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FR Y-6
OMB Number 7100-0297
Approval expires November 30, 2019
Page 1 of 2

Board of Governors of the Federal Reserve System

FRB RICHMOND

Annual Report of Holding Companies—FR Y-6

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

This Report is required by law: Section 5(c)(1)(A) of the Bank Holding Company Act (12 U.S.C. § 1844(c)(1)(A)); 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, Brett M. Stover
Name of the Holding Company Director and Official

VP-Sec.
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.

Brett M. Stover
Signature of Holding Company Director and Official

3/30/2018
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 1427211
C.I.

Date of Report (top-tier holding company's fiscal year-end):
12/31/2017
Month / Day / Year

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

Reporter's Name, Street, and Mailing Address

First Clay County Banc Corp.
Legal Title of Holding Company

P.O. Box 239
(Mailing Address of the Holding Company) Street / P.O. Box

City	State	Zip Code
Clay	WV	25043

150 Main Street Clay WV 25043
Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Name	Title
Brett M. Stover	VP-Sec.

304-587-4221
Area Code / Phone Number / Extension

304-587-4231
Area Code / FAX Number

bstover@claycountybank.com
E-mail Address

None
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.

For Use By Tiered Holding Companies

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

Legal Title of Subsidiary Holding Company

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

City | State | Zip Code

Physical Location (if different from mailing address)

Legal Title of Subsidiary Holding Company

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

City | State | Zip Code

Physical Location (if different from mailing address)

Legal Title of Subsidiary Holding Company

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City | State | Zip Code

Physical Location (if different from mailing address)

FIRST CLAY COUNTY BANC CORPORATION
FR Y-6 DECEMBER 31, 2017

REPORT ITEM 1: The Bank Holding Company prepares an annual report for its Shareholders. Two copies are enclosed.

Report Item 2a: Organization Chart:

First Clay County Banc Corporation
NO LEI
Clay, WV USA
Incorporated in West Virginia

↓ 100%

Clay County Bank, Inc.
LEI: 2549003VO95NGF435U70
Clay , WV USA
Incorporated in West Virginia

Report Item 2b See attached FRB listing.

Report Item 3 Shareholders (see attached)

Report Item 4: Directors, Officers and Principal Shareholders (see attached)

Results: A list of branches for your depository institution: CLAY COUNTY BANK, INC. (ID_RSSD: 832528).
This depository institution is held by FIRST CLAY COUNTY BANC CORPORATION (1427211) of CLAY, 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)	832528	CLAY COUNTY BANK, INC.	150 MAIN STREET	CLAY	WV	25043	CLAY	UNITED STATES	Not Required	Not Required	CLAY COUNTY BANK, INC.	832528	
OK		Full Service	955324	CLAY BRANCH	2236 MAIN STREET	CLAY	WV	25043	CLAY	UNITED STATES	Not Required	Not Required	CLAY COUNTY BANK, INC.	832528	

Form FRY-6
First Clay County Banc Corporation
Fiscal Year Ending December 31, 2017

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

Current Securities holders with ownership, control or holdings of 5% or more with power to vote as of the fiscal year ending 12-31-2017

(1)(a) **Name** **City, State, Country**	(1) (b) **Country of Citizenship or Incorporation**	(1) (c) **Number and Percentage of Voting Securities**
Elizabeth A. Miller **Stock** **Vero Beach, FL USA**	**USA**	**8,100- 20.94% Common**
Henry B. Davenport **Stock** **Charles Town, WV USA**	**USA**	**3,000- 7.76% Common**
Patricia S. Muncie **Winchester, KY USA**	**USA**	**3,150- 8.14% Common Stock**
Thomas S. Cook **Dunbar, WV USA**	**USA**	**3,400- 8.79% Common Stock**
John Habjan **Clarion, PA USA**	**USA**	**1,950- 5.04% Common Stock**

Report Item 3.2- None

Form FRY-6
First Clay County Banc Corporation
Fiscal Year Ending December 31, 2017

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

(1) Name City, State Country	(2) Principal Occupation Other than BHC	(3) (a) Title Position BHC	(3) (b) Title-Position Clay County Bank	(3) (c) Title-Position Other Businesses	(4) (a) % Voting shares BHC	(4) (b) % shares subsidiaries	(4) (c) Other Companies 25% voting shares
J. Gregory Gency Clay, WV USA	**N/A**	**President/ Director**	**President/ Director**	**N/A**	**0.19%**	**None**	**N/A**
Jerry C. Gould Indore, WV USA	**Owner of Gould's Electric Motor Repair Inc.**	**Director & Chairman**	**Director & Chairman**	**President- Gould's Electric Motor Repair Inc.**	**2.08%**	**None**	**Gould's Electric Motor Repair Inc. – (100%)**
Thomas Cook Dunbar, WV USA	**Retired**	**Director**	**Director**	**N/A**	**8.79%**	**None**	**N/A**
Bruce Cunningham Ivydale, WV USA	**Retired Teacher /Car Dealer**	**Director**	**Director**	**President- Cunningham Motors, Inc.**	**3.17%**	**None**	**Cunningham Motors, Inc. (41%)**
Brett M. Stover Clay, WV USA	**N/A**	**Director/ Secretary**	**Director/ SVP-CFO**	**N/A**	**0.15%**	**None**	**N/A**
Sally Miller Collins Buckhannon WV USA	**Teacher**	**Director**	**Director**	**N/A**	**0.13%**	**None**	**N/A**
Gary Keen Clay WV USA	**Owner of Elk Valley Heating and Cooling**	**Director**	**Director**	**Owner- Elk Valley Heating and Cooling**	**1.36%**	**None**	**Elk Valley Heating and Cooling- (100%)**
Elizabeth A. Miller Vero Beach FL USA	**Retired Teacher Retired Director**	**N/A**	**N/A**	**N/A**	**20.94% ****	**None**	**N/A**

****Included as a principal stock holder**

actcpas.com

Arnett Carbis Toothman llp
CPAs & Advisors

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 and Shareholders
First Clay County Banc Corporation
and Subsidiary
Clay, West Virginia

Report on Financial Statements

We have audited the accompanying consolidated financial statements of First Clay County Banc Corporation 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 First Clay County Banc Corporation and its Subsidiary as of December 31, 2017 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2017 in accordance with accounting principles generally accepted in the United States of America.

Arnett Carbis Toothman LLP

Charleston, West Virginia
February 14, 2018

FIRST CLAY COUNTY BANC CORPORATION AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
December 31, 2017 and 2016

	2017	2016
Assets		
Cash and due from banks	$ 2,218,579	$ 2,009,001
Interest bearing deposits and deposit notes with other banks	19,901,970	16,049,024
Securities available for sale	16,604,288	15,965,318
Loans, less allowance for loan losses of $1,370,070 and $1,391,919, respectively	50,188,492	49,840,216
Bank premises and equipment, net	1,219,069	1,215,564
Accrued interest receivable	278,946	288,520
Other assets	273,638	339,613
Total assets	$ 90,684,982	$ 85,707,256
Liabilities and Shareholders' Equity		
Liabilities		
Deposits:		
Non interest bearing	$ 19,432,071	$ 14,603,339
Interest bearing	58,425,484	58,776,659
Total deposits	77,857,555	73,379,998
Other liabilities	446,533	437,597
Total liabilities	78,304,088	73,817,595
Shareholders' Equity		
Common stock, par value $10, 50,000 shares authorized and issued; and 38,675 and 39,204 shares outstanding in 2017 and 2016, respectively	$ 500,000	$ 500,000
Additional paid-in-capital	1,000,169	1,000,169
Retained earnings	13,014,094	12,303,872
Less cost of shares acquired for the treasury - 11,325 and 10,796 shares in 2017 and 2016, respectively	(2,159,599)	(1,995,609)
Accumulated other comprehensive income	26,230	81,229
Total shareholders' equity	12,380,894	11,889,661
Total liabilities and shareholders' equity	$ 90,684,982	$ 85,707,256

FIRST CLAY COUNTY BANC CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME
For Each of the Years in the Period Ended December 31, 2017, 2016 and 2015

	2017	2016	2015
Interest Income:			
Interest and fees on loans	$ 3,295,294	$ 3,196,424	$ 3,186,709
Interest on interest bearing deposits with other banks	240,265	136,695	73,560
Interest and dividends on securities:			
Taxable	214,070	202,952	248,157
Tax-exempt	126,282	140,324	169,773
Total interest income	3,875,911	3,676,395	3,678,199
Interest expense on deposits	408,357	445,204	484,692
Net interest income	3,467,554	3,231,191	3,193,507
Provision for loan losses	5,000	-	3,000
Net interest income after provision provision for loan losses	3,462,554	3,231,191	3,190,507
Other income:			
Service charges and fees	640,505	628,976	605,869
Other operating income and fees	82,088	73,865	73,876
Total other income	722,593	702,841	679,745
Other expenses:			
Salaries and employee benefits	1,270,486	1,254,933	1,282,442
Occupancy	226,514	253,583	239,041
Professional fees	142,972	97,004	109,290
Data processing	211,479	211,444	218,630
Other outside service fees	89,769	84,193	78,812
Other operating expenses	689,416	710,133	624,679
Total other expenses	2,630,636	2,611,290	2,552,894
Income before income tax expense	1,554,511	1,322,742	1,317,358
Income tax expense	554,224	415,225	461,607
Net income	$ 1,000,287	$ 907,517	$ 855,751
Basic earnings per common share	$ 25.88	$ 23.06	$ 21.72
Average common shares outstanding	38,653	39,357	39,401

See Notes to Consolidated Financial Statements

FIRST CLAY COUNTY BANC CORPORATION AND SUBSIDIARY

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

	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income / (Loss)	Total Shareholders' Equity
Balance at December 31, 2014	$ 500,000	$ 1,000,169	$ 11,130,624	$ (1,921,561)	$ 239,949	$ 10,949,181
Net Income	-	-	855,751	-	-	855,751
Comprehensive income:						
Change in unrealized gain on securities available for sale, net of income tax benefit of $8,090	-	-	-	-	(54,338)	(54,338)
Purchase of treasury stock, 50 shares	-	-	-	(13,800)	-	(13,800)
Cash dividends, $7.50 per share	-	-	(295,500)	-	-	(295,500)
Balance at December 31, 2015	500,000	1,000,169	11,690,875	(1,935,361)	185,611	11,441,294
Net Income	-	-	907,517	-	-	907,517
Comprehensive income:						
Change in unrealized gain on securities available for sale, net of income tax benefit of $102,031	-	-	-	-	(104,382)	(104,382)
Purchase of treasury stock, 196 shares	-	-	-	(60,248)	-	(60,248)
Cash dividends, $7.50 per share	-	-	(294,520)	-	-	(294,520)
Balance at December 31, 2016	500,000	1,000,169	12,303,872	(1,995,609)	81,229	11,889,661
Net Income	-	-	1,000,287	-	-	1,000,287
Comprehensive income:						
Change in unrealized gain on securities available for sale, net of income tax benefit of $10,572	-	-	-	-	(54,999)	(54,999)
Purchase of treasury stock, 529 shares	-	-		(163,990)	-	(163,990)
Cash dividends, $7.50 per share	-	-	(290,065)	-	-	(290,065)
Balance at December 31, 2017	$ 500,000	$ 1,000,169	$ 13,014,094	$ (2,159,599)	$ 26,230	$ 12,380,894

See Notes to Consolidated Financial Statements

FIRST CLAY COUNTY BANC CORPORATION AND SUBSIDIARY

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

	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income	$ 1,000,287	$ 907,517	$ 855,751
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	99,581	98,699	96,883
Net (accretion) amortization on securities	(9,148)	(44,198)	(68,483)
Provision for loan losses	5,000	-	3,000
Provision for deferred income taxes (benefit)	18,224	(38,165)	9,365
Loss on disposal of bank premises and equipment	-	8,324	-
(Increase) decrease in accrued interest receivable	9,574	(21,382)	10,421
(Increase) decrease in other assets	76,085	(899)	44,281
(Decrease) increase in accrued interest payable and other liabilities	8,936	(125,627)	44,104
Net cash provided by operating activities	1,208,539	784,269	995,322
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of securities available for sale	(2,997,332)	(6,175,270)	(1,579,653)
(Purchase of) proceeds from interest bearing deposits with other banks	(3,889,998)	(1,180,002)	(2,990,113)
Proceeds from sales, calls and maturities of securities available for sale	595,000	3,285,000	2,780,000
Principal payments received on securities available for sale	1,726,229	1,390,503	1,306,987
(Loans made to) principal collected from customers, net	(343,276)	(180,653)	(104,407)
Purchases of bank premises and equipment	(103,086)	(171,758)	(26,280)
Net cash (used in) investing activities	(5,012,463)	(3,032,180)	(613,466)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase (decrease) in demand deposits, money market, and savings accounts	4,121,339	1,886,588	(281,980)
Proceeds from sales of time deposits	356,218	745,205	745,205
Dividends paid	(290,065)	(294,520)	(295,500)
Purchase of treasury stock	(163,990)	(60,248)	(13,800)
Net cash provided by financing activities	4,023,502	2,277,025	153,925
Net increase (decrease) in cash and cash equivalents	209,578	29,114	535,781
Cash and due from banks:			
Beginning	2,009,001	1,979,887	1,444,106
Ending	$ 2,218,579	$ 2,009,001	$ 1,979,887
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Other real estate and repossessed assets acquired in settlement of loans	-	40,000	-
Cash payments for:			
Interest to depositors	$ 409,634	$ 479,276	$ 579,844
Income taxes paid	$ 425,165	$ 425,165	$ 357,456

See Notes to Consolidated Financial Statements

FIRST CLAY COUNTY BANC CORPORATION
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies

Nature of business: First Clay County Banc Corporation (the Company) is a bank holding company whose wholly owned bank subsidiary, Clay County Bank (the Bank), is a commercial bank with operations in Clay, West Virginia. The Bank provides retail and commercial loans and deposit services principally to customers in Clay County, West Virginia and in surrounding counties.

Basis of financial statement presentation: The accounting and reporting policies of First Clay County Banc Corporation and its wholly-owned subsidiary Clay County 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 First Clay County Banc Corporation and its wholly-owned subsidiary, Clay County Bank. 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 reporting period. Actual results could differ from those estimates. For the year ended December 31, 2017, management evaluated subsequent events through February 14, 2018, the date these financial statements were available to be issued.

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 and Federal funds purchased and sold are reported net since their original maturities are less than three months. Cash flows from loans and certificates of deposits and other time deposits are reported net.

Securities: Debt and equity securities are classified as “held to maturity”, “available for sale” or “trading” according to management’s intent. The appropriate classification is determined at the time of purchase of each security and reevaluated 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, adjusted for amortization of premiums and accretion of discounts which are recognized using the interest method. There are no securities classified as held to maturity at December 31, 2017 and 2016.

Securities available for sale - Securities not classified as "held to maturity" or as "trading" are classified as "available for sale". Securities classified as "available for sale" are those securities the Bank intends to hold for an indefinite period of time, but not necessarily to maturity. "Available for sale" securities are reported at estimated 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 consolidated financial statements.

FIRST CLAY COUNTY BANC CORPORATION
AND SUBSIDIARY
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 are computed using the interest method.

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

Loans and allowance for loan losses: Loans are stated at the amount of unpaid principal, reduced by an allowance for loan losses.

Interest income on loans is accrued and credited to operations using methods that approximate a level yield on principal amounts outstanding.

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 subsidiary 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 collectability 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.

A loan is impaired when, based on current information and events, it is probable that the Company 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 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, after management's evaluation, 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.

Certain loan fees and direct loan costs are recognized as income or expense when incurred. Whereas Accounting Standards Codification (ASC) Topic 310 requires that such fees and costs be deferred and amortized as adjustments of the related loan's yield over the contractual life of the loan. The subsidiary bank's method of recognition of loan fees and direct loan costs produces results which are not materially different from those that would be recognized had ASC Topic 310 been adopted.

Bank premises and equipment: Bank premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed primarily by the straight-line method 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 and depreciated over the remaining useful lives of the assets.

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Other real estate: Other real estate consists primarily of real estate held for resale which was acquired through foreclosure of loans secured by such real estate. At the time of acquisition, these properties are recorded at fair value with any write-down being charged to the allowance for loan losses. After foreclosure, valuations are periodically performed by management and the real estate is carried at the lower of carrying amount or fair value less cost to sell. Expenses incurred in connection with operating these properties which are generally not significant are charged to losses on foreclosed real estate. Gains and losses on the sales of these properties are credited or charged to operating income in the year of the transactions.

Income taxes: The consolidated provision for income taxes includes federal and state income taxes and is based on pretax income reported in the consolidated 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.

Basic earnings per share: Basic earnings per common share is computed based upon the weighted average shares outstanding. The weighted average shares outstanding were 38,653, 39,357 and 39,401 for each of the years in the three year period ending December 31, 2017, 2016 and 2015, respectively. During each of the three years in the period ended December 31, 2017, the Company did not have any potentially dilutive securities.

Off-balance-sheet financial instruments: In the ordinary course of business, the Bank has entered into off-balance-sheet financial instruments consisting of commitments to extend credit and irrevocable letters of credit. Such financial instruments are recorded in the financial statements when they become payable.

Advertising expense: The Company expenses advertising expense as incurred.

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

Significant Authoritative Guidance: ASU 2015-01, *Income Statement - Extraordinary and Unusual Items (Subtopic 225-20) - Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items* eliminates from U.S. GAAP the concept of extraordinary items, which, among other things, required an entity to segregate extraordinary items considered to be unusual and infrequent from the results of ordinary operations and show the item separately in the income statement, net of tax, after income from continuing operations. ASU 2015-01 was effective January 1, 2016, and did not have a significant impact on the financial statements.

ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, among other things, (a) certain equity investments to be measured at fair value with changes recognized in net income; (b) a qualitative assessment to identify impairment of equity investments without readily determinable fair value; (c) elimination of disclosures of the fair value of financial instruments measured at amortized costs and method(s) and significant assumptions used to estimate the fair value; (d) the exit price notion be used when measuring fair value; (e) separate presentation in other comprehensive income of the portion of the total change in the fair value of a liability; (f) separate presentation of financial assets and financial liabilities by measurement category and

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form of financial asset; and (g) clarification of how to evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity's other deferred tax assets. This guidance is effective for public entities for fiscal years beginning after December 15, 2017, and for other entities, including not-for-profit entities and employee benefit plans within the scope of Topic 960 through 965 on plan accounting, for fiscal years beginning after December 15, 2018. Early adoption is not permitted except for certain exceptions for public entities. The Company is currently evaluating the impact, if any, that adoption will have on its consolidated financial statements.

ASU 2016-02, Leases (Topic 842) will, among other things, require the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease; however, unlike current U.S. GAAP, which requires that only capital leases be recognized on the balance sheet, the ASU requires that both types of leases be recognized on the balance sheet. The ASU also requires disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements, providing additional information about the amounts recorded in the financial statements. Lessor accounting remains largely unchanged from current U.S. GAAP, but the ASU contains some targeted improvements that are intended to align, where necessary, lessor accounting with the lessee accounting model and with the updated revenue recognition guidance issued in May 2014. Transition guidance is provided within the ASU and generally requires a retrospective approach. This guidance is effective for public entities with annual reporting periods beginning after December 15, 2018. For all other entities (nonpublic entities), the amendments in these ASUs will be effective for annual reporting periods beginning after December 15, 2019. Early application of the amendments in this guidance is permitted for all entities. The Company is evaluating the impact, if any, that adoption will have on its consolidated financial statements.

ASU 2016-09 Compensation - *Stock Compensation (TOPIC 718): Improvements to Employee Share-Based Accounting* provides guidance with the purpose of simplifying several aspects of the accounting for share-based payment award transactions, including income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The guidance also simplifies that private companies can now apply a practical expedient to estimate the expected term for all awards with performance or service conditions that have certain characteristics. Private companies can also now make a one-time election to switch from measuring all liability-classified awards at fair value to measuring them at intrinsic value. This guidance is effective for public entities for fiscal years beginning after December 15, 2016, and for all other entities for fiscal years beginning after December 15, 2017. Early adoption is permitted. The Company is currently evaluating the impact, if any, that adoption will have on its consolidated financial statements

ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, issues guidance to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. This guidance replaces the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to assess credit loss estimates. The guidance will require a financial asset measured at amortized cost basis to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial asset to present the net carrying value at the amount expected to be collected on the financial asset. The guidance will eliminate the probable initial recognition threshold in current GAAP, and instead, reflect an entity's current estimate of all expected credit losses. Credit losses relating to available-for-sale debt securities should be recorded through an allowance for credit losses rather than a write-down. An entity will be able to record reversals of credit losses in current period net income, which, in turn, should align the income statement recognition of credit losses within the reporting period in which changes occur. The guidance affects entities holding financial assets and net investments in leases that are not accounted for at fair value through net income. This guidance is effective for all public entities that are U.S. Securities Exchange Commission (SEC) filers for fiscal years beginning after December 15, 2019. For all other entities, including not-for-profit entities and employee benefit plans within the scope of Topic 960 through 965 on plan accounting, guidance is effective for fiscal years beginning after December 15, 2020. All entities may adopt the amendments in this ASU as of the fiscal years beginning after December 15, 2018. The Company is currently evaluating the impact, if any, that adoption will have on its consolidated financial statements.

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

ASU 2017-01- *Business Combinations (Topic 805): Clarifying the Definition of a Business* clarifies 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 its consolidated financial statements.

ASU 2017-08 – Receivables – *Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities* provides 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 its consolidated financial statements.

Note 2. Restrictions on Cash and Due from Banks

The Bank is required to maintain average reserve balances with the Federal Reserve Bank. These reserve balances are included in cash and due from banks and approximated $347,000 and $228,000 at December 31, 2017 and 2016, respectively.

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Note 3. Securities

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

	2017			
		Gross Unrealized		
	Amortized Cost	Gains	Losses	Fair Value
Available for sale				
Taxable:				
U.S. government agencies and corporations	$ 7,298,115	$ 92,243	$ 89,729	$ 7,300,629
Mortgage-backed securities - U.S. Government agencies and corporations	4,513,183	14,654	42,573	4,485,264
Total taxable	11,811,298	106,897	132,302	11,785,893
States and political subdivisions	4,744,159	89,160	14,924	4,818,395
Total tax-exempt	4,744,159	89,160	14,924	4,818,395
Total	$ 16,555,457	$ 196,057	$ 147,226	$ 16,604,288

	2016			
		Gross Unrealized		
	Amortized Cost	Gains	Losses	Fair Value
Available for sale				
Taxable:				
U.S. government agencies and corporations	$ 6,152,132	$ 106,861	$ 66,718	$ 6,192,275
Mortgage-backed securities - U.S. Government agencies and corporations	5,751,836	42,710	39,636	5,754,910
Total taxable	11,903,968	149,571	106,354	11,947,185
States and political subdivisions	3,965,092	60,437	7,396	4,018,133
Total tax-exempt	3,965,092	60,437	7,396	4,018,133
Total	$ 15,869,060	$ 210,008	$ 113,750	$ 15,965,318

There are no significant concentrations to any state or political subdivisions for the years ended December 31, 2017 and 2016.

Mortgage-backed obligations of U.S. Government agencies and corporations are included in securities at December 31, 2017 and 2016, respectively. These obligations, having contractual maturities ranging from 3 months to 10 years, are reflected in the following maturity distribution schedules based on their anticipated average life to maturity, which ranges from less than 3 months to 10 years. Accordingly, discounts are accreted and premiums are amortized over the anticipated average life to maturity of the specific obligation.

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

	Available for Sale	
	Amortized Cost	Fair Value
Due within 1 year	6,142,471	6,106,189
Due after 1 but within 5 years	7,459,039	7,434,953
Due after 5 but within 10 years	2,176,145	2,271,843
Due after 10 years	777,802	791,303
Total	$ 16,555,457	$ 16,604,288

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

For the Years Ended December 31,	Proceeds From Sales	Calls and Maturities	Principal Payments	Gross Realized Gains	Lossess
2017					
Securities Available for sale	$ -	$ 595,000	$ 1,726,229	$ -	$ -
2016					
Securities Available for sale	$ -	$ 3,285,000	$ 1,390,503	$ -	$ -
2015					
Securities Available for sale	$ -	$ 2,780,000	$ 1,306,987	$ -	$ -

Investment securities with an amortized cost of $11,542,898 and $9,629,381 and fair values of $11,624,485 and $9,726,710 at December 31, 2017 and 2016, respectively, were pledged to secure certain government deposits.

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

The Bank has 30 securities in an unrealized loss position as of December 31, 2017. These securities are predominately rated investment grade securities and the unrealized losses are due to overall increases in market 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.

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

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	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	3,466,581	(29,436)	2,738,205	(60,293)	$ 6,204,786	$ (89,729)
Mortgage - Backed securities - U.S. Government agencies and corporations	2,600,145	(21,797)	1,091,254	(20,776)	3,691,399	(42,573)
State and polictical subdivisions	704,529	(14,924)	-	-	704,529	(14,924)
	$ 6,771,255	$ (66,157)	$ 3,829,459	$ (81,069)	$ 10,600,714	$ (147,226)

	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	$ 4,226,298	$ (66,718)	$ -	$ -	$ 4,226,298	$ (66,718)
Mortgage - Backed securities - U.S. Government agencies and corporations	3,742,987	(39,636)	-	-	3,742,987	(39,636)
State and polictical subdivisions	667,024	(7,396)	-	-	667,024	(7,396)
	$ 8,636,309	$ (113,750)	$ -	$ -	$ 8,636,309	$ (113,750)

Note 4. Loans

Major classifications of loans are as follows:

	December 31	
	2017	2016
Commercial, financial, and agricultural	$ 1,909,177	$ 2,125,176
Real estate	38,791,657	37,906,845
Installment and other loans	10,857,728	11,200,114
	51,558,562	51,232,135
Less allowance for loan losses	(1,370,070)	(1,391,919)
Loans, net	$ 50,188,492	$ 49,840,216

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The maturities of loans at December 31, 2017, are as follows:

	Within 1 year	After 1 But Within 5 Years	After 5 Years
Commercial, financial, and agricultural	$ 407,626	$ 535,044	$ 966,506
Real estate	377,979	3,687,270	34,726,408
Installment and other loans	1,864,588	8,640,740	352,399
Total	$ 2,650,193	$ 12,863,054	$ 36,045,313

Loans due after one year with	
Variable Rates	$ 33,945,594
Fixed Rates	14,962,773
	$ 48,908,367

The following tables set forth the Bank's age analysis of its past due loans, segregated by class of loans:

At December 31, 2017

	Past Due						
	30-59 days	**60-89 days**	**>90 days**	**Total**	**Current**	**Total Loans**	**Recorded Investment > 90 days and Accruing**
Real Estate							
Owner - Occupied	$ 1,041,544	$ 152,640	$ 132,060	$ 1,326,244	$ 36,862,812	$ 38,189,056	$ 147,534
Non - owner occupied	-	-	-	-	602,601	602,601	-
Commercial, financial and agricultural	70,136	-	20,333	90,469	1,818,708	1,909,177	13,549
Installment	135,138	18,482		153,619	10,683,959	10,837,578	31,835
Other	-	-	-	-	20,150	20,150	-
Total	$ 1,246,818	$ 171,122	$ 152,393	$ 1,570,333	$ 49,988,230	$ 51,558,562	$ 192,918

At December 31, 2016

	Past Due						
	30-59 days	**60-89 days**	**>90 days**	**Total**	**Current**	**Total Loans**	**Recorded Investment > 90 days and Accruing**
Real Estate							
Owner - Occupied	$ 376,039	$ 315,563	$ 151,307	$ 842,909	$ 36,461,334	$ 37,304,243	$ 504,018
Non - owner occupied	-	-	-	-	602,602	602,602	-
Commercial, financial and agricultural	75,732	59,601	20,621	155,954	1,969,222	2,125,176	6,396
Installment	67,379	21,500		88,879	11,092,662	11,181,541	16,526
Other	-	-	-	-	20,148	20,148	-
Total	$ 519,150	$ 396,664	$ 171,928	$ 1,087,742	$ 50,145,967	$ 51,233,709	$ 526,940

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

	December 31, 2017	December 31, 2016
Real Estate		
Owner - Occupied	$ 132,060	$ 151,307
Non-Owner occupied	-	-
Commercial, financial and agricultural	20,333	20,621
Installment	-	-
Other	-	-
Total	$ 152,393	$ 171,928

If interest on non-accrual loans had been accrued, such income would have approximated $6,000, $5,000 and $3,000 for the years ended December 31, 2017, 2016 and 2015, respectively.

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

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

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

Substandard: The assets in this category are currently protected but are potentially weak. Credit risk may be relatively minor yet constitute an unwarranted risk in light of the circumstances surrounding a specific asset.

Doubtful: Loans inadequately protected by the current sound net worth and paying capacity of the obligor, or pledged collateral, if any, to a point where collection or liquidation in full is highly improbable. There is a distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.

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

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The following tables set forth the Bank's credit quality indicators information by class of loans:

	December 31, 2017					
	Real Estate		Commercial			
	Owner Occupied	Non - Owner Occupied	Financial and Agricultural	Installment	Other	Total
Pass	$ 37,082,286	$ 602,601	$ 1,831,254	$ 10,734,942	$ 20,150	$ 50,271,232
Watch List	518,120	-	13,549	53,255	-	584,924
Substandard	588,650	-	64,374	49,382	-	702,406
Doubtful	-	-	-	-	-	-
Total	$ 38,189,057	$ 602,601	$ 1,909,177	$ 10,837,578	$ 20,150	$ 51,558,562

	December 31, 2016					
	Real Estate		Commercial			
	Owner Occupied	Non - Owner Occupied	Financial and Agricultural	Installment	Other	Total
Pass	$ 36,105,189	$ 602,602	$ 1,881,279	$ 11,107,002	$ 20,148	$ 49,716,220
Watch List	782,777	-	223,364	55,904	-	1,062,045
Substandard	410,318	-	10,000	17,060	-	437,378
Doubtful	5,959	-	10,533	-	-	16,492
Total	$ 37,304,243	$ 602,602	$ 2,125,176	$ 11,179,966	$ 20,148	$ 51,232,135

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 $25,000. There were no impaired loans at December 31, 2017 or 2016, respectively.

Non-interest income on impaired loans is recognized on the cash basis. No amounts were recognized in any of the three years ended December 31, 2017.

__Concentrations of credit risk__: The subsidiary bank grants commercial, residential and consumer loans to customers primarily located in Clay County West Virginia and surrounding counties. The concentrations of credit risk by type of loan are set forth above. Commitments to extend credit generally relate to customers with installment and mortgage loans. Irrevocable letters of credit are granted primarily to commercial borrowers. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the borrower. At December 31, 2017 and 2016, the subsidiary bank had no direct extensions of credit to any one particular industry representing a concentration.

In the past, the subsidiary 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 $2,245,823 and $2,516,568, respectively. Additionally, as of December 31, 2017, the subsidiary bank had outstanding commitments to lend funds to its directors, officers and employees in the amount of $140,050 of which $380,864 was unfunded.

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The following represents the activity with respect to related party loans aggregating $60,000 or more to any one related party during the years ended December 31, 2017 and 2016. Other changes represent additions to and changes in director status.

	2017	2016
Balance, beginning	$ 245,357	$ 150,510
Additions	301,671	180,324
Amounts collected	(185,522)	(85,477)
Other changes, net	-	-
Balance, ending	$ 361,506	$ 245,357

Note 5. Allowance for Loan Losses

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

	2017	2016	2015
Balance, beginning of year	$ 1,391,919	$ 1,134,028	$ 1,100,657
Losses:			
Real estate - mortgage	-	1,573	-
Installment loans	82,595	60,191	27,753
Total	82,595	61,764	27,753
Recoveries:			
Commercial, financial and agricultural	-	287,616	35,581
Real estate - mortgage	-	-	-
Installment loans	55,746	32,039	22,543
Total	55,746	319,655	58,124
Net recoveries	(26,849)	257,891	30,371
Provision for loan losses	5,000	-	3,000
Balance, end of year	$ 1,370,070	$ 1,391,919	$ 1,134,028

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

Specific Reserve for Loans Individually Evaluated

The Bank identifies loan relationships having aggregate balances in excess of $75,000 and that may also have credit weaknesses. Such loan relationships are identified primarily through the analysis of internal loan evaluations, past due loan reports, and loans adversely classified by regulatory authorities. Each loan so identified is then individually evaluated to determine whether it is impaired – that is, based on current information and events; it is probable that the Bank will be unable to collect all amounts due in accordance with the contractual terms of the underlying loan agreement. The Bank measures impairment based on the fair value of the loan's collateral, which is generally, determined utilizing current appraisals. A specific reserve is

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established in an amount equal to the excess, if any, of the recorded investment in each impaired loan over the fair value of its underlying collateral, less estimated costs to sell.

Quantitative Reserve for Loans Collectively Evaluated

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

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

Qualitative Reserve for Loans Collectively Evaluated

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

For purposes of evaluating impairment, the Bank considers groups of smaller-balance, homogeneous loans to include; mortgage loans secured by residential property, other than those which significantly exceed the bank's typical residential mortgage loan amount (currently those in excess of $100,000); and installment loans to individuals, exclusive of those loans in excess of $25,000.

A progression of the allowance for loan losses, by portfolio segment for the years ended December 31, 2017 and 2016 is as follows:

	December 31, 2017						
	Real Estate						
	Owner Occupied	Non-Owner Occupied	Commercial Financial and Agricultural	Installment	Other	Allowance for Estimated Imprecision	Total
Allowance for credit losses:							
Beginning balance	$ 927,727	$ -	$ 421,781	$ 16,151	$ 19,000	$ 7,260	$ 1,391,919
Charge-offs	-	-	-	(76,897)	(5,698)	-	(82,595)
Recoveries	-	-	-	55,746	-	-	55,746
Provision	-	-	-	5,000	-	-	5,000
Ending Balance	$ 927,727	$ -	$ 421,781	$ -	$ 13,302	$ 7,260	$ 1,370,070

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December 31, 2017

	Real Estate		Commercial Financial and Agricultural	Installment	Other	Allowance for Estimated Imprecision	Total
	Owner Occupied	Non-Owner Occupied					
Allowance related to:							
Individually Evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Collectively evaluated for impairment	927,727	-	421,781	(5,698)	19,000	7,260	1,370,070
Total	$ 927,727	$ -	$ 421,781	$ (5,698)	$ 19,000	$ 7,260	$ 1,370,070
Loans:							
Individually Evaluated for impairment	$ 588,650	$ -	$ 64,374	$ 49,382		$ -	$ 702,406
Collectively evaluated for impairment	37,600,406	602,601	1,844,803	10,788,196	20,150	-	50,856,156
Total	$ 38,189,056	$ 602,601	$ 1,909,177	$ 10,837,578	$ 20,150	$ -	$ 51,558,562

December 31, 2016

	Real Estate		Commercial Financial and Agricultural	Installment	Other	Allowance for Estimated Imprecision	Total
	Owner Occupied	Non-Owner Occupied					
Allowance for credit losses:							
Beginning balance	$ 929,300	$ -	$ 134,165	$ 44,303	$ 19,000	$ 7,260	$ 1,134,028
Charge-offs	(1,573)	-	-	(60,191)	-	-	(61,764)
Recoveries	-	-	287,616	32,039	-	-	319,655
Provision	-	-	-	-	-	-	-
Ending Balance	$ 927,727	$ -	$ 421,781	$ 16,151	$ 19,000	$ 7,260	$ 1,391,919

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	December 31, 2016						
	Real Estate		Commercial Financial and Agricultural	Installment	Other	Allowance for Estimated Imprecision	Total
	Owner Occupied	Non-Owner Occupied					
Individually Evaluated for impairment	$ 416,277	$ -	$ 20,533	$ 17,060	$ -	$ -	$ 453,870
Collectively evaluated for impairment	36,887,966	602,602	2,104,643	11,162,906	20,148	-	50,778,265
Total	$ 37,304,243	$ 602,602	$ 2,125,176	$ 11,179,966	$ 20,148	$ -	$ 51,232,135

There were no troubled debt restructurings (TDR) for the years ended December 31, 2017 and 2016.

Note 6. Bank Premises and Equipment

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

	2017	2016
Land	$ 278,736	$ 278,736
Building and improvements	2,155,039	2,110,523
Furniture and equipment	680,356	621,785
	3,114,131	3,011,044
Less accumulated depreciation	(1,895,062)	(1,795,480)
Bank premises and equipment, net	$ 1,219,069	$ 1,215,564

Depreciation expense for the years ended December 31, 2017, 2016 and 2015 totaled $99,581, $98,699, and $96,883, respectively.

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Note 8. 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	$ 487,000	$ 421,309	$ 420,930
State	49,000	32,081	31,312
	536,000	453,390	452,242
Deferred:			
Federal	10,706	(35,551)	8,724
State	7,518	(2,614)	641
	18,224	(38,165)	9,365
	$ 554,224	$ 415,225	$ 461,607

Deferred income taxes reflect the net tax effects of temporary differences between the basis of assets and liabilities for financial reporting purposes and income tax purposes. Significant components of deferred tax assets and liabilities are as follows:

	2017	2016
Deferred tax assets:		
Allowance for loan losses	$ 36,063	$ 74,711
Interest on non-accrual loans	26,394	40,995
Total defered tax assets	62,457	115,706
Deferred tax liabilities:		
Depreciation	60,727	102,554
Securities available for sale	3,924	42,868
Total defered tax liabilities	64,651	145,422
Net deferred tax assets (liabilities)	$ (2,194)	$ (29,716)

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	$ 528,534	34%	$ 449,732	34%	$ 447,902	34%
Increase (decrease) in taxes resulting from:						
Tax-exempt interest	(21,118)	-1.3%	(21,209)	-1.6%	(29,848)	-2.2%
State income taxes, net of Federal tax benefit	28,463	1.8%	19,448	1.5%	21,089	1.6%
Other, net	18,345	0.7%	(32,746)	-2.5%	22,464	1.7%
Applicable income taxes	$ 554,224	35.2%	$ 415,225	31.4%	$ 461,607	35.1%

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. Level 3 securities include local community development 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	Total at December 31, 2017	Fair Value Measurement Using Level 1	Level 2	Level 3
U.S. Government agencies and corporations	$ 7,300,629	$ -	$ 7,300,629	$ -
Mortgage backed securities - U.S. Government agencies and corporations	4,485,264	-	4,485,264	-
State and political subdivisions	4,818,395	-	4,818,395	-
Total available for sale securities	$ 16,604,288	$ -	$ 16,604,288	$ -

Available for Sale Securities	Total at December 31, 2016	Fair Value Measurement Using Level 1	Level 2	Level 3
U.S. Government agencies and corporations	$ 6,192,275	$ -	$ 6,192,275	$ -
Mortgage backed securities - U.S. Government agencies and corporations	5,754,910	-	5,754,910	-
State and political subdivisions	4,018,133	-	4,018,133	-
Total available for sale securities	$ 15,965,318	$ -	$ 15,965,318	$ -

Assets Recorded at Fair Value on a Nonrecurring Basis

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

Note 11. Financial Instruments with Off-Balance Sheet Risk

The subsidiary bank is a party to 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 statement of financial position. The contract amounts of those instruments reflect the extent of involvement the Bank has in particular classes of financial instruments.

Financial instruments whose contract amounts represent credit risk	Contract Amount 2017	Contract Amount 2016
Commitments to extend credit	$ 493,673	$ 754,148
Standby letters of credit and financial guarantees written	85,270	85,000
	$ 578,943	$ 839,148

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 by the Bank upon extension of credit, is based on management's credit evaluation. Collateral held varies but may include accounts receivable, inventory, equipment or real estate.

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

Note 12. Profit Sharing Plan

The Bank has a 401(k) Profit Sharing Plan and Trust (the Plan) covering all eligible employees. The Corporation makes profit sharing contributions at its discretion. The contributions for the years ended December 31, 2017, 2016 and 2015 were $71,000, $76,100, and $72,000, respectively.

Note 13. Restrictions on Subsidiary Dividends and Capital

The primary source of funds for the dividends paid by First Clay County Banc Corporation is dividends received from its subsidiary bank. Dividends paid by the subsidiary 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.

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 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. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy requires the Bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital (as

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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.

Under the regulatory framework for prompt corrective action, the Bank is categorized as adequately capitalized. 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.

The Company and subsidiary bank's capital amounts and ratios approximate each other and are presented in the following table (in thousands):

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Actions Provisions	
	Amount	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
As of December 31, 2017						
CET1 (to Risk-Weighted Assets)	$ 12,276	32.9%	$ 1,679	4.5%	$ 2,425	6.5%
Total Capital (to Risk-Weighted Assets)	$ 12,754	34.2%	$ 2,983	8.0%	$ 3,729	10.0%
Tier I Capital (to Risk - Weighted Assets)	$ 12,276	31.3%	$ 1,493	4.0%	$ 2,239	6.0%
Tier I Capital (to Average Assets)	$ 12,276	13.8%	$ 3,584	4.0%	$ 5,376	6.0%

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Actions Provisions	
	Amount	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
As of December 31, 2016						
CET1 (to Risk-Weighted Assets)	$ 11,809	31.3%	$ 1,698	4.5%	$ 2,452	6.5%
Total Capital (to Risk-Weighted Assets)	$ 12,292	32.6%	$ 3,016	8.0%	$ 3,771	10.0%
Tier I Capital (to Risk - Weighted Assets)	$ 11,809	31.3%	$ 1,509	4.0%	$ 2,264	6.0%
Tier I Capital (to Average Assets)	$ 11,809	13.8%	$ 3,423	4.0%	$ 5,134	6.0%

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Note 14. Parent Company Condensed Financial Information

The condensed financial information of First Clay County Banc Corporation consisted of the following:

Balance Sheets	December 31, 2017	December 31, 2016
Assets		
Cash	$ -	$ -
Investment in subsidiary, eliminated in consolidation	12,380,894	11,889,661
Total assets	$ 12,380,894	$ 11,889,661
Liabilities	$ -	$ -
Shareholders' Equity		
Common stock, par value $10 per share, authorized and issued 50,000 shares, outstanding 39,675 and 39,204 shares in 2017 and 2016, respectively	$ 500,000	$ 500,000
Additional paid-in-capital	1,000,169	1,000,169
Retained earnings	13,014,094	12,303,872
Treasury stock, at cost - 11,325 and 10,796 shares in 2017 and 2016, respectively	(2,159,599)	(1,995,609)
Accumulated other comprehensive income, net of deferred income taxes	26,230	81,229
Total shareholders' equity	12,380,894	11,889,661
Total liabilities and shareholders' equity	$ 12,380,894	$ 11,889,661

Statements of Income	Years Ended December 31, 2017	2016	2015
Income			
Dividends from subsidiary	$ 475,730	$ 375,943	$ 330,475
Equity in undistributed income of subsidiary	546,232	552,749	546,451
Total income	1,021,962	928,692	876,926
Expenses			
Assessment fee	675	175	175
Director's fees	21,000	21,000	21,000
Total expenses	21,675	21,175	21,175
Income before income taxes	1,000,287	907,517	855,751
Income tax expense	-	-	-
Net income	$ 1,000,287	$ 907,517	$ 855,751

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Statements of Cash Flows	Years Ended December 31, 2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income	$ 1,000,287	$ 907,517	$ 855,751
Adjustment to reconcile net income to net cash from operating activities:			
Equity in undistributed income of subsidiary	(546,232)	(552,749)	(546,451)
Net cash provided by operating activities	454,055	354,768	309,300
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to shareholders	(290,065)	(294,520)	(295,500)
Purchase of treasury stock	(163,990)	(60,248)	(13,800)
Net cash (used in) financing activities	(454,055)	(354,768)	(309,300)
Increase (decrease) in cash	$ -	$ -	$ -
Cash:			
Beginning	-	-	-
Ending	$ -	$ -	$ -

First Clay County Banc Corporation accounts for its investments in its subsidiary by the equity method. During the years ended December 31, 2017, 2016 and 2015, changes in the investments were as follows:

Number of shares owned - Clay County Bank	50,000
Percentage of shares owned - Clay County Bank	100%
Balance at December 31, 2014	$ 10,949,181
Add (deduct):	
Equity in net income	876,926
Dividends declared	(330,475)
Change in net unrealized gain (loss) on securities	(54,338)
Balance at December 31, 2015	11,441,294
Add (deduct):	
Equity in net income	928,692
Dividends declared	(375,943)
Change in net unrealized gain (loss) on securities	(104,382)
Balance at December 31, 2016	11,889,661
Add (deduct):	
Equity in net income	1,021,962
Dividends declared	(475,730)
Change in net unrealized gain (loss) on securities	(54,999)
Balance at December 31, 2017	$ 12,380,894