of unpaid principal, reduced by unearned discount (if any) and an allowance for loan losses.

The allowance for loan losses is maintained at a level considered adequate to provide for losses that can be reasonably anticipated. The allowance is increased by provisions charged to operating expense and reduced by net charge-offs. The Bank makes continuous credit reviews of the loan portfolio and considers current economic conditions, historical loan loss experience, review of specific problem loans and other factors in determining the adequacy of the allowance for loan losses. Loans are charged against the allowance for loan losses when management believes that the collectibility of the principal is unlikely. While management uses the best information available to make its evaluation, future adjustments to the allowance may be necessary if there are significant changes in economic conditions.

Unearned interest on discounted loans is amortized to income over the life of the loans, using methods which approximate the interest method. For all other loans, interest is accrued daily on the outstanding balances.

Certain direct loan costs are recognized as expense when incurred. Whereas, accounting principles generally accepted in the United States of America require that such costs be deferred and amortized as adjustments of the related loan's yield over the contractual life of the loan. The Bank's method of recognition of direct loan costs does not produce results which are materially different from those that would be recognized under accounting principles generally accepted in the United States of America. Certain direct costs, principally unreimbursed appraisal costs and dealer's fees, are deferred and the net amount of fees and costs is amortized as an adjustment of the related loans yield. The Bank is generally amortizing these amounts over the contractual life.

A loan is impaired when, based on current information and events, it is probable that the Bank will be unable to collect all amounts due in accordance with the contractual terms of the specific loan agreement. Impaired loans, other than certain large groups of smaller-balance homogeneous loans that are collectively evaluated for impairment, are required to be reported at the present value of expected future cash flows discounted using the loan's original effective interest rate or, alternatively, at the loan's observable market price, or at the fair value of the loan's collateral if the loan is collateral dependent. The method selected to measure impairment is made on a loan-by-loan basis, unless foreclosure is deemed to be probable, in which case the fair value of the collateral method is used.

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Other real estate: Other real estate consists primarily of real estate held for resale which was acquired through foreclosure on loans secured by such real estate. At the time of acquisition, these properties are recorded at the lower of cost or appraised market value with any writedown being charged to the allowance for loan losses. Expenses incurred in connection with operating these properties are charged to operating expenses. Gains and losses on the sales of these properties are credited or charged to operating income in the year of the transactions.

Advertising: The Bank expenses advertising costs as incurred.

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

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

Profit sharing and thrift plan: The Bank has a contributory profit sharing plan covering substantially all employees. The Bank's contribution is discretionary and is determined by management on a yearly basis.

ESOP plan: The Bank sponsors a leveraged employee stock ownership plan that covers all employees who are eligible as to age and hours of service.

Basic earnings per share: Basic earnings per common share is computed based upon the weighted average shares outstanding. The weighted average shares outstanding were 375,440 for each of the years ended December 31, 2017, 2016 and 2015, respectively.

Significant Authoritative Guidance: 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 by 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 value 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 (viii) 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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on 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. In addition, ASU 2016-13 amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. ASU 2016-13 will be effective on January 1, 2021. The Company is currently evaluating the potential impact of ASU 2016-13 on the financial statements.

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.

ASU 2017-01, *Business Combinations (Topic 805).* In January 2017, the FASB issued amendments to Topic 805 to clarify the definition of a business relative to adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The definition of a business affects many areas of accounting including acquisitions, disposals, goodwill, and consolidation. The amendments in this ASU provide a screen to determine when an integrated set of assets and activities (collectively referred to as a "set") is not a business. The screen requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or group of similar identifiable assets, the set is not a business. If the screen is not met, it (1) requires that to be considered a business, a set must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output, and (2) removes the evaluation of whether a market participant could replace the missing elements. This guidance is effective for public entities with fiscal years ending after December 15, 2017, and for all other entities for fiscal years ending after December 15, 2018. Early adoption is permitted, under certain circumstances and amendments should be applied on a prospective basis. The Company is currently evaluating the impact, if any, that adoption will have on the financial statements.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Securities

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

	2017			
	Carrying Value (Amortized Cost)	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Held to maturity:				
Taxable:				
Mortgage backed securities-U.S. Government agencies and corporations	$ 314	$ -	$ 2	$ 312
Total	$ 314	$ -	$ 2	$ 312

	2016			
	Carrying Value (Amortized Cost)	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Held to maturity:				
Taxable:				
Mortgage backed securities-U.S. Government agencies and corporations	$ 536	$ -	$ 1	$ 535
Total	$ 536	$ -	$ 1	$ 535

	2017			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Carrying Value (Estimated Fair Value)
Available for Sale:				
Taxable:				
U.S. Government agencies and corporations	$ 1,987,883	$ -	$ 6,333	$ 1,981,550
Mortgage backed securities-U.S. Government agencies and corporations	23,179,887	27,846	358,747	22,848,986
Small business administration guaranteed loan pool certificate	10,345,234	13,606	80,215	10,278,625
Municipals	1,122,075	-	15,632	1,106,443
Tax exempt:				
Municipals	15,107,524	179,165	28,455	15,258,234
Total	$ 51,742,603	$ 220,617	$ 489,382	$ 51,473,838

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	2016			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Carrying Value (Estimated Fair Value)
Available for Sale:				
Taxable:				
U.S. Government agencies and corporations	$ 2,989,794	$ 8,788	$ 1,082	$ 2,997,500
Mortgage backed securities- U.S. Government agencies and corporations	24,032,215	66,095	400,507	23,697,803
Small business administration guaranteed loan pool certificate	8,839,782	8,788	85,526	8,763,044
Municipals	889,333	-	11,368	877,965
Tax exempt:				
Municipals	14,474,691	160,683	142,901	14,492,473
Total	$ 51,225,815	$ 244,354	$ 641,384	$ 50,828,785

Impairment of securities is evaluated considering numerous factors, and their relative significance varies from case to case. Factors considered include the length of time and extent to which the market value has been less than cost; the financial condition and near-term prospects of the issuer; and the intent and ability to retain the security in order to allow for an anticipated recovery in market value. If, based on the analysis, it is determined that the impairment is other-than-temporary, the security is written down to fair value, and a loss is recognized through earnings.

The Bank has 59 and 57 securities in an unrealized loss position as of December 31, 2017 and 2016, respectively. These securities are predominately rated as investment grade securities (AA or better) and the unrealized losses are due to overall increases in market rates and not due to any underlying credit concerns of the issuers. The Bank has the intent and ability to hold such investments until maturity or market price recovery. Accordingly, the Bank has concluded that none of the securities in its investment portfolios are other-than-temporarily impaired at December 31, 2017 and 2016.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	2017					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available for Sale:						
U.S. Government agencies and corporations	$ 985,156	$ 2,553	$ 996,094	$ 3,780	$ 1,981,250	$ 6,333
Mortgage backed securities- U.S. Government agencies and corporations	9,311,798	94,967	12,655,742	263,780	21,967,540	358,747
Small business administration guaranteed loan pool certificate	2,308,575	6,595	6,308,169	73,620	8,616,744	80,215
Municipals	896,624	10,611	209,820	5,021	1,106,444	15,632
Tax-exempt:						
Municipals	1,737,811	10,550	2,488,702	17,905	4,226,513	28,455
	$ 15,239,964	$ 125,276	$ 22,658,527	$ 364,106	$ 37,898,491	$ 489,382

	2016					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available for Sale:						
U.S. Government agencies and corporations	$ 998,594	$ 1,082	$ -	$ -	$ 998,594	$ 1,082
Mortgage backed securities- U.S. Government agencies and corporations	21,361,494	400,506	354	1	21,361,848	400,507
Small business administration guaranteed loan pool certificate	3,313,061	57,536	4,816,078	27,990	8,129,139	85,526
Municipals	905,631	11,368	-	-	905,631	11,368
Tax-exempt:						
Municipals	7,284,287	142,901	-	-	7,284,287	142,901
	$ 33,863,067	$ 613,393	$ 4,816,432	$ 27,991	$ 38,679,499	$ 641,384

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The maturities, carrying values and estimated fair values of securities at December 31, 2017, are summarized as follows:

	2017			
	Held to Maturity		Available for Sale	
	Carrying Value (Amortized Cost)	Estimated Fair Value	Amortized Cost	Carrying Value (Estimated Fair Value)
Due within 1 year	$ -	$ -	$ 3,634,848	$ 3,633,936
Due after 1 but within 5 years	-	-	37,206,822	36,912,083
Due after 5 but within 10 years	314	312	7,864,109	7,864,955
Due after 10 years	-	-	3,036,824	3,062,864
	$ 314	$ 312	$ 51,742,603	$ 51,473,838

Mortgage backed obligations of U.S. Government agencies and corporations, included in securities at December 31, 2017 and 2016, respectively, have contractual maturities ranging from 1 to 28 years. These securities are reflected in the following maturity distribution schedules based on their anticipated average life to maturity, which ranges from 1 to 13 years. Accordingly, discounts are accreted and premiums are amortized over the anticipated average life to maturity of the specific obligation.

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

	Proceeds from			Gross Realized	
For the Year Ended December 31, 2017	Sales	Calls and Maturities	Principal Payments	Gains	Losses
Securities held to maturity	$ -	$ -	$ 222	$ -	$ -
Securities available for sale	1,050,987	3,292,609	6,492,913	42,634	-
	$ 1,050,987	$ 3,292,609	$ 6,493,135	$ 42,634	$ -

	Proceeds from			Gross Realized	
For the Year Ended December 31, 2016	Sales	Calls and Maturities	Principal Payments	Gains	Losses
Securities held to maturity	$ -	$ -	$ 759	$ -	$ -
Securities available for sale	7,444,987	3,845,053	7,427,360	87,059	-
	$ 7,444,987	$ 3,845,053	$ 7,428,119	$ 87,059	$ -

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2015	Proceeds from Sales	Proceeds from Calls and Maturities	Proceeds from Principal Payments	Gross Realized Gains	Gross Realized Losses
Securities held to maturity	$ -	$ -	$ 1,298	$ -	$ -
Securities available for sale	17,050,036	1,775,010	8,278,321	43,664	-
	$ 17,050,036	$ 1,775,010	$ 8,279,619	$ 43,664	$ -

At December 31, 2017 and 2016, securities with an amortized cost of $19,877,432 and $20,623,863, respectively, with estimated fair values of $19,643,648 and $20,394,642 respectively, were pledged to secure public deposits and for other purposes required or permitted by law.

Included in the subsidiary bank's investment in obligations of state and political subdivisions at December 31, 2017, were securities totaling $5,115,000, $4,515,000, and $1,965,000, which were issued by the State of Texas, the State of West Virginia, and the Commonwealth of Pennsylvania, respectively. At December 31, 2016, the bank held securities totaling $5,115,000, $3,445,000, and $3,045,000, which were issued by the Commonwealth of Pennsylvania, the State of Texas, and the State of West Virginia, respectively.

There were no significant concentrations to any one political subdivision within these states.

Note 3. Loans

Loans are summarized as follows:

	December 31, 2017	December 31, 2016
Commercial, financial and agricultural	$ 31,061,749	$ 25,916,726
Real estate - mortgage	26,351,664	25,694,947
Installment loans	9,728,777	10,432,593
Total loans	67,142,190	62,044,266
Less:		
Allowance for loan losses	(670,880)	(664,600)
Loan origination (fees) costs, net	(16,017)	(10,651)
Loans, net	$ 66,455,293	$ 61,369,015

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

	Within 1 Year	After 1 But Within 5 Years	After 5 Years
Commercial, financial and agricultural	$ 359,288	$ 5,076,136	$ 25,626,325
Real estate - mortgage	680,476	1,696,105	23,975,083
Installment loans	324,871	6,983,172	2,420,734
Total loans	$ 1,364,635	$ 13,755,413	$ 52,022,142
Loans due after one year with:			
Variable rates	$ 14,462,135		
Fixed rates	51,315,420		
	$ 65,777,555		

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Historically, non-accrual loans are included in the above balance of net loans; however, the Bank had no non-accrual loans outstanding at any point in 2017 or 2016. Additionally, the Bank did not incur any lost interest.

The following tables present the contractual aging of the recorded investment in past due loans by class as of December 31, 2017 and 2016.

December 31, 2017

	Past Due 30-59 days	Past Due 60-89 days	Past Due ≥ 90 days	Total	Current	Total Loans	Recorded Investment ≥ 90 days and Accruing
Residential real estate	$ 498,771	$ 118,315	$ -	$ 617,086	$ 25,734,578	$ 26,351,664	$ -
Commercial	-	-	-	-	23,326,371	23,326,371	-
Commercial real estate	-	-	-	-	7,735,378	7,735,378	-
Consumer							
Auto	86,633	-	-	86,633	4,673,755	4,760,388	-
Other	42,395	-	-	42,395	4,925,994	4,968,389	-
Total	$ 627,799	$ 118,315	$ -	$ 746,114	$ 66,396,076	$ 67,142,190	$ -

December 31, 2016

	Past Due 30-59 days	Past Due 60-89 days	Past Due ≥ 90 days	Total	Current	Total Loans	Recorded Investment ≥ 90 days and Accruing
Residential real estate	$ 153,456	$ -	$ 66,829	$ 220,285	$ 25,474,662	$ 25,694,947	$ 66,829
Commercial	-	-	-	-	19,450,234	19,450,234	-
Commercial real estate	51,802	-	-	51,802	6,414,690	6,466,492	-
Consumer							
Auto	50,012	18,719	-	68,731	4,687,592	4,756,323	-
Other	23,438	6,412	-	29,850	5,646,420	5,676,270	-
Total	$ 278,708	$ 25,131	$ 66,829	$ 370,668	$ 61,673,598	$ 62,044,266	$ 66,829

For purposes of evaluating impairment, the Bank will deem a loan to be impaired when, based on current circumstances and events; it is probable that the bank will be unable to collect all amounts due, including principle and interest, according to the original contractual terms of the loan.

For purposes of evaluating impairment, the subsidiary bank considers groups of smaller-balance, homogeneous loans to include: mortgage loans secured by residential property, other than those which significantly exceed the subsidiary bank's typical residential mortgage loan amount (currently those in excess of $100,000), and installment loans to individuals, exclusive of those loans in excess of $50,000.

The following tables present information about impaired loans as of December 31, 2017 and 2016:

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	December 31, 2017				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Balance	Interest Income Recognized While Impaired
With no related allowance					
Residential real estate	$ 157,095	$ 140,997	$ -	$ 149,046	$ 6,565
Commercial	-	-	-	-	-
Commercial real estate	-	-	-	-	-
Consumer					
Auto	18,719	16,556	-	17,638	1,169
Other	-	-	-	-	-
Total with no related allowance	$ 175,814	$ 157,553	$ -	$ 166,684	$ 7,734
With a related allowance					
Residential real estate	$ -	$ -	$ -	$ -	$ -
Commercial	-	-	-	-	-
Commercial real estate	-	-	-	-	-
Consumer					
Auto	-	-	-	-	-
Other	-	-	-	-	-
Total with a related allowance	$ -	$ -	$ -	$ -	$ -
Residential real estate	$ 157,095	$ 140,997	$ -	$ 149,046	$ 6,565
Commercial	-	-	-	-	-
Consumer	18,719	16,556	-	17,638	1,169
Total	$ 175,814	$ 157,553	$ -	$ 166,684	$ 7,734

	December 31, 2016				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Balance	Interest Income Recognized While Impaired
With no related allowance					
Residential real estate	$ 44,255	$ 39,542	$ -	$ 41,899	$ 3,597
Commercial	-	-	-	-	-
Commercial real estate	-	-	-	-	-
Consumer					
Auto	-	-	-	-	-
Other	-	-	-	-	-
Total with no related allowance	$ 44,255	$ 39,542	$ -	$ 41,899	$ 3,597
With a related allowance					
Residential real estate	$ -	$ -	$ -	$ -	$ -
Commercial	-	-	-	-	-
Commercial real estate	-	-	-	-	-
Consumer					
Auto	-	-	-	-	-
Other	-	-	-	-	-
Total with a related allowance	$ -	$ -	$ -	$ -	$ -
Residential real estate	$ 44,255	$ 39,542	$ -	$ 41,899	$ 3,597
Commercial	-	-	-	-	-
Consumer	-	-	-	-	-
Total	$ 44,255	$ 39,542	$ -	$ 41,899	$ 3,597

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Loans are categorized into risk categories based on relevant information about the ability of borrowers to service their debt such as current financial information, historical payment experience, credit documentation, and current economic trends, among other factors.

The Bank analyzes loans individually by classifying the loans as to credit risk. Risk ratings provide a means for measuring the adequacy of loan loss reserves, and call attention to credits requiring special administrative supervision. The Bank internally grades loans at the time of loan origination. In addition, loan officers review a sample of loans monthly. The following definitions are used for loan risk grades:

Excellent: Borrowers with strong financial condition, including debt to income at 30 or below; LTV within policy guidelines; credit score above 700 on all applicants; and borrowers have performed in the past without exception.

Good: Borrowers with strong financial condition, including debt to income within policy guidelines; LTV within policy guidelines; credit score 651 or above on all applicants; and borrowers have performed in the past without exception.

Acceptable: Loans that have an exception to policy in one or more of the following areas: debt to income, loan to value, or credit score. Current financial information is needed on the borrower.

Watch: Borrowers that have handled past debts satisfactory with the bank, but in recent months have either been late, delinquent or made sporadic payments. The financial condition of the borrower has deteriorated.

OLEM: Loans that have potential weaknesses that deserve management's close attention. Financial condition of the borrower shows weakness or marked deterioration that collateral or other financial capacity appears to protect.

Substandard: Loans that are inadequately protected by the sound worth and paying capacity of the borrower or the collateral pledged.

Doubtful: Poor quality loans in which neither the collateral, if any, nor the financial condition of the borrower presently ensure the ability to collect.

Loss: Loans that are deemed uncollectible and will be charged off.

The following tables present the recorded investment in commercial and commercial real estate loans which are generally evaluated based upon the internal risk ratings defined above at December 31, 2017 and 2016. Loans classified as Pass below include loans rated as Watch or better.

	2017	
	Commercial	**Commercial Real Estate**
Pass	$ 23,326,371	$ 7,735,378
OLEM	-	-
Substandard	-	-
Doubtful	-	-
Total	$ 23,326,371	$ 7,735,378

	2016	
	Commercial	**Commercial Real Estate**
Pass	$ 19,450,234	$ 6,466,492
OLEM	-	-
Substandard	-	-
Doubtful	-	-
Total	$ 19,450,234	$ 6,466,492

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following tables present the recorded investment in consumer, residential real estate, and home equity loans, which are generally evaluated based on the aging status of the loans and payment activity at December 31, 2017 and 2016:

	2017	
	Performing	**Nonperforming**
Consumer		
Auto	$ 4,760,388	$ -
Other	4,968,389	-
Residential real estate	26,351,664	-
Total	$ 36,080,441	$ -

	2016	
	Performing	**Nonperforming**
Consumer		
Auto	$ 4,756,323	$ -
Other	5,676,270	-
Residential real estate	25,628,118	66,829
Total	$ 36,060,711	$ 66,829

In the past the Bank has made loans, in the normal course of business, to its directors, officers and employees and will continue to make such loans in the future. At December 31, 2017 and 2016, outstanding loans of this nature totaled $1,656,511 and $1,791,705, respectively.

The following presents the activity with respect to loans to executive officers and directors aggregating $60,000 or more during 2017 and 2016.

	2017	**2016**
Balance, beginning	$ 1,390,713	$ 1,010,958
Additions	328,275	581,000
Amounts collected	(474,402)	(118,193)
Other	(91,031)	(83,052)
Balance, ending	$ 1,153,555	$ 1,390,713

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Allowance for Loan Losses

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

	2017	2016	2015
Balance, beginning of year	$ 664,600	$ 679,521	$ 684,803
Losses:			
Consumer loans	70,537	23,695	20,232
Overdrafts	22,041	22,485	15,541
Total	92,578	46,180	35,773
Recoveries:			
Commercial	-	-	500
Residential real estate	492	4,672	3,446
Consumer loans	52,167	1,048	2,481
Overdrafts	7,485	7,224	3,174
Total	60,144	12,944	9,601
Net losses	32,434	33,236	26,172
Provision for loan losses	38,714	18,315	20,890
Balance, end of year	$ 670,880	$ 664,600	$ 679,521

The allowance for loan losses is maintained at a level considered adequate to provide for the estimate of probable credit losses inherent in the loan portfolio. The allowance is increased by provisions charged to operating expense and reduced by net charge-offs. Loans are charges against the allowance for loan losses when it is believed that collectability is unlikely.

Future adjustments may be necessary if there are significant changes in conditions.

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

Specific Reserve for Loans Individually Evaluated

The Bank identifies loan relationships that are past due ninety days or more in principal or interest payments, loans that were classified during the last examination, and other loans, in the opinion of the lending staff, that may pose a potential loss. Such loan relationships are identified primarily through the analysis of internal loan evaluations, watch-list and past due loan reports, and loans adversely classified by regulatory authorities. Each loan so identified is then individually evaluated to determine whether it is impaired – such that, based on current information and events, it is probable that the Bank will be unable to collect all amounts due in accordance with the contractual terms of the underlying loan agreement. Substantially all of the Company's impaired loans are, and historically have been, collateral dependent, meaning repayment of the loan is expected to be provided solely from the sale of the loan's underlying collateral. For such loans, impairment is measured based on the fair value of the loan's collateral, which is generally determined utilizing appraisals that are one year old or less. A specific reserve is established in an amount equal to the excess, if any, of the recorded investment in each impaired loan over the fair value of its underlying collateral, less estimated costs to sell.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Quantitative Reserve for Loans Collectively Evaluated

The Bank stratifies the loan portfolio into the following five loan pools: residential real estate; commercial; commercial real estate; automotive; and installment.

Quantitative reserves relative to each loan pool are calculated by applying a percentage that equates the three year average net loan charge-off rate to the aggregate recorded investment in loans.

Qualitative Reserve for Loans Collectively Evaluated

The Bank considers the necessity to adjust the average historical net loan charge-off rates relative to each of the above loan pools for potential risk factors that could result in actual losses deviating from prior loss experience. Such qualitative risk factors considered are: (1) changes in national and local economic and business conditions and developments, including the condition of various market segments; (2) changes in the nature and volume of the portfolio; (3) changes in the experience, ability, and depth of lending management and staff; (4) changes in the trend of the volume and severity of past due and classified loans; and trends in the volume of nonaccrual loans, troubled debt restructuring and other loan modifications; (5) changes in the levels and trends in charge-offs and recoveries; (6) changes in the quality of the institution's loan review system and the degree of oversight by the institution's board of directors; and the experience, ability, and depth of lending management and other relevant staff; (7) the existence and effect of any concentrations of credit, and changes in the level of such concentrations; (8) the effect of external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in the institutions current portfolio; (9) change in lending policies and procedures, including underwriting standards and collection, charge-off, and recovery trends; (10) other analytical procedures that identify divergent trends.

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

	2017					
	Residential Real Estate	Commercial	Commercial Real Estate	Consumer		Total
				Auto	Other	
Allowance for loan losses:						
Beginning balance	$ 277,414	$ 96,742	$ 69,838	$ 101,181	$ 119,425	$ 664,600
Charge-offs	-	-	-	56,503	36,075	92,578
Recoveries	492	-	-	49,242	10,410	60,144
Provision	(32,969)	(2,944)	17,572	25,186	31,869	38,714
Ending balance	$ 244,937	$ 93,798	$ 87,410	$ 119,106	$ 125,629	$ 670,880
Allowance related to:						
Individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -
Collectively evaluated for impairment	244,937	93,798	87,410	119,106	125,629	670,880
Total	$ 244,937	$ 93,798	$ 87,410	$ 119,106	$ 125,629	$ 670,880
Loans:						
Individually evaluated for impairment	$ 140,997	$ -	$ -	$ -	$ -	$ 140,997
Collectively evaluated for impairment	26,210,667	23,326,371	7,735,378	4,760,388	4,968,389	67,001,193
Total	$ 26,351,664	$ 23,326,371	$ 7,735,378	$ 4,760,388	$ 4,968,389	$ 67,142,190

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	2016					
	Residential Real Estate	Commercial	Commercial Real Estate	Consumer Auto	Consumer Other	Total
Allowance for loan losses:						
Beginning balance	$ 300,347	$ 81,164	$ 84,358	$ 98,767	$ 114,885	$ 679,521
Charge-offs	-	-	-	19,143	27,037	46,180
Recoveries	4,672	-	-	299	7,973	12,944
Provision	(27,605)	15,578	(14,520)	21,258	23,604	18,315
Ending balance	$ 277,414	$ 96,742	$ 69,838	$ 101,181	$ 119,425	$ 664,600
Allowance related to:						
Individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -
Collectively evaluated for impairment	277,414	96,742	69,838	101,181	119,425	664,600
Total	$ 277,414	$ 96,742	$ 69,838	$ 101,181	$ 119,425	$ 664,600
Loans:						
Individually evaluated for impairment	$ 39,542	$ -	$ -	$ -	$ -	$ 39,542
Collectively evaluated for impairment	25,655,405	19,450,234	6,466,492	4,756,323	5,676,270	62,004,724
Total	$ 25,694,947	$ 19,450,234	$ 6,466,492	$ 4,756,323	$ 5,676,270	$ 62,044,266

Included in impaired loans are troubled debt restructurings of $140,997 and $39,542 as of December 31, 2017 and December 31, 2016, respectively.

The following tables present by class the troubled debt restructuring (TDR) that was restructured during the years ended December 31, 2017 and 2016. All TDRs are evaluated individually for allowance for loan loss purposes. There were no delinquencies in TDRs during 2017 or 2016.

	2017		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Troubled Debt Restructurings			
Residential	2	109,343	104,846

	2016		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Troubled Debt Restructurings			
Residential	-	-	-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5. Bank Premises and Equipment

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

	2017	2016
Land	$ 202,424	$ 202,424
Buildings and improvements	2,174,573	2,166,263
Furniture and equipment	870,355	882,886
	3,247,352	3,251,573
Less accumulated depreciation	2,257,415	2,200,631
Bank premises and equipment, net	$ 989,937	$ 1,050,942

Depreciation expense for the years ended December 31, 2017, 2016 and 2015, totaled $105,661, $109,375, and $111,725, respectively.

Note 6. Deposits

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

	2017	2016
NOW and Super NOW accounts	$ 8,584,101	$ 7,294,841
Savings accounts	34,238,596	33,633,230
Certificates of deposit	29,875,020	31,050,404
Total	$ 72,697,717	$ 71,978,475

Time certificates of deposit in denominations of $100,000 or more totaled $14,277,111 and $14,351,427 at December 31, 2017 and 2016, respectively. Interest paid on such certificates totaled $128,859, $133,706, and $141,660 for the years ended December 31, 2017, 2016 and 2015, respectively.

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

	2017	
	Amount	Percent
Three months or less	$ 2,149,520	15.1%
Three through six months	1,741,268	12.2%
Six through twelve months	2,814,986	19.7%
Over twelve months	7,571,337	53.0%
Total	$ 14,277,111	100.0%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

2018	$ 15,416,246
2019	6,195,302
2020	3,778,293
2021	3,010,564
2022 and thereafter	1,474,615
	$ 29,875,020

At December 31, 2017 and 2016, time deposits equal to or exceeding the federal depository (FDIC) limit of $250,000 totaled $1,880,371 and $1,609,413, respectively.

The Bank has, and expects to have in the future, banking transactions in the ordinary course of business with directors, significant stockholders, principal officers, their immediate families and affiliated companies in which they are principal stockholders (commonly referred to as related parties). In management's opinion, these deposits and transactions were on the same terms as those for comparable deposits and transactions with nonrelated parties. Aggregate deposit transactions with related parties were approximately $7,034,057 and $8,943,237 at December 31, 2017 and 2016, respectively. As of December 31, 2016, the Bank was a holder of deposits for one related party totaling $6,648,452, which represented a concentration.

Note 7. Short-Term Borrowings

The Bank is a member of Federal Home Loan Bank of Pittsburgh (FHLB). As a member, the Bank obtained an Open Repo Plus (OREP) line from the FHLB for an amount equal to 50% of the maximum borrowing capacity available, calculated as a percentage of collateral pledged to the FHLB, to finance loan growth and/or meet liquidity needs. Any advances bear interest at the interest rate posted by the FHLB on the day of the advance and are subject to change daily. This line of credit is secured by a blanket lien on all unpledged and unencumbered assets of the Bank and is open-ended. The Bank did not utilize this line of credit in 2017 or 2016.

Securities sold under agreements to repurchase mature the next business day. The securities underlying the repurchase agreements are under the Bank's control and secure the total outstanding balances.

The following provides additional details of borrowings under Repurchase Agreements:

	2017	2016
Average amount outstanding during year	$ 1,405,715	$ 796,219
Maximum amount outstanding at any month end	$ 2,323,000	$ 878,000
Balance at year end	$ 2,291,000	$ 840,000
Weighted average interest rate	0.21%	0.02%

The Bank has approximately $3,658,533 in securities pledged against the short-term borrowings at December 31, 2017.

Note 8. Long-Term Borrowings

The Bank is a member of the Federal Home Loan Bank of Pittsburgh (FHLB). As a member, the Bank obtained borrowings from the FHLB under various lending programs to finance growth and/or meet liquidity needs as necessary. All such borrowings are secured by a lien on all unpledged and unencumbered assets of the Bank.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A summary of the Company's long-term borrowings at December 31, 2017 and 2016 follows:

	2017	2016
Note payable, dated August 2013, to FHLB at 2.45%. Interest due monthly. The borrowing matures August 2019.	1,000,000	1,000,000
Note payable, dated August 2013, to FHLB at 1.94%. Interest due monthly. The borrowing matures August 2018.	1,000,000	1,000,000
Note payable, dated August 2013, to FHLB at 1.53%. Interest due monthly. The borrowing matured August 2017.	-	1,000,000
	$ 2,000,000	$ 3,000,000

Aggregate maturities required on long-term borrowings which are due in future years is as follows:

Years Ending December 31,	
2018	$ 1,000,000
2019	1,000,000
	$ 2,000,000

The loan agreements contain various general restrictions, all of which were complied with during the year ended December 31, 2017. The Bank has available funding from the Federal Home Loan Bank of Pittsburgh of $29,996,500.

Note 9. Income Taxes

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

	2017	2016	2015
Current:			
Federal	$ 319,512	$ 211,857	$ 158,516
State	33,066	29,180	31,752
	352,578	241,037	190,268
Deferred	(53,327)	(4,790)	29,474
Total	$ 299,251	$ 236,247	$ 219,742

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	2017		2016		2015	
	Amount	Percent	Amount	Percent	Amount	Percent
Computed tax at applicable statutory rate	$ 505,974	34.0	$ 387,729	34.0	$ 367,216	34.0
Increase (decrease) in taxes resulting from:						
Tax-exempt interest	(183,791)	(12.3)	(162,363)	(14.2)	(162,823)	(15.1)
Disallowed interest expense	3,622	0.2	3,251	0.3	3,507	0.3
State income taxes, net of Federal tax benefit	21,824	1.5	19,259	1.7	20,956	1.9
ESOP dividends paid	(19,493)	(1.3)	(17,300)	(1.5)	(17,179)	(1.6)
Impact on tax rate change on deferred taxes	(29,339)	(2.0)	-	0.0	-	0.0
Other, net	454	0.0	5,671	0.5	8,065	0.7
Applicable Income taxes	$ 299,251	20.1	$ 236,247	20.8	$ 219,742	20.2

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

The Tax Cuts and Jobs Act of 2017 (the Act) was enacted on December 22, 2017. Consequent to the passage of the Act, the Bank's deferred tax assets and liabilities were adjusted for the effects of the Act's changes in the tax law and rates. For the year ended December 31, 2017, the Bank recorded a $29,339 change to income tax expense to reflect the impact of the Act's tax rate change on the Bank's net deferred tax assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	2017		2016	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
Depreciation	$ -	$ 59,847	$ -	$ 104,727
Allowance for loan losses	9,131	-	11,753	-
Deferred loan fees and costs	-	3,448	-	14,517
Net unrealized gains and losses on securities	56,441	-	154,841	-
Total	$ 65,572	$ 63,295	$ 166,594	$ 119,244

Realization of future tax benefits related to deferred tax assets is dependent on many factors, including the Bank's ability to generate regular taxable income.

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

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

Note 10. Employee Benefit Plans and Profit Sharing Plans

The Bank sponsors a leveraged employee stock ownership plan (ESOP) that covers all employees who are age 20 and older and have been credited with 1,000 hours of service for the plan year ending on that anniversary date. The Plan requires establishment of an employee stock ownership trust which borrows funds from time to time from other banks to purchase unissued bank stock for the employees. Dividends on allocated shares are credited to each participant account with total dividends recorded as a reduction of retained earnings.

As the debt is repaid, shares are released from collateral and allocated to each active participant based on their compensation as defined in the plan. In addition, each participant's account is credited with an allocation of (a) the Bank's contribution, (b) Plan earnings and (c) forfeitures of terminated participants' non-vested accounts. Allocations are based on participant account balances as defined in the Plan. The benefit to which a participant is entitled is the benefit that can be provided from the participant's account, subject to vesting provisions.

Annual contributions of approximately $12,000, $48,700 and $46,200 to the ESOP are included in the statements of income for the years ended December 31, 2017, 2016 and 2015, respectively. The amount of contributions to the Plan is at the discretion of the Bank's Board of Directors.

The allocated ESOP were 35,833 for each of the three years ended December 31, 2017.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Under the profit-sharing thrift plan, which includes 401(k) provisions for all employees of the Bank who have attained age twenty and have been credited with 1,000 hours of service per Plan year. Participants are permitted to contribute up to the maximum dollar amount allowed by the Internal Revenue Service, which is $18,000 for 2017. Participants are also permitted to make rollover contributions. The Bank may make matching contributions, discretionary matching contributions equal to a uniform percentage of the participant's salary deferrals, and discretionary profit sharing contributions.

Participant contributions and employer matching contributions are fully vested upon payment while employer profit sharing contributions are subject to certain vesting requirements if an employee terminates prior to normal retirement age. Employer profit sharing contributions are fully vested after six years. Plan participants are entitled to receive Plan benefits upon termination of employment, death, disability or retirement at an age not earlier than 55 with ten years of service, with age 65 being normal retirement age.

Contributions charged to operations for this Plan and included in the financial statements for the years ended December 31, 2017, 2016 and 2015, totaled $35,978, $43,672, and $42,087, respectively.

Note 11. Commitments and Contingencies

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

Lease obligation:

The Bank leases the Oak Hill branch facility under an operating lease with an initial term of ten years commencing on December 15, 1998. In 2017, the term of the lease was extended for an additional five years. Total minimum lease payments of $27,000 were charged to expense for each of the years ended December 31, 2017, 2016 and 2015, respectively. Total future minimum lease payments under the lease are as follows:

Years Ending December 31,	Amount
2018	$ 30,000
2019	$ 30,000
2020	$ 30,000
2021	$ 30,000
2022 and thereafter	$ 30,000
	$ 150,000

Financial instruments with off-balance sheet risk:

The Bank is a party of financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheets. The contract amounts of those instruments reflect the extent of involvement the Bank has in particular classes of financial instruments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Contract Amount	
	2017	2016
Commitments to extend credit	$ 5,249,089	$ 4,059,109

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

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The Bank evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained if deemed necessary upon extension of credit is based on management's credit evaluation. Collateral held varies but may include accounts receivable, inventory, equipment or real estate.

Note 12. Restrictions on Dividends and Capital

Dividends paid by the Bank are subject to restrictions by banking regulations. The most restrictive provision requires approval by the regulatory agency if dividends declared in any year exceed the year's net income, as defined, plus the retained net profits of the two preceding years. During 2018, the net retained profits available for distribution as dividends without regulatory approval are approximately $940,000, plus net retained income for the interim periods through the date of declaration.

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

Quantitative measures established by regulation to ensure capital adequacy require a bank to maintain minimum amounts and ratios of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), Common Equity Tier I (as defined), and of Tier I capital (as defined) to average assets (as defined). Management believes, as of December 31, 2017, that the Bank meets all capital adequacy requirements to which it is subject.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company's (MHBS, Inc.) and the Bank's (BMH) actual capital amounts and ratios are presented below (in thousands):

	Actual			Adequacy Purposes			Actions Provisions	
	Amount		Percent	Amount		Percent	Amount	Percent
As of December 31, 2017:								
CET1 (to Risk-Weighted Assets):								
MHBS, Inc.	$	15,763	28.4%	$	2,497	4.5%	$ 3,607	6.5%
BMH	$	16,149	29.1%	$	2,497	4.5%	$ 3,607	6.5%
Total Capital (to Risk Weighted Assets):								
MHBS, Inc.	$	16,434	29.6%	$	4,439	8.0%	$ 5,549	10.0%
BMH	$	16,820	30.3%	$	4,439	8.0%	$ 5,549	10.0%
Tier I Capital (to Risk Weighted Assets):								
MHBS, Inc.	$	15,763	28.4%	$	2,219	4.0%	$ 3,329	6.0%
BMH	$	16,149	29.1%	$	2,219	4.0%	$ 3,329	6.0%
Tier I Capital (to Average Assets):								
MHBS, Inc.	$	15,763	12.6%	$	5,007	0.0%	$ 6,259	5.0%
BMH	$	16,149	12.9%	$	5,007	0.0%	$ 6,259	5.0%

	Actual			For Capital Adequacy Purposes			Under Prompt Corrective Actions Provisions	
	Amount		Percent	Amount		Percent	Amount	Percent
As of December 31, 2016:								
CET1 (to Risk-Weighted Assets):								
MHBS, Inc.	$	15,068	27.4%	$	2,472	4.5%	$ 3,571	6.5%
BMH	$	15,569	28.3%	$	2,472	4.5%	$ 3,571	6.5%
Total Capital (to Risk Weighted Assets):								
MHBS, Inc.	$	15,733	28.6%	$	4,395	8.0%	$ 5,493	10.0%
BMH	$	16,233	29.6%	$	4,395	8.0%	$ 5,493	10.0%
Tier I Capital (to Risk Weighted Assets):								
MHBS, Inc.	$	15,068	27.4%	$	2,197	4.0%	$ 3,296	6.0%
BMH	$	15,569	28.3%	$	2,197	4.0%	$ 3,296	6.0%
Tier I Capital (to Average Assets):								
MHBS, Inc.	$	15,068	12.3%	$	4,904	4.0%	$ 6,130	5.0%
BMH	$	15,569	12.7%	$	4,904	4.0%	$ 6,130	5.0%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13. Fair Value Measurements

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

Level 1: Quoted prices (unadjusted) or identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

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

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

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

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

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

Assets at Fair Value on a Recurring Basis

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

Available for sale securities	**Balance December 31, 2017**	**Fair Value Measurements Using: Level 1**	**Level 2**	**Level 3**
U.S. Government sponsored agencies and corporations	$ 1,981,550	$ -	$ 1,981,550	$ -
Mortgage backed securities:				
Government sponsored agencies and corporations	22,848,986	-	22,848,986	-
Small Business Administration guaranteed loan pool certificates	10,278,625	-	10,278,625	-
Municipals	1,106,443	-	1,106,443	-
Tax-exempt municipals	15,258,234	-	15,258,234	-
Total available for sale securities	$ 51,473,838	$ -	$ 51,473,838	$ -

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Available for sale securities	Balance December 31, 2016	Fair Value Measurements Using: Level 1	Level 2	Level 3
U.S. Government sponsored agencies and corporations	$ 2,997,500	$ -	$ 2,997,500	$ -
Mortgage backed securities:				
Government sponsored agencies and corporations	23,697,803	-	23,697,803	-
Small Business Administration guaranteed loan pool certificates	8,763,044	-	8,763,044	-
Municipals	877,965	-	877,965	-
Tax-exempt municipals	14,492,473	-	14,492,473	-
Total available for sale securities	$ 50,828,785	$ -	$ 50,828,785	$ -

Assets Recorded at Fair Value on a Nonrecurring Basis

The Bank may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis in accordance with U.S. generally accepted accounting principles. These include assets that are measured at the lower of cost or market that were recognized at fair value below cost at the end of the period. There are no assets measured at fair value on a nonrecurring basis at December 31, 2017 and 2016.

Note 14. Fair Value of Financial Instruments

The following summarizes the methods and significant assumptions the Company used in estimating our fair value disclosures for financial instruments.

Cash and due from banks: The carrying values of cash and due from banks approximate their estimated fair value.

Interest bearing deposits with other banks: The carrying values of interest bearing deposits with other banks approximates their estimated fair value.

Federal funds sold: The carrying values of Federal funds sold approximate their estimated fair values.

Securities: Estimated fair values of securities are based on quoted market prices. If not available, estimated fair values are based on quoted market prices of comparable securities.

Loans: The estimated fair values for loans are computed based on scheduled future cash flows of principal and interest, discounted at interest rates currently offered for loans with similar terms to borrowers of similar credit quality. No prepayments of principal are assumed.

Accrued interest receivable and payable: The carrying values of accrued interest receivable and payable approximate their estimated fair values.

Deposits: The estimated fair value of demand deposits (i.e. non interest bearing checking, NOW, money market and savings accounts) and other variable rate deposits approximate their carrying values. Fair values of fixed maturity deposits are estimated using a discounted cash flow methodology at rates currently offered for deposits with similar remaining maturities. Any intangible value of long-term relationships with depositors is not considered in estimating the fair values disclosed.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Short-term borrowing: The carrying values of short-term borrowings approximate their estimated fair values.

Long-term borrowing: The fair values of long-term borrowings are estimated by discounted scheduled future payments of principal and interest at current rates available on borrowings with similar terms.

Off-balance sheet instruments: The fair values of commitments to extend credit and standby letters of credit are estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and present credit standing of the counter parties. The amounts of fees currently charged on commitments and standby letters of credit are deemed insignificant, and therefore, the estimated fair values and carrying values of these instruments are not shown below.

The carrying values and estimated fair values of the Company's financial instruments are summarized below:

	2017		2016	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Financial assets:				
Cash and due from banks	$ 3,473,079	$ 3,473,079	$ 3,017,884	$ 3,017,884
Interest bearing deposits with other banks	1,740,615	1,740,615	1,828,413	1,828,413
Federal funds sold	28,000	28,000	3,154,000	3,154,000
Securities available for sale	51,473,838	51,473,838	50,828,785	50,828,785
Securities held to maturity	314	312	536	535
Loans	66,455,293	66,316,025	61,369,015	61,287,162
Accrued interest receivable	527,308	527,308	479,996	479,996
	$ 123,698,447	$ 123,559,177	$ 120,678,629	$ 120,596,775
Financial liabilities:				
Deposits	$ 104,353,947	$ 104,772,129	$ 102,573,195	$ 102,701,330
Short-term borrowings	2,291,000	2,291,000	840,000	840,000
Long-term borrowings	2,000,000	2,000,000	3,000,000	3,000,000
Accrued interest payable	35,993	35,993	26,726	26,726
	$ 108,680,940	$ 109,099,122	$ 106,439,921	$ 106,568,056

Note 15. Condensed Financial Statements of Parent Company

Mount Hope Bankshares, Inc. was formed for the sole purpose of becoming a bank holding company, and through an exchange of common stock, acquired all of the stock of Bank of Mount Hope, Inc. The investment of the Company in its wholly-owned subsidiary is presented on the equity method of accounting. Information relative to the Company's balance sheet at December 31, 2017 and 2016 and the related statements of income and cash flows at December 31, 2017, 2016 and 2015 is presented below:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Balance Sheet	December 31 2017	December 31 2016
Assets		
Cash	$ 37,819	$ 29,568
Investment in bank subsidiary, eliminated in consolidation	15,937,412	15,327,596
Total assets	$ 15,975,231	$ 15,357,164
Liabilities and Shareholders' Equity		
Shareholders' Equity		
Common stock, $2 par value, 387,500 shares authorized and issued, outstanding at 2017 - 375,440; 2016 - 375,440	$ 775,000	$ 775,000
Capital surplus	910,263	910,263
Retained earnings	14,767,612	14,179,409
Less cost of shares acquired for the treasury, 2017 - 12,060; 2016 - 12,060	(265,320)	(265,320)
Accumulated other comprehensive income	(212,324)	(242,188)
Total shareholders' equity	15,975,231	15,357,164
Total liabilities and shareholders' equity	$ 15,975,231	$ 15,357,164

Statements of Income	December 31, 2017	2016	2015
Income - dividends from bank subsidiary	$ 620,000	$ 550,250	$ 546,375
Expenses - operating	11,045	14,349	11,468
Income before income taxes and undistributed income	608,955	535,901	534,907
Applicable income tax expense (benefit)	-	-	-
Income before undistributed income	608,955	535,901	534,907
Equity in undistributed income of subsidiaries	579,952	368,230	325,398
Net income	1,188,907	904,131	860,305

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Statements of Cash Flows	December 31, 2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	1,188,907	904,131	860,305
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed earnings of subsidiary	(579,952)	(368,230)	(325,398)
Net cash provided by operating activities	608,955	535,901	534,907
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to shareholders	(600,704)	(533,125)	(529,369)
Purchase of treasury stock	-	-	-
Net cash (used in) financing activities	(600,704)	(533,125)	(529,369)
Increase (decrease) in cash	8,251	2,776	5,538
Cash:			
Beginning	29,568	26,792	21,254
Ending	$ 37,819	$ 29,568	$ 26,792

Mount Hope Bankshares, Inc., accounts for its investments in its bank subsidiary by the equity method. During the periods ended December 31, 2017, 2016, and 2015, respectively, changes were as follows:

Number of shares owned - Bank of Mount Hope, Inc.	387,500
Percentage of shares owned - Bank of Mount Hope, Inc.	100%
Balance at December 31, 2014	$ 15,373,067
Add (deduct):	
Equity in net income	325,398
Change in equity in unrealized gain (loss) on securities	(326,009)
Balance at December 31, 2015	15,372,456
Add (deduct):	
Equity in net income	368,230
Change in equity in unrealized gain (loss) on securities	(413,090)
Balance at December 31, 2016	15,327,596
Add (deduct):	
Equity in net income	579,952
Change in equity in unrealized gain (loss) on securities	29,864
Balance at December 31, 2017	$ 15,937,412