Board of Governors of the Federal Reserve System

Annual Report of Holding Companies—FR Y-6

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

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

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

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

I, Virgil L. McNemar
Name of the Holding Company Director and Official

President & CEO
Title of the Holding Company Director and Official

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

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

Signature of Holding Company Director and Official

03/21/2019
Date of Signature

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

For Federal Reserve Bank Use Only

RSSD ID ____________
C.I. ____________

Date of Report (top-tier holding company's fiscal year-end):
December 31, 2018
Month / Day / Year

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

Reporter's Name, Street, and Mailing Address

Harrison Banksahres Inc
Legal Title of Holding Company

PO Box 98
(Mailing Address of the Holding Company) Street / P.O. Box

Lost Creek	WV	26385
City	State	Zip Code

80 E. Main Street
Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Virgil L. McNemar	President & CEO
Name	Title

304-745-3342 x 101
Area Code / Phone Number / Extension

304-745-5314
Area Code / FAX Number

vmcnemar@hcbwv.com
E-mail Address

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

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

In accordance with the General Instructions for this report (check only one),
1. a letter justifying this request is being provided along with the report .... ☐
2. a letter justifying this request has been provided separately ... ☐

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

For Use By Tiered Holding Companies

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

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City State Zip Code

Physical Location (if different from mailing address)

FORM FR Y-6

Harrison Bankshares, Inc.
P.O. Box 98
Lost Creek, WV 26385
Fiscal Year ending December 31, 2018

Report Item

1: The bank holding company prepares an annual report for its securities holders and is not registered with the SEC. As specified by the appropriate Reserve Bank, one copy is enclosed.

2a: Organizational Chart

Harrison Bankshares, Inc.
No LEI
80 East Main Street
Lost Creek WV 26385
Incorporated in West Virginia

100%

The Harrison County Bank
No LEI
80 East Main Street
Lost Creek WV 26385
1600 Shares
100% Owned by Harrison Bankshares Inc.
Incorporated in West Virginia

2b: Domestic branch listing provided to the Federal Reserve Bank

FORM FR Y-6

Harrison Bankshares, Inc.
Fiscal Year ending December 31, 2018

Report Item 3: Shareholders
(1)(a)(b)(c) and (2)(a)(b)(c)

Current securities holders with ownership, control or holdings of 5% or more with power to vote as of fiscal year ending 12-31-18			Securities holders not listed in (3)(1)(a) through (3)(1)(c) that had ownership, control or holdings of 5% or more with power to vote during the fiscal year ending 12-31-17		
(1)(a) Name City, State, Country	(1)(b) Country of Citizenship or Incorporation	(1)(c) Number and Percentage of Each Class of Voting Securities	(2)(a) Name City, State, Country	(2)(b) Country of Citizenship or Incorporation	(2)(c) Number and Percentage of Each Class of Voting Securities
Walter E. & David H. Nutter Foundation Inc.	USA	650 – 11.13% Common Stock	Estate of Mary Thrash, Lost Creek WV	USA	340 – 5.82% Common Stock
Isaac H. Maxwell III Lost Creek, WV USA	USA	358 – 6.13% Common Stock			

FORM FR Y-6

Harrison Bankshares, Inc.
Fiscal Year ending December 31, 2018

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

(1) Name City, State, Country	(2) Principal Occupation if other than with Holding Company	(3)(a) Title & Position with Holding Company	(3)(b) Title & Position with Subsidiaries (include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (Include names of other Businesses)	(4)(a) Percentage of Voting Shares in Holding Company	(4)(b) Percentage of Voting Shares in Subsidiaries (include names of subsidiaries)	(4)(c) List names of other companies (include partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
Isaac H. Maxwell III Lost Creek, WV USA	Retired Farmer	Director	Director (Harrison County Bank)	N/A	6.13%	None	N/A
Randy W. Williams Flemington, WV USA	Pharmacist	Director	Director (Harrison County Bank)	Pharmacist Village Pharmacy	3.60%	None	Village Pharmacy (25%)
John F. McCuskey Charleston, WV USA	Attorney	Director/Chairman	Director (Harrison County Bank)	Attorney Shuman, McCuskey, & Slicer	4.52%	None	N/A
David J. Griffith Clarksburg, WV USA	Retired Banker	Director	Director (Harrison County Bank)	N/A	1.59%	None	N/A
Kermit P. Stutler Lost Creek, WV USA	Salesman	Director	Director (Harrison County Bank)	VP/Secretary Bykota, Inc.	1.01%	None	N/A
Virgil L. McNemar Lost Creek, WV USA	Banker	Director/President CEO	Director President/CEO (Harrison County Bank)	N/A	.10%	None	N/A
Michael T. Marsh Mt. Clare, WV USA	Analyst	Director	Director (Harrison County Bank)	Analyst FBI	1.04%	None	N/A
Walter E. & David H. Nutter Foundation Inc Lost Creek, WV USA	N/A	N/A	N/A	N/A	11.13%	None	N/A

HARRISON BANKSHARES, INC. AND SUBSIDIARY

LOST CREEK, WEST VIRGINIA

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2018

Suttle & Stalnaker PLLC
CERTIFIED PUBLIC ACCOUNTANTS

TABLE OF CONTENTS

Suttle & Stalnaker PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Harrison Bankshares, Inc. and Subsidiary
Lost Creek, West Virginia

We have audited the accompanying consolidated financial statements of Harrison Bankshares, Inc. and its Subsidiary, which comprise the consolidated balance sheet as of December 31, 2018, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the year then ended, 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 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 audit. We conducted our audit 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.

Towne Square • 201 Third Street • PO Box 149 • Parkersburg, WV 26102
Phone (304) 485-6584 • Fax (304) 485-0971

The Virginia Center • 1411 Virginia Street, East • Suite 100 • Charleston, WV 25301
Phone (304) 343-4126 or 1(800) 788-3844 • Fax (304) 343-8008

Wharf District • 68 Clay Street • Suite C • Morgantown, WV 26501
Phone (304) 554-3371 • Fax (304) 554-3410

www.suttlecpas.com • E-mail: cpa@suttlecpas.com
A Professional Limited Liability Company

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 2018 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Harrison Bankshares, Inc. and its Subsidiary as of December 31, 2018, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The consolidated financial statements of Harrison Bankshares, Inc. and its Subsidiary as of December 31, 2017, were audited by other auditors whose report dated February 18, 2018, expressed an unmodified opinion on those statements.

Suttle & Stalnaker, PLLC

Parkersburg, West Virginia
February 22, 2019

HARRISON BANKSHARES, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
Cash and due from banks	$ 4,680,867	$ 4,524,611
Interest-earning deposits in other banks	29,068	143,962
Cash and cash equivalents	4,709,935	4,668,573
Time deposits	1,749,000	-
Investment securities		
Securities available-for-sale, at fair value	48,099,272	47,778,738
Other securities	56,000	56,700
Loans	53,372,388	53,969,181
Less: allowance for loan losses	(292,807)	(290,715)
Loans - net	53,079,581	53,678,466
Accrued interest receivable	494,707	434,058
Premises and equipment - net	3,051,133	3,116,459
Deferred income taxes	375,038	212,464
Other assets	281,387	250,489
Total assets	**$ 111,896,053**	**$ 110,195,947**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits		
Demand - noninterest-bearing	$ 32,048,122	$ 31,668,143
Demand - interest-bearing	20,606,838	20,587,961
Savings	29,737,082	26,485,462
Time	18,195,536	20,462,040
Total deposits	100,587,578	99,203,606
Advance payments from borrowers for taxes and insurance	170,408	130,019
Accrued interest payable	11,293	8,130
Other liabilities	181,968	150,013
Total liabilities	100,951,247	99,491,768
Shareholders' equity		
Common stock (par value $0.25 per share; 12,800 shares authorized; 6,400 shares issued; and 5,839 shares outstanding as of December 31, 2018 and 2017, respectively)	1,600	1,600
Additional paid in capital	1,110,839	1,110,839
Retained earnings	11,568,382	10,946,828
Less: treasury stock, at cost (561 shares as of December 31, 2018 and 2017, respectively)	(653,048)	(653,048)
Accumulated other comprehensive income (loss)	(1,082,967)	(702,040)
Total shareholders' equity	10,944,806	10,704,179
Total liabilities and shareholders' equity	**$ 111,896,053**	**$ 110,195,947**

The accompanying notes are an integral part of these financial statements.

HARRISON BANKSHARES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Interest income		
Interest and fees on loans	$ 2,884,039	$ 2,807,205
Interest on federal funds sold	2,336	1,809
Interest on deposits in other banks	69,195	19,949
Interest and dividends on investment securities	1,010,971	935,006
Total interest income	3,966,541	3,763,969
Interest expense		
Interest on deposits of $100,000 or more	107,179	112,501
Interest on other deposits	145,184	141,853
Interest on federal funds purchased	-	18
Interest on advances from Federal Home Loan Bank	1,010	246
Total interest expense	253,373	254,618
Net interest income	3,713,168	3,509,351
Provision for loan losses	30,000	30,000
Net interest income after provision for loan losses	3,683,168	3,479,351
Noninterest income		
Net gains (losses) from sales of investment securities available-for-sale	(4,711)	(3,550)
Service charges and fees	636,149	592,048
Safe deposit box rental income	15,427	15,162
Rental income	34,152	34,152
Other income	27,535	20,748
Total noninterest income	708,552	658,560
Noninterest expense		
General and administrative		
Salaries and employee benefits	1,405,727	1,430,690
Occupancy and equipment	381,916	387,206
Data processing	235,288	229,320
Assessment fees	41,331	43,147
Stationary and supplies	38,649	43,748
Director fees	128,800	120,400
Advertising	23,826	35,559
Other expenses	824,357	720,813
Total noninterest expense	3,079,894	3,010,883
Income before income tax expense	1,311,826	1,127,028
Income tax expense	281,542	445,758
Net income	**$ 1,030,284**	**$ 681,270**
Net income available for common shareholders	$ 1,030,284	$ 681,270
Per common share data		
Net income	$ 176.45	$ 116.68
Cash dividends declared	$ 70.00	$ 63.50
Average common shares outstanding	5,839	5,839

The accompanying notes are an integral part of these financial statements.

HARRISON BANKSHARES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Net income	$ 1,030,284	$ 681,270
Other comprehensive income (loss)		
Unrealized gains (losses) on investment securities available-for-sale arising during the period	(560,008)	408,318
Adjustment for income tax (expense) benefit	175,847	(85,748)
	(384,161)	322,570
Reclassification adjustment for (gains) losses on investment securities available-for-sale included in net income	4,711	3,550
Adjustment for income tax expense (benefit)	(1,477)	(746)
	3,234	2,804
Other comprehensive income (loss), net of income tax	(380,927)	325,374
Comprehensive income	**$ 649,357**	**$ 1,006,644**

HARRISON BANKSHARES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2018 AND 2017

	Common Stock	Additional Paid In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance at December 31, 2016	$ 1,600	$ 1,110,839	$ 10,467,267	$ (653,048)	$ (858,346)	$ 10,068,312
Comprehensive income	-	-	681,270	-	325,374	1,006,644
Cash dividends declared ($63.50 per share)	-	-	(370,777)	-	-	(370,777)
Reclassification of stranded tax effects	-	-	169,068	-	(169,068)	-
Balance at December 31, 2017	1,600	1,110,839	10,946,828	(653,048)	(702,040)	10,704,179
Comprehensive income	-	-	1,030,284	-	(380,927)	649,357
Cash dividends declared ($70.00 per share)	-	-	(408,730)	-	-	(408,730)
Balance at December 31, 2018	**$ 1,600**	**$ 1,110,839**	**$ 11,568,382**	**$ (653,048)**	**$ (1,082,967)**	**$ 10,944,806**

The accompanying notes are an integral part of these financial statements.

HARRISON BANKSHARES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Cash flows from operating activities		
Net income	$ 1,030,284	$ 681,270
Adjustments to reconcile net income to net cash provided (used) by operating activities		
Depreciation	170,737	163,075
Provision for loan losses	30,000	30,000
Provision for deferred income tax	11,796	204,207
Amortizations (accretions) on investment securities - net	602,635	634,180
Net realized (gains) losses from sales of investment securities available-for-sale	4,711	3,550
Net realized (gains) losses from sales of foreclosed real estate and other assets	-	(75)
Net realized (gains) losses from disposition of premises and equipment	-	410
(Increase) decrease in accrued interest receivable	(60,649)	(36,512)
(Increase) decrease in other assets	(26,855)	(27,844)
Increase (decrease) in accrued interest payable	3,163	(125)
Increase (decrease) in other liabilities	27,912	(26,652)
Total Adjustments	763,450	944,214
Net cash provided (used) by operating activities	1,793,734	1,625,484
Cash flows from investing activities		
Purchases of time deposits	(1,749,000)	-
Purchases of investment securities available-for-sale	(9,847,605)	(11,435,819)
Proceeds from maturities and calls of investment securities available-for-sale	160,000	593,900
Proceeds from principle payments on investment securities available-for sale	5,476,101	5,850,262
Proceeds from sales of investment securities available-for-sale	2,728,327	3,552,335
Net redemptions (purchases) of other securities	700	13,800
Proceeds from sales of foreclosed real estate and other assets	-	7,075
Loan originations and principal payment on loans	568,885	(2,623,952)
Capital expenditures	(105,411)	(84,976)
Net cash provided (used) by investing activities	(2,768,003)	(4,127,375)
Cash flows from financing activities		
Net increase (decrease) in total deposits	1,383,972	3,593,509
Net increase (decrease) in advance payments from borrowers for taxes and insurance	40,389	4,644
Cash dividends paid	(408,730)	(370,777)
Net cash provided (used) by financing activities	1,015,631	3,227,376
Net increase (decrease) in cash and cash equivalents	41,362	725,485
Cash and cash equivalents at beginning of year	4,668,573	3,943,088
Cash and cash equivalents at end of year	**$ 4,709,935**	**$ 4,668,573**
Supplemental schedule of noncash investing and financing activities		
Loans transferred to foreclosed real estate and other assets during the year	$ -	$ 5,000
Supplemental disclosure of cash flows information		
Cash paid during the year for		
Interest	$ 250,210	$ 254,743
Income taxes	$ 129,599	$ 335,218

The accompanying notes are an integral part of these financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Nature of operations - Harrison Bankshares, Inc. (the Corporation) is a bank holding company whose principal activity is the ownership and management of its wholly-owned Subsidiary, Harrison County Bank (the Bank). The Bank generates commercial, mortgage, and consumer loans and receives deposits from customers located primarily in Harrison County, West Virginia and surrounding areas. The Bank operates under a state bank charter and provides full banking services. As a state bank, the Bank is subject to regulation by the West Virginia Division of Financial Institutions and the Federal Deposit Insurance Corporation (FDIC).

Basis of financial statement presentation - The accounting and reporting policies of the Corporation and its Subsidiary conform with accounting principles generally accepted in the United States of America and with general practices followed within the banking industry.

Principles of consolidation - The accompanying consolidated financial statements include the accounts of Harrison Bankshares, Inc. and its wholly-owned Subsidiary, Harrison County Bank. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of estimates - The preparation of financial statements 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. Estimates, such as the allowance for loan losses, are based on known facts and circumstances. Estimates are revised by management in the period such facts and circumstances change. In addition, management has made estimates based on assumptions for fair value of financial instruments and the assessment of other-than-temporary impairment on investments. Actual results could differ from those estimates.

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

The Corporation’s loans are generally secured by specific items of collateral including real property, consumer assets, and business assets. Although the Corporation has a diversified loan portfolio, a substantial portion of its debtors’ ability to honor their contracts is dependent on local economic conditions.

While management uses available information to recognize losses on loans, further reductions in the carrying amounts of loans may be necessary based on changes in local economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the estimated losses on loans. Such agencies may require the Corporation to recognize additional losses based on their judgments about information available to them at the time of their examination. Because of these factors, it is reasonably possible that the estimated losses on loans may change materially in the near term. However, the amount of the change that is reasonably possible cannot be determined.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued)

Comprehensive income - Accounting principles require that recognized revenue, expenses, gains, and losses be included in net income. Certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the shareholders' equity section of the consolidated balance sheets. Such items, along with net income, are components of comprehensive income.

In February 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-02, *Income Statement – Reporting Comprehensive Income (Topic 220), Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*, which allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act of 2017. The amount of the reclassification is the difference between the historical corporate income tax rate and the newly enacted 21% corporate income tax rate. Since early adoption is permitted, the Corporation and its Subsidiary elected to reclassify $169,068 from accumulated other comprehensive income to retained earnings as of December 31, 2017.

Presentation of cash flows - For the purpose of reporting cash flows, the Corporation and its Subsidiary have defined cash and cash equivalents as those amounts included in the consolidated balance sheets captions "Cash and due from banks" and "Interest-earning deposits in other banks," which have original maturities of ninety (90) days or less.

Trust Assets - Assets held in a fiduciary or agency capacity for Bank customers are not included in the financial statements since such items are not assets of the Bank.

Investment securities - Debt securities are classified as held-to-maturity when the Corporation has both the positive intent and ability to hold the securities to maturity. Securities held-to-maturity are carried at amortized cost. The amortization of premiums and accretion of discounts are recognized in interest income using the interest method over the period to maturity. There are no securities classified as held-to-maturity in the accompanying consolidated financial statements.

Debt securities not classified as held-to-maturity are classified as available-for-sale. Securities available-for-sale are carried at fair value with unrealized gains and losses, net of the deferred income tax effect, reported in accumulated other comprehensive income. Realized gains (losses) on securities available-for-sale are included in noninterest income and, when applicable, are reported as a reclassification adjustment, net of income tax, in other comprehensive income. Gains and losses on sales of securities are determined on the specific-identification method. Amortization of premiums and accretion of discounts are recognized in interest income using the interest method over the contractual terms of the securities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued)

Declines in the fair value of individual held-to-maturity and available-for-sale securities below their cost that are other-than-temporary result in writedowns of the individual securities to their fair value. The related writedowns are included 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 issuer, and (3) the intent and ability of the Corporation to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

Other securities consist of stock from the Federal Home Loan Bank of Pittsburgh, which is restricted as to its marketability. Because no ready market exists for these investments and it has no quoted market value, the Corporation's investment in this stock is carried at cost.

Time deposits - Due to their short-term nature, the carrying amounts of time deposits approximate their fair values.

Loans - The Corporation grants mortgage, commercial, and consumer loans to customers. A substantial portion of the loan portfolio is represented by mortgage loans in North Central West Virginia. The ability of the Corporation's debtors to honor their contracts is dependent upon the real estate and general economic conditions in this area.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off generally are reported at their outstanding unpaid principal balances adjusted for charge-offs, the allowance for loan losses, and any deferred fees or costs on originated loans.

Interest income is accrued based on the unpaid principal balance.

Loan origination and commitment fees, as well as certain direct origination costs, are deferred and amortized as a yield adjustment over the lives of the related loans using the interest method. Amortization of deferred loan fees is discontinued when a loan is placed on nonaccrual status.

The accrual of interest income on loans generally is discontinued at the time the loan is 90 days delinquent unless the credit is well-secured and in the process of collection. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued)

Allowance for loan losses - The allowance for loan losses reflects management's judgment of probable loan losses inherent in the portfolio at the balance sheet date. The determination of the allowance for loan losses requires significant estimates, including consideration of current economic conditions and historical loss experience pertaining to pools of homogeneous loans, which may be susceptible to change. To determine the total allowance for loan losses, management estimates the reserves needed for each segment of the portfolio, including loans analyzed individually and loans analyzed on a pooled basis. The allowance for loan losses consists of amounts applicable to the (1) construction and land development loans; (2) residential real estate loans; (3) commercial real estate loans; (4) commercial and industrial loans, and (5) other consumer loans.

The allowance consists of specific, general, and unallocated components. The specific component relates to loans that are classified as special mention, substandard, doubtful, or loss. For such loans, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the classified loan is lower than the carrying value of that loan. The general component covers non-classified loans and is based on historical loss experience of each segment, adjusted for qualitative factors. An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio. Factors influencing management's judgment of the unallocated component include the current economic condition of the local community and the trend in real estate values in the local community.

Charge off of uncollectible loans - Construction and land development loans are either charged off or written down to fair value at 90-days past due. Residential real estate and commercial real estate loans are either charged off or written down to fair value when the loan has been foreclosed and the balance exceeds the market value of the collateral. Commercial and industrial and other consumer loans are considered for charge-off at 60-days past due. Any loan in any portfolio segment may be charged off prior to the policies described above if a loss confirming event occurred. Loss confirming events include, but are not limited to, bankruptcy (unsecured), continued delinquency, or receipt of an asset valuation indicating a collateral deficiency and that asset is the sole source of repayment. Management monitors differences between estimated and actual incurred loan losses. This monitoring process includes periodic assessments by senior management of loan portfolios and the models used to estimate incurred losses in those portfolios. Additions to the allowance for loan losses are made by charges to the provision for loan losses. Credit exposures deemed to be uncollectible are charged against the allowance for loan losses. Recoveries of previously charged off amounts are credited to the allowance for loan losses.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued)

Impaired loans - A loan is considered impaired when, based on current information and events, it is probable that the Corporation will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan by loan basis for all loans by either the present value of expected future cash flows discounted at the loan's effective interest rate or the fair value of the collateral if the loan is collateral dependent.

Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Corporation does not separately identify individual consumer and residential loans for impairment disclosures, unless such loans are the subject of a restructuring agreement.

When a loan within any class is impaired, interest income is recognized unless the receipt of principal and interest is in doubt when contractually due. If receipt of principal and interest is in doubt when contractually due, interest income is not recognized. Cash receipts received on nonaccruing impaired loans within any class are generally applied entirely against principal until the loan has been collected in full, after which time any additional cash receipts are recognized as interest income. Cash receipts received on accruing impaired loans within any class are applied in the same manner as accruing loans that are not considered impaired.

Troubled debt restructurings (TDRs) - A restructuring of debt constitutes a TDR if the creditor for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. The determination of whether a concession has been granted includes an evaluation of the debtor's ability to access funds at a market rate for debt with similar risk characteristics and among other things, the significance of the modification relative to unpaid principal or collateral value of the debt, and/or the significance of a delay in the timing of payments relative to the frequency of payments, original maturity date or the expected duration of the loan. The most common concessions granted generally include one or more modifications to the terms of the debt such as a reduction in the interest rate for the remaining life of the debt, an extension of the maturity date at an interest rate lower than the current market rate for new debt with similar risk, or reduction of the unpaid principal or interest.

Premises and equipment - Bank premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed using straight-line and accelerated methods based on the estimated useful lives of the assets. Maintenance and repairs are expensed as incurred while major additions and improvements are capitalized. Gains and losses on dispositions are included in current operations.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued)

Other assets - Real estate and other property held for resale, acquired principally through foreclosure, are reported at the lower of cost or estimated net realizable value and are included in other assets. Any writedowns at the date of foreclosure are charged to the allowance for loan losses. Expenses incurred in maintaining foreclosed real estate and subsequent writedowns to reflect declines in fair value of the property are included in determining net income.

Advertising - The Corporation expenses advertising production costs as they are incurred and advertising communication costs the first time the advertising takes place.

Income taxes - Income taxes are provided for the tax effects of the transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis of securities available-for-sale, the allowance for loan losses, accumulated depreciation, and deferred loan fees, net of origination costs for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred tax assets and liabilities are reflected at income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

The Corporation and its Subsidiary file consolidated federal and state tax returns. Tax allocation arrangements between the Corporation and its Subsidiary follow the policy of determining federal and state income taxes as if the Subsidiary filed separate federal and state income tax returns.

Pension plan - The Bank provides a 401(k) pension plan which covers substantially all employees. The employees may make tax-deferred contributions to the plan. The Bank annually determines its contribution to the plan, if any. The Bank's policy is to fund pension costs accrued. Employer match pension expense for 2018 and 2017 was $45,205 and $46,091, respectively. In addition, the 401(k) plan includes a discretionary profit-sharing feature. Contributions were $50,000 and $45,000 for 2018 and 2017, respectively.

Earnings per share – Earnings per share of common stock are computed based upon the weighted average number of shares of common stock outstanding during the period. The weighted average shares outstanding were 5,839 shares for the years ended December 31, 2018 and 2017. The Corporation did not have any potentially dilutive securities during the years ended December 31, 2018 and 2017.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued)

Fair value measurements - The Corporation and its Subsidiary follow the guidance of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 825, *Financial Instruments*, and FASB ASC 820, *Fair Value Measurements and Disclosures*. This guidance permits entities to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This guidance clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Under this guidance, fair value measurements are not adjusted for transaction costs. This guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Reclassification of prior years' statements - Certain amounts in the consolidated financial statements for 2017, as previously presented, have been reclassified to conform with the 2018 financial statement presentation. The reclassifications had no effect on net income, comprehensive income, or shareholders' equity.

Date of management's review of subsequent events - Management has evaluated the accompanying consolidated financial statements for subsequent events and transactions through February 22, 2019, the date these financial statements were available for issue, based on FASB ASC 855, *Subsequent Events*, and have determined that no material subsequent events have occurred that would affect the information presented in the accompanying consolidated financial statements or require additional disclosure.

NOTE 2 - RESTRICTION ON CASH AND DUE FROM BANKS

The Corporation met the requirement to maintain reserve funds by either cash on hand or cash on deposit with the Federal Reserve Bank as of December 31, 2018 and 2017.

NOTE 3 - INVESTMENT SECURITIES

The amortized cost, gross unrealized gains, gross unrealized losses, and fair values of investment securities as of December 31, 2018 and 2017 are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2018				
Securities available-for-sale				
State, county, and municipal - nontaxable	$ 22,004,381	$ 20,942	$ (526,137)	$ 21,499,186
State, county, and municipal - taxable	481,939	2,751	-	484,690
Mortgage-backed securities	20,332,451	-	(735,739)	19,596,712
Collateralized mortgage obligations	6,724,456	-	(205,772)	6,518,684
Total	$ 49,543,227	$ 23,693	$ (1,467,648)	$ 48,099,272
December 31, 2017				
Securities available-for-sale				
State, county, and municipal - nontaxable	$ 20,244,194	$ 61,036	$ (312,829)	$ 19,992,401
Mortgage-backed securities	21,965,140	-	(476,784)	21,488,356
Collateralized mortgage obligations	6,458,062	-	(160,081)	6,297,981
Total	$ 48,667,396	$ 61,036	$ (949,694)	$ 47,778,738

The amortized cost and fair values of investment securities as of December 31, 2018, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Securities Available-For-Sale	
	Amortized Cost	Fair Value
Due in one year or less	$ 125,000	$ 123,596
Due after one year through five years	1,706,404	1,693,612
Due after five years through ten years	15,325,710	14,916,133
Due after ten years	32,386,113	31,365,931
Total	$ 49,543,227	$ 48,099,272

NOTE 3 - INVESTMENT SECURITIES (Continued)

The following is a summary of the proceeds from sales of investment securities available-for-sale and the related gross realized gains and losses:

	Proceeds	Gross Realized Gains	Gross Realized Losses
Year ended December 31,			
2018	$ 2,728,327	$ 4,049	$ (8,760)
2017	3,552,335	19,708	(23,258)

The carrying value of securities pledged to secure public deposits, repurchase agreements, trust deposits and for other purposes required or permitted by law amounted to $3,487,920 and $6,032,244 as of December 31, 2018 and 2017, respectively.

Information pertaining to investment securities with gross unrealized losses, aggregated by investment category and length of time that individual securities have been in a continuous loss position, is as follows:

	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
December 31, 2018						
Securities available-for-sale						
State, county, and municipal - nontaxable	$ 4,175,596	$ (33,481)	$ 13,607,518	$ (492,656)	$ 17,783,114	$ (526,137)
Mortgage-backed securities	2,645,295	(20,968)	16,951,417	(714,771)	19,596,712	(735,739)
Collateralized mortgage obligations	1,400,188	(14,407)	5,118,496	(191,365)	6,518,684	(205,772)
Total	$ 8,221,079	$ (68,856)	$ 35,677,431	$ (1,398,792)	$ 43,898,510	$ (1,467,648)
December 31, 2017						
Securities available-for-sale						
State, county, and municipal - nontaxable	$ 9,479,783	$ (119,216)	$ 5,282,460	$ (193,613)	$ 14,762,243	$ (312,829)
Mortgage-backed securities	4,144,806	(75,090)	17,343,550	(401,694)	21,488,356	(476,784)
Collateralized mortgage obligations	2,088,435	(21,726)	4,209,546	(138,355)	6,297,981	(160,081)
Total	$ 15,713,024	$ (216,032)	$ 26,835,556	$ (733,662)	$ 42,548,580	$ (949,694)

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Corporation to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

NOTE 3 - INVESTMENT SECURITIES (Continued)

As of December 31, 2018, the seventy-six (76) debt securities with unrealized losses have depreciated 3.24% from the Corporation's amortized cost basis. These unrealized losses are due to the current interest rate environment and not due to any underlying credit concerns of the issuers. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies or by a state or political subdivision, whether downgrades by bond rating agencies have occurred, and the results of review of the issuer's financial condition. As management has the ability to hold debt securities until maturity, or for the foreseeable future if classified as available-for-sale, no declines are deemed to be other-than-temporary.

NOTE 4 - LOANS

The composition of recorded investment in loans by segment is as follows:

	December 31, 2018	December 31, 2017
Construction and land development	$ 971,316	$ 940,110
Residential real estate	35,097,234	35,177,362
Commercial real estate	8,429,901	8,293,466
Commercial and industrial	1,282,762	1,297,153
Other consumer	7,749,126	8,415,095
Total loans	53,530,339	54,123,186
Less: allowance for loan losses	(292,807)	(290,715)
Less: net deferred loan origination fees	(157,951)	(154,005)
Loans - net	$ 53,079,581	$ 53,678,466

As of December 31, 2018 and 2017, overdrafts from deposit accounts of $5,435 and $12,116, respectively, are included within the appropriate loan segment above.

Deferred dealer premiums of $4,831 and $9,650 are included in loans as of December 31, 2018 and 2017, respectively.

NOTE 5 - CREDIT QUALITY

The following tables represent credit exposures by creditworthiness category for the years ended December 31, 2018 and 2017. The Corporation's internal creditworthiness grading system is based on experiences with similarly graded loans. This grading system is based greatly on the UCS classification system representing the degree of risk of nonpayment. Management assigns a risk grade to loans at issuance and adjusts the risk grade as factors indicative of a change in the risk grade are known. The risk grade categories are as follows:

NOTE 5 - CREDIT QUALITY (Continued)

Pass - Minimal Risk - Loans in this category have virtually no chance of resulting in a loss. They would have a level of risk similar to a loan with the following characteristics:

- The borrower has been with the bank for many years and has an excellent credit history.
- Cash flow is steady and well in excess of required debt repayment.
- The borrower has excellent access to alternative sources of finance at favorable terms.
- Management is of high quality and has unquestioned character.
- The collateral, if required, is cash or cash equivalent and is equal to or exceeds the value of the loan.
- The guarantor would achieve approximately this rating if borrowing individually from this bank.

Pass - Low Risk - Loans in this category are very unlikely to result in a loss. They would have a level of risk similar to a loan with the following characteristics:

- The borrower has an excellent credit history.
- The borrower's cash flow is steady and comfortably exceeds the required debt requirements plus other fixed charges.
- The borrower has good access to alternative sources of finance at favorable terms.
- Management is of high quality and has unquestioned character.
- The collateral, if required, is sufficiently liquid and has a large enough margin to make very likely the recovery of the full amount of the loan in the event of default.
- The guarantor would achieve approximately this rating if borrowing individually from this bank.

Pass - Medium Risk - Loans in this category have little chance of resulting in a loss. This category should include the average loan under average economic conditions. Loans in this category would have a level of risk similar to a loan with the following characteristics:

- The borrower has a good credit history.
- The borrower's cash flow may be subject to cyclical conditions, but is adequate to meet required debt repayments plus other fixed charges even after a limited period of losses or in the event of a somewhat lower trend in earnings.
- The borrower has some access to alternative sources of finance at reasonable terms.
- The borrower has good management in important positions.
- Collateral, which would usually be required, is sufficiently liquid and has a large enough margin to make likely the recovery of the value of the loan in the event of a default.
- The guarantor would achieve approximately this rating if borrowing individually from this bank.

NOTE 5 - CREDIT QUALITY (Continued)

Pass - Moderate Risk - Loans in this category have a limited chance of resulting in a loss. They would have a level of risk similar to a loan with the following characteristics:

- The borrower has only a fair credit rating but no recent credit problems.
- The borrower's cash flow is currently adequate to meet required debt repayments, but it may not be sufficient in the event of significant adverse developments.
- The borrower has some limited access to alternative sources of finance, possibly at unfavorable terms.
- Some management weakness exists.
- Collateral, which would generally be required, is sufficient to make likely the recovery of the value of the loan in the event of default, but liquidating the collateral may be difficult or expensive.
- The guarantor would achieve this rating, or lower, if borrowing individually from this bank.

Pass - Watch - Loans in this category have a limited chance of resulting in a loss, and should be watched closely for other deciding factors. These would have a level of risk similar to a loan with the following characteristics:

- The loan is for a start-up company.
- There is concern for the results of the industry.
- There have been significant changes in the company's management.
- The business has massive seasonal issues or fluctuations.

Classified - Special Mention - Loans in this category have one or more inherent weaknesses that raise objective concern about the ability of the borrower to repay the debt as currently structured.

Classified - Substandard - A loan is substandard when it is inadequately protected by the current financial strength and paying capacity of the borrower, guarantor, or collateral pledged. In this category, loans must have a well-defined weakness that jeopardizes the liquidation of debt.

Classified - Doubtful - A loan that is classified as doubtful has all the weaknesses inherent in one classified substandard, with the added characteristic that the weaknesses make collection or liquidation in full highly questionable and improbable. In this category, the possibility of loss is extremely high, but its classification as an estimated loss is deferred until a more exact status may be determined.

Classified - Loss - Loss loans are considered uncollectible and of such little value that there is no justification to continuing them as loans. This does not mean that the loans have no recovery or salvage value; rather, that it is not practical to defer writing off the asset even though partial recovery may occur in the future.

NOTE 5 - CREDIT QUALITY (Continued)

The following table sets forth the Corporation's credit risk profile by creditworthiness category, segregated by class of loans:

	Construction and Land Development	Residential Real Estate	Commercial Real Estate	Commercial and Industrial	Other Consumer	Total
December 31, 2018						
Pass - minimal risk	$ -	$ -	$ -	$ 333,288	$ 863,580	$ 1,196,868
Pass - low risk	27,667	10,615,881	190,917	-	86,786	10,921,251
Pass - medium risk	943,649	24,042,757	8,238,984	919,785	5,964,753	40,109,928
Pass - moderate risk	-	320,602	-	29,689	834,007	1,184,298
Pass - watch	-	-	-	-	-	-
Classified - special mention	-	-	-	-	-	-
Classified - substandard	-	117,994	-	-	-	117,994
Classified - doubtful	-	-	-	-	-	-
Classified - loss	-	-	-	-	-	-
Total	$ 971,316	$35,097,234	$ 8,429,901	$ 1,282,762	$7,749,126	$ 53,530,339
December 31, 2017						
Pass - minimal risk	$ -	$ -	$ -	$ 200,020	$ 954,153	$ 1,154,173
Pass - low risk	41,721	12,670,853	322,867	884,989	100,945	14,021,375
Pass - medium risk	898,389	22,079,084	7,913,067	212,144	6,143,028	37,245,712
Pass - moderate risk	-	296,834	57,532	-	1,216,969	1,571,335
Pass - watch	-	-	-	-	-	-
Classified - special mention	-	-	-	-	-	-
Classified - substandard	-	130,591	-	-	-	130,591
Classified - doubtful	-	-	-	-	-	-
Classified - loss	-	-	-	-	-	-
Total	$ 940,110	$35,177,362	$ 8,293,466	$ 1,297,153	$ 8,415,095	$ 54,123,186

NOTE 5 - CREDIT QUALITY (Continued)

The following table sets forth the Corporation's nonaccrual loans, segregated by class of loans:

	December 31, 2018	December 31, 2017
Construction and land development	$ -	$ -
Residential real estate	-	-
Commercial real estate	-	-
Commercial and industrial	-	-
Other Consumer	-	-
Total	$ -	$ -

The following table sets forth the Corporation's age analysis of its past due loans, segregated by class of loans:

	30-59 Days Past Due	60-89 Days Past Due	90 Days Or More Past Due	Total Past Due	Total Current	Total Financing Receivables	Recorded Investment >90 Days & Accruing
December 31, 2018							
Construction and land development	$ 8,540	$ -	$ -	$ 8,540	$ 962,776	$ 971,316	$ -
Residential real estate	310,833	97,736	258,959	667,528	34,429,706	35,097,234	258,959
Commercial real estate	-	-	-	-	8,429,901	8,429,901	-
Commercial and industrial	15,902	-	-	15,902	1,266,860	1,282,762	-
Other consumer	36,374	78,938	-	115,312	7,633,814	7,749,126	-
Total	$ 371,649	$ 176,674	$ 258,959	$ 807,282	$ 52,723,057	$ 53,530,339	$ 258,959
December 31, 2017							
Construction and land development	$ -	$ -	$ -	$ -	$ 940,110	$ 940,110	$ -
Residential real estate	401,876	339,912	140,233	882,021	34,295,341	35,177,362	140,233
Commercial real estate	62,829	-	-	62,829	8,230,637	8,293,466	-
Commercial and industrial	23,994	-	-	23,994	1,273,159	1,297,153	-
Other consumer	98,021	44,209	-	142,230	8,272,865	8,415,095	-
Total	$ 586,720	$ 384,121	$ 140,233	$ 1,111,074	$ 53,012,112	$ 54,123,186	$ 140,233

There were no loans modified as troubled debt restructurings (TDRs) during the years ended December 31, 2018 and 2017, respectively.

As of December 31, 2018, there are no commitments to lend additional funds to any borrower whose loan terms have been modified in a troubled debt restructuring.

NOTE 5 - CREDIT QUALITY (Continued)

The following table sets forth the Bank's impaired loans information, segregated by class of loan:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
December 31, 2018					
With no related allowance recorded					
Construction and land development	$ -	$ -	$ -	$ -	$ -
Residential real estate	117,514	117,994	-	125,331	8,987
Commercial real estate	-	-	-	-	-
Commercial and industrial	-	-	-	-	-
Other consumer	-	-	-	-	-
With an allowance recorded					
Construction and land development	-	-	-	-	-
Residential real estate	-	-	-	-	-
Commercial real estate	-	-	-	-	-
Commercial and industrial	-	-	-	-	-
Other consumer	-	-	-	-	-
Total	$ 117,514	$ 117,994	$ -	$ 125,331	$ 8,987
December 31, 2017					
With no related allowance recorded					
Construction and land development	$ -	$ -	$ -	$ -	$ -
Residential real estate	132,188	130,591	-	138,768	11,088
Commercial real estate	-	-	-	-	-
Commercial and industrial	-	-	-	-	-
Other consumer	-	-	-	-	-
With an allowance recorded					
Construction and land development	-	-	-	-	-
Residential real estate	-	-	-	-	-
Commercial real estate	-	-	-	-	-
Commercial and industrial	-	-	-	-	-
Other consumer	-	-	-	-	-
Total	$ 132,188	$ 130,591	$ -	$ 138,768	$ 11,088

NOTE 6 - ALLOWANCE FOR LOAN LOSSES

The following is an analysis of the allowance for loan losses for the years ended:

	December 31, 2018	December 31, 2017
Balance at beginning of year	$ 290,715	$ 465,503
Loans charged off	(59,657)	(219,584)
Recoveries of loans previously charged off	31,749	14,796
Provision for loan losses	30,000	30,000
Balance at end of year	$ 292,807	$ 290,715

NOTE 6 - ALLOWANCE FOR LOAN LOSSES (Continued)

The Corporation considers the allowance for loan losses of $292,807 and $290,715 adequate to cover loan losses inherent in the loan portfolio as of December 31, 2018 and 2017, respectively. The following tables present by portfolio segment, the changes in the allowance for loan losses and the recorded investment in loans.

	Construction and Land Development	Residential Real Estate	Commercial Real Estate	Commercial and Industrial	Other Consumer	Unallocated	Total
December 31, 2018							
Allowance for loan losses							
Beginning balance	$ 4,684	$ 177,963	$ 42,044	$ 6,461	$ 59,563	$ -	$ 290,715
Charge offs	-	(28,197)	-	-	(31,460)	-	(59,657)
Recoveries	-	-	-	-	31,749	-	31,749
Provision	(1,999)	(83,022)	(36,101)	(5,556)	(44,389)	201,067	30,000
Ending balance	2,685	66,744	5,943	905	15,463	201,067	292,807
Ending balance - individually evaluated for impairment	-	-	-	-	-	-	-
Ending balance - collectively evaluated for impairment	2,685	66,744	5,943	905	15,463	201,067	292,807
Financing receivables							
Ending balance	971,316	35,097,234	8,429,901	1,282,762	7,749,126		53,530,339
Ending balance - individually evaluated for impairment	-	117,994	-	-	-		117,994
Ending balance - collectively evaluated for impairment	$ 971,316	$34,979,240	$ 8,429,901	$ 1,282,762	$ 7,749,126		$ 53,412,345

NOTE 6 - ALLOWANCE FOR LOAN LOSSES (Continued)

	Construction and Land Development	Residential Real Estate	Commercial Real Estate	Commercial and Industrial	Other Consumer	Total
December 31, 2017						
Allowance for loan losses						
Beginning balance	$ 6,621	$ 156,469	$ 19,987	$ 10,671	$ 271,755	$ 465,503
Charge offs	-	(190,302)	-	-	(29,282)	(219,584)
Recoveries	-	-	-	-	14,796	14,796
Provision	(1,937)	211,796	22,057	(4,210)	(197,706)	(30,000)
Ending balance	4,684	177,963	42,044	6,461	59,563	290,715
Ending balance - individually evaluated for impairment	-	-	-	-	-	-
Ending balance - collectively evaluated for impairment	4,684	177,963	42,044	6,461	59,563	290,715
Financing receivables						
Ending balance	940,110	35,177,362	8,293,466	1,297,153	8,415,095	54,123,186
Ending balance - individually evaluated for impairment	-	130,591	-	-	-	130,591
Ending balance - collectively evaluated for impairment	$ 940,110	$ 35,046,771	$ 8,293,466	$ 1,297,153	$ 8,415,095	$ 53,992,595

NOTE 7 - PREMISES AND EQUIPMENT

The major categories of premises and equipment are as follows:

	December 31, 2018	December 31, 2017
Land	$ 1,730,442	$ 1,730,442
Bank premises	2,772,220	2,772,220
Equipment	1,793,379	1,735,836
Total cost	6,296,041	6,238,498
Less: accumulated depreciation	(3,244,908)	(3,122,039)
Bank premises and equipment - net	$ 3,051,133	$ 3,116,459

Depreciation expense for the years ended December 31, 2018 and 2017, totaled $170,737 and $163,075, respectively.

NOTE 8 - DEPOSITS

Time deposits issued in denominations that meet or exceed the Federal Deposit Insurance Corporation (FDIC) limit of $250,000 or more totaled $1,533,802 and $3,026,002 as of December 31, 2018 and 2017, respectively.

As of December 31, 2018, the maturity distribution of time deposits is as follows:

2019	$ 8,517,235
2020	5,124,152
2021	1,922,791
2022	2,107,711
2023 and thereafter	523,647
Total	$ 18,195,536

As of December 31, 2018 and 2017, demand deposits in the amount of $12,116 and $5,435, respectively, have been reclassified as loan balances.

NOTE 9 - DIVIDEND RESTRICTIONS

The payment of dividends to shareholders by the Corporation is not encumbered by any restrictive provisions. There are, however, limitations set by law on the amount of funds available to the Corporation from its Subsidiary Bank. Dividends may be paid out of funds legally available therefore subject to the restrictions set forth in West Virginia Code, Section 31A-4-25, which provides that prior approval of the West Virginia Commissioner of Financial Institutions is required if the total of all dividends declared by a state bank in any calendar year will exceed the bank's net profits for that year combined with its retained net profits for the preceding two years. The amount of funds legally available for distribution of dividends by the Bank to the Corporation without prior approval from regulatory authorities for 2018 was approximately $1,902,632, less $408,730 which was distributed by December 31, 2018.

NOTE 10 - OTHER EXPENSES

Other expenses consisted of the following as follows for the years ended:

	December 31, 2018	December 31, 2017
Other insurance	$ 17,735	$ 20,376
Contributions	4,724	4,734
Courier services	28,913	28,270
Dues and subscriptions	32,872	29,709
Postage and freight	50,982	50,066
Telephone	62,862	54,726
Travel	4,169	3,610
Other taxes	23,445	23,249
Legal and professional fees	91,859	85,053
Repossession expense	2,233	1,039
Charged off DDAs and cash short	19,542	9,283
Education and training	5,116	6,831
Bank automobile expense	6,440	4,705
Business development	1,018	1,136
Debit card expense	370,465	322,938
FRB service charge	22,717	22,404
Miscellaneous	79,265	52,684
	$ 824,357	$ 720,813

NOTE 11 - INCOME TAXES

The consolidated provision for income taxes consists of the following for the years ended:

	December 31, 2018	December 31, 2017
Federal		
Current	$ 203,586	$ 183,294
Deferred	9,952	201,874
	213,538	385,168
State		
Current	66,160	58,257
Deferred	1,844	2,333
	68,004	60,590
Total income tax expense	$ 281,542	$ 445,758

NOTE 11 - INCOME TAXES (Continued)

The consolidated provision for income taxes differs from the amounts computed by applying the U.S. federal statutory income tax rates to income before income tax expense as a result of the following:

	December 31,			
	2018		2017	
	Amount	%	Amount	%
Federal statutory tax rate	$ 275,483	21%	$ 383,190	34%
Effect of tax-exempt income	(102,376)	(8)	(161,733)	(14)
Effect of nondeductible expenses	2,404	-	-	-
Adjustment of deferred taxes for change in federal tax rate	-	-	169,068	15
Effect of other items	52,308	5	13,251	1
State income tax, net of federal tax benefit	53,723	4	41,982	4
Reported effective tax rate	$ 281,542	22%	$ 445,758	40%

Deferred income taxes 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.

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

Deferred tax assets and liabilities are reflected at income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. On December 22, 2017, the Tax Cuts and Jobs Act of 2017 was enacted. As a result, the adjustment of deferred taxes in the amount of $169,068, due to the reduction of the historical corporate income tax rate to the newly enacted corporate income tax rate of 21%, was required to be included in income from continuing operations.

NOTE 11 - INCOME TAXES (Continued)

The tax effects of temporary differences which give rise to the Corporation's deferred tax assets and liabilities are as follows:

	December 31, 2018	December 31, 2017
Deferred tax assets		
Allowance for loan losses	$ 43,285	$ 42,958
Deferred loan origination fee, net of costs	39,490	38,679
Other	-	2,458
Unrealized losses on securities available-for-sale	360,988	186,618
Total deferred tax assets	443,763	270,713
Deferred tax liabilities		
Accumulated depreciation	(68,725)	(58,249)
Total deferred tax liabilities	(68,725)	(58,249)
Net deferred tax assets	$ 375,038	$ 212,464

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Corporation and its Subsidiary and recognize a tax liability (or asset) if the Corporation and its Subsidiary have taken an uncertain position that more-likely-than-not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed tax positions taken by the Corporation and its Subsidiary, and has concluded that as of December 31, 2018, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements. The Corporation files income tax returns in the United States federal jurisdiction and West Virginia state jurisdiction, and is subject to examination of those filings by the authorities representing those jurisdictions. There are no current examinations in process for any filings, and management believes that the Corporation is not subject to audit for any years prior to 2015.

NOTE 12 - RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Corporation makes loans to its officers, directors, shareholders, and employees at basically the same terms as those to unrelated borrowers. All loans are approved by the loan committee and the board of directors. Changes in the aggregate balances of these loans are summarized as follows:

	December 31,	
	2018	2017
Balance at beginning of year	$ 1,915,591	$ 1,424,949
Borrowings	527,216	991,065
Repayments	(903,350)	(503,243)
Reclassifications due to status	(10,476)	2,820
Balance at end of year	$ 1,528,981	$ 1,915,591

In the ordinary course of business, the Corporation receives deposits from its officers, directors, employees, and their affiliated companies at basically the same terms as those to unrelated parties. The total deposits of the related parties are summarized as follows:

	December 31,	
	2018	2017
Officers and Employees	$ 1,006,892	$ 956,769
Directors and their affiliated companies	1,430,540	1,845,604
Total	$ 2,437,432	$ 2,802,373

NOTE 13 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK, FINANCIAL INSTRUMENTS WITH CONCENTRATIONS OF CREDIT RISK, AND COMMITMENTS AND CONTINGENCIES

The Corporation is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the needs of its customers. These financial instruments include commitments to extend credit. The instruments involve elements of credit and interest rate risk in excess of the amount recognized in the financial statements.

The Corporation's exposure to credit loss in the event of nonperformance by the other party to the financial instrument is represented by the contractual amount of those instruments. The Corporation follows the same credit policies in making commitments as it does for on-balance sheet instruments.

The Corporation had the following financial instruments whose contract amounts represent credit risk as follows:

	December 31,	
	2018	2017
Commitments to extend credit	$ 7,059,992	$ 5,124,418

NOTE 13 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK, FINANCIAL INSTRUMENTS WITH CONCENTRATIONS OF CREDIT RISK, AND COMMITMENTS AND CONTINGENCIES (Continued)

Under commitments to extend credit, the Corporation agrees to lend to its customers as long as there is no violation of any of the terms of the contract. These commitments generally have fixed expiration dates and termination clauses. The Corporation evaluates each customer's creditworthiness on a case-by-case basis and the collateral obtained upon extension of credit is based upon management's credit evaluation of the customer. Collateral generally includes trade receivables, inventory, property, plant and equipment, and income producing commercial properties. Since many of these commitments to extend credit will expire without being drawn upon, the total commitments do not necessarily represent future cash requirements.

The Corporation makes consumer, commercial, and residential loans to customers primarily in Harrison County, West Virginia and portions of contiguous counties. Although the Bank has a diversified loan portfolio, a substantial portion of the debtors' ability to honor their contracts is dependent upon the economic conditions in the Bank's primary trade area.

The Bank has contracted with a third-party service center to perform substantially all electronic data processing services for the Bank. Pursuant to this agreement, certain payments may become due if the agreement is terminated before September 2023. As of December 31, 2018, the contingent liability to the Bank's service center is estimated to be approximately $1,130,000 plus the actual costs incurred in connection with the termination.

The Corporation and its Subsidiary are subject to claims and lawsuits which arise from time to time in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the consolidated financial position or results of operations of the Corporation and its Subsidiary.

From time to time, the Bank maintains cash balances in other financial institutions exceeding the Federal Deposit Insurance Corporation's insured balance of up to $250,000.

NOTE 14 - REGULATORY CAPITAL MATTERS

The Corporation is a bank holding company subject to supervision and regulation by the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956. As a bank holding company, the Corporation's activities and those of its Subsidiary Bank are limited to the business of banking and activities closely related or incidental to banking.

NOTE 14 - REGULATORY MATTERS (Continued)

The Bank is subject to various regulatory capital requirements administered by its primary federal regulator, the Federal Deposit Insurance Corporation (FDIC). Failure to meet the minimum regulatory capital requirements can initiate certain mandatory, and possible additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Corporation and the Subsidiary Bank and the consolidated financial statements. Under the regulatory capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines involving quantitative measures of the Bank's assets, liabilities, and certain off-balance sheet items as calculated under regulatory reporting requirements. The Bank's capital amounts and classification under the prompt corrective action guidelines 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 require the Bank to maintain minimum amounts and ratios of total capital, tier 1 capital, and common equity tier 1 capital to risk-weighted assets (as defined in the regulations), and leverage capital, which is tier 1 capital to adjusted average total assets (as defined). Management believes, as of December 31, 2018 and 2017, that the Bank meets all the capital adequacy requirements to which it is subject.

As of December 31, 2018 and 2017, the most recent notification from the FDIC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To remain categorized as well capitalized, the Bank will have to maintain minimum total capital, common equity tier 1 capital, tier 1 capital, and leverage capital ratios as disclosed in the following table. There are no conditions or events since the most recent notification that management believes have changed the Bank's prompt corrective action category.

NOTE 14 - REGULATORY MATTERS (Continued)

The following table outlines the regulatory components of the Corporation and the Bank's capital and capital ratios as of December 31, 2018 and 2017, respectively.

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount (Thousands)	Ratio	Amount (Thousands)	Ratio	Amount (Thousands)	Ratio
As of December 31, 2018						
Total capital						
(to risk-weighted assets)						
Consolidated	$ 12,321	22.74%	$ 4,334	≥ 8.00%	$ N/A	≥ N/A
Subsidiary Bank	$ 12,291	22.69%	$ 4,334	≥ 8.00%	$ 5,418	≥ 10.00%
Tier I capital						
(to risk-weighted assets)						
Consolidated	$ 12,028	22.20%	$ 3,251	≥ 6.00%	$ N/A	≥ N/A
Subsidiary Bank	$ 11,998	22.15%	$ 3,251	≥ 6.00%	$ 4,334	≥ 8.00%
Common equity tier 1 capital						
(to risk-weighted assets)						
Consolidated	$ 12,028	20.20%	$ 2,438	≥ 4.50%	$ N/A	≥ N/A
Subsidiary Bank	$ 11,998	22.15%	$ 2,438	≥ 4.50%	$ 3,521	≥ 6.50%
Leverage capital						
(to adjusted average total assets)						
Consolidated	$ 12,028	10.86%	$ 4,429	≥ 4.00%	$ N/A	≥ N/A
Subsidiary Bank	$ 11,998	10.84%	$ 4,429	≥ 4.00%	$ 5,536	≥ 5.00%
As of December 31, 2017						
Total capital						
(to risk-weighted assets)						
Consolidated	$ 11,697	21.39%	$ 4,374	≥ 8.00%	$ N/A	≥ N/A
Subsidiary Bank	$ 11,644	21.30%	$ 4,374	≥ 8.00%	$ 5,468	≥ 10.00%
Tier I capital						
(to risk-weighted assets)						
Consolidated	$ 11,406	20.86%	$ 3,281	≥ 6.00%	$ N/A	≥ N/A
Subsidiary Bank	$ 11,353	20.76%	$ 3,281	≥ 6.00%	$ 4,374	≥ 8.00%
Common equity tier 1 capital						
(to risk-weighted assets)						
Consolidated	$ 11,406	20.86%	$ 2,461	≥ 4.50%	$ N/A	≥ N/A
Subsidiary Bank	$ 11,353	20.76%	$ 2,461	≥ 4.50%	$ 3,554	≥ 6.50%
Leverage capital						
(to adjusted average total assets)						
Consolidated	$ 11,406	10.43%	$ 4,375	≥ 4.00%	$ N/A	≥ N/A
Subsidiary Bank	$ 11,353	10.38%	$ 4,375	≥ 4.00%	$ 5,469	≥ 5.00%

NOTE 15 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the exchange price that would be received to sell 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. Accounting guidance also establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under this guidance are described below.

Level 1 - Valuation is based on quoted prices in active markets for identical assets or liabilities that the Bank has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets and liabilities.

Level 2 - Valuation is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 - Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

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

NOTE 15 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The following describes the valuation techniques used to measure certain financial assets and liabilities recorded at fair value on a recurring basis in the financial statements.

Investment securities available-for-sale - 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 or traded by dealers or brokers in active over-the-counter markets. Level 2 securities include securities issued by government sponsored entities, mortgage-backed securities, and municipal bonds. Level 3 securities include those with unobservable inputs. Transfers between levels can occur due to changes in the observability of significant inputs.

The following are assets and liabilities that were accounted for or disclosed at fair value on a recurring basis:

		Fair Value Measurements at Reporting Date Using:		
	Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2018				
Securities available-for-sale				
State, county, and municipal - nontaxable	$ 21,499,187	$ -	$ 21,499,187	$ -
State, county, and municipal - taxable	484,690	-	484,690	-
Mortgage-backed securities	19,596,711	-	19,596,711	-
Collateralized mortgage obligations	6,518,684	-	6,518,684	-
Total securities available-for-sale	$ 48,099,272	$ -	$ 48,099,272	$ -
December 31, 2017				
Securities available-for-sale				
State, county, and municipal - nontaxable	$ 19,992,401	$ -	$ 19,992,401	$ -
Mortgage-backed securities	21,488,356	-	21,488,356	-
Collateralized mortgage obligations	6,297,981	-	6,297,981	-
Total securities available-for-sale	$ 47,778,738	$ -	$ 47,778,738	$ -

NOTE 15 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The following describes the valuation techniques used to measure certain financial assets and liabilities recorded at fair value on a nonrecurring basis in the financial statements.

Impaired loans - The Corporation does not record loans at fair value on a recurring basis. However, from time to time, a loan is considered impaired and an allowance for loan losses may need to be established. Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement are considered impaired. Once a loan is identified as individually impaired, management measures impairment. As of December 31, 2018, the fair value of substantially all of the impaired loans was estimated based on the fair value of the collateral. Impaired loans where an allowance is established based on the fair value of the collateral, require classifications in the fair value hierarchy. When the fair value of the collateral is based on an observable market price or a current appraised value, the Corporation records the impaired loan as nonrecurring Level 2. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the Corporation records the impaired loan as nonrecurring Level 3. Those impaired loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceed the recorded investments in such loans.

There were no assets or liabilities that were accounted for or disclosed at fair value on a nonrecurring basis as of December 31, 2018 and 2017.

The following methods and assumptions were used to estimate the fair value disclosures for other financial instruments as of December 31, 2018 and 2017:

Cash and cash equivalents - The fair value of cash and cash equivalents is estimated to approximate the carrying amounts.

Time deposits - The fair value of time deposits is estimated to approximate the carrying amounts.

Other securities - Other securities consist of restricted equity securities in the Federal Home Loan Bank (FHLB) and are carried at cost. Because there is no market, the carrying value of restricted equity securities approximate fair value based on the redemption provisions of the FHLB.

Loans - The fair value of loans is calculated by discounting estimated cash flows using current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. The estimated cash flows do not anticipate prepayments.

Management has made estimates of fair value discount rates that it believes to be reasonable. However, because there is no market for many of these financial instruments, management has no basis to determine whether the fair value presented for loans would be indicative of the value negotiated in an actual sale.

Accrued interest receivable and payable - The fair value of accrued interest approximates the carrying amounts.

NOTE 15 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Deposits - The fair value of deposits with no stated maturity, such as noninterest-bearing and interest-bearing demand deposits, regular savings, and certain types of money market accounts, is equal to the amount payable on demand at the reporting date (that is, their carrying amounts). The fair value of certificates of deposit is based on the discounted value of contractual cash flows. The discount rate is estimated using the rates currently offered for deposits of similar remaining maturities.

Advance payments from borrowers for taxes and insurance - The fair value of escrow accounts is estimated to approximate the carrying amount.

Off-balance-sheet instruments - The fair value of commitments to extend credit is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of agreements and the present credit standing of the counterparties. The amounts of fees currently charged on commitments to extend credit are deemed insignificant, and therefore, the estimated fair value and carrying value are not shown.

The estimated fair value of the financial instruments is as follows:

	December 31, 2018		December 31, 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Cash and cash equivalents	$ 4,709,935	$ 4,709,935	$ 4,668,573	$ 4,668,573
Time deposits	1,749,000	1,749,000	-	-
Securities available-for-sale	48,099,272	48,099,272	47,778,738	47,778,738
Other securities	56,000	56,000	56,700	56,700
Loans	53,079,581	52,947,880	53,678,466	*****
Accrued interest receivable	494,707	494,707	434,058	434,058
Financial liabilities				
Deposits	100,587,578	100,545,042	99,203,606	*****
Advance payments from borrowers for taxes and insurance	170,408	170,408	130,019	130,019
Accrued interest payable	11,293	11,293	8,130	8,130

***** - *Management has determined it is not cost effective to estimate fair value.*

NOTE 16 - CONDENSED FINANCIAL INFORMATION - PARENT COMPANY ONLY

The following financial statements reflect the financial position, results of operations, and cash flows of Harrison Bankshares, Inc. (Parent Company Only).

CONDENSED BALANCE SHEETS

	December 31, 2018	December 31, 2017
Assets		
Cash and due from banks (all from subsidiary)	$ 21,740	$ 40,553
Investment in subsidiary (equity basis)	10,914,591	10,651,108
Due from subsidiary	8,475	12,518
Total assets	$ 10,944,806	$ 10,704,179
Liabilities and shareholders' equity		
Total liabilities	$ -	$ -
Shareholders' equity		
Common stock (par value $0.25 per share; 12,800 shares Authorized; 6,400 shares issued; and 5,839 shares outstanding as of December 31, 2018 and 2017, respectively)	1,600	1,600
Additional paid in capital	1,110,839	1,110,839
Retained earnings	11,568,382	10,946,828
Less: treasury stock, at cost (561 shares as of December 31, 2018 and 2017, respectively)	(653,048)	(653,048)
Accumulated other comprehensive income (loss)	(1,082,967)	(702,040)
Total shareholders' equity	10,944,806	10,704,179
Total liabilities and shareholders' equity	$ 10,944,806	$ 10,704,179

NOTE 16 - CONDENSED FINANCIAL INFORMATION - PARENT COMPANY ONLY (Continued)

CONDENSED STATEMENTS OF INCOME

	Years Ended December 31, 2018	Years Ended December 31, 2017
Income		
Interest on deposits	$ 48	$ 71
Dividend income from subsidiary	408,730	370,777
Total income	408,778	370,848
Expenses		
Other expenses	31,379	31,595
Total expenses	31,379	31,595
Income before income tax expense and equity in undistributed earnings of subsidiary	377,399	339,253
Income tax expense (benefit)	(8,475)	(12,518)
Income before equity in undistributed earnings of subsidiary	385,874	351,771
Equity in undistributed earnings of subsidiary	644,410	329,499
Net income	$ 1,030,284	$ 681,270

NOTE 16 - CONDENSED FINANCIAL INFORMATION - PARENT COMPANY ONLY (Continued)

CONDENSED STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2018	2017
Cash flows from operating activities		
Net income	$ 1,030,284	$ 681,270
Adjustments to reconcile net income to net cash provided (used) by operating activities		
Equity in undistributed earnings of subsidiary	(644,410)	(329,499)
(Increase) decrease in other assets	4,043	(1,398)
Net cash provided (used) by operating activities	389,917	350,373
Cash flows from financing activities		
Cash dividends paid	(408,730)	(370,777)
Net cash provided (used) by financing activities	(408,730)	(370,777)
Net increase (decrease) in cash and cash equivalents	(18,813)	(20,404)
Cash and cash equivalents at beginning of year	40,553	60,957
Cash and cash equivalents at end of year	$ 21,740	$ 40,553

Principal sources of income for the Corporation are dividends received from its Subsidiary. State law imposes limitations on the payment of dividends by the Subsidiary Bank of the Corporation. A dividend may not be paid if the total of all dividends declared by a bank in any calendar year is in excess of the current year's net profits combined with the retained net profits of the two preceding years unless the bank obtains regulatory approval.

Loans and extensions of credit must be secured in specified amounts. The Corporation had no borrowings outstanding from its Subsidiary Bank as of December 31, 2018.

NOTE 16 - CONDENSED FINANCIAL INFORMATION - PARENT COMPANY ONLY (Continued)

The Corporation accounts for its investment in its Subsidiary by the equity method. During the years ended December 31, 2018 and 2017, changes in the investment were as follows:

	Harrison County Bank
Percent to total shares	100%
Balance at December 31, 2016	$ 9,996,235
Add (deduct)	
Equity in net income	700,276
Equity in other comprehensive income (loss)	325,374
Dividends declared	(370,777)
Balance at December 31, 2017	10,651,108
Add (deduct)	
Equity in net income	1,053,140
Equity in other comprehensive income (loss)	(380,927)
Dividends declared	(408,730)
Balance at December 31, 2018	$ 10,914,591

SUPPLEMENTARY INFORMATION

Suttle & Stalnaker PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATING INFORMATION

To the Board of Directors
Harrison Bankshares, Inc. and Subsidiary
Lost Creek, West Virginia

We have audited the consolidated financial statements of Harrison Bankshares, Inc. and its Subsidiary as of and for the year ended December 31, 2018, and have issued our report thereon dated February 22, 2019, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Suttle & Stalnaker, PLLC

Parkersburg, West Virginia
February 22, 2019

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HARRISON BANKSHARES, INC. AND SUBSIDIARY
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2018

	Harrison Bankshares, Inc.	Harrison County Bank	Consolidating Eliminations	Consolidated Totals
ASSETS				
Cash and due from banks	$ 21,740	$ 4,680,867	$ (21,740)	$ 4,680,867
Interest-earning deposits in other banks	-	29,068	-	29,068
Cash and cash equivalents	21,740	4,709,935	(21,740)	4,709,935
Time deposits	-	1,749,000	-	1,749,000
Investment securities				
Securities available-for-sale, at fair value	-	48,099,272	-	48,099,272
Other securities	-	56,000	-	56,000
Investment in subsidiary	10,914,591	-	(10,914,591)	-
Loans	-	53,372,388	-	53,372,388
Less: allowance for loan losses	-	(292,807)	-	(292,807)
Loans - net	-	53,079,581	-	53,079,581
Accrued interest receivable	-	494,707	-	494,707
Premises and equipment - net	-	3,051,133	-	3,051,133
Deferred income taxes	-	375,038	-	375,038
Other assets	8,475	281,387	(8,475)	281,387
Total assets	**$ 10,944,806**	**$ 111,896,053**	**$ (10,944,806)**	**$ 111,896,053**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Deposits				
Demand - noninterest-bearing	$ -	$ 32,048,122	$ -	$ 32,048,122
Demand - interest-bearing	-	20,628,578	(21,740)	20,606,838
Savings	-	29,737,082	-	29,737,082
Time	-	18,195,536	-	18,195,536
Total deposits	-	100,609,318	(21,740)	100,587,578
Advance payments from borrowers for taxes and insurance	-	170,408	-	170,408
Accrued interest payable	-	11,293	-	11,293
Other liabilities	-	190,443	(8,475)	181,968
Total liabilities	-	100,981,462	(30,215)	100,951,247
Shareholders' equity				
Common stock	1,600	160,000	(160,000)	1,600
Additional paid in capital	1,110,839	900,000	(900,000)	1,110,839
Retained Earnings	11,568,382	10,937,558	(10,937,558)	11,568,382
Less: treasury stock, at cost	(653,048)	-	-	(653,048)
Accumulated other comprehensive income (loss)	(1,082,967)	(1,082,967)	1,082,967	(1,082,967)
Total shareholders' equity	10,944,806	10,914,591	(10,914,591)	10,944,806
Total liabilities and shareholders' equity	**$ 10,944,806**	**$ 111,896,053**	**$ (10,944,806)**	**$ 111,896,053**

HARRISON BANKSHARES, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2018

	Harrison Bankshares, Inc.	Harrison County Bank	Consolidating Eliminations	Consolidated Totals
Interest income				
Interest and fees on loans	$ -	$ 2,884,039	$ -	$ 2,884,039
Interest on federal funds sold	-	2,336	-	2,336
Interest on deposits in other banks	-	69,195	-	69,195
Interest and dividends on investment securities	48	1,010,971	(48)	1,010,971
Total interest income	48	3,966,541	(48)	3,966,541
Interest expense				
Interest on deposits $100,000 or more	-	107,179	-	107,179
Interest on other deposits	-	145,232	(48)	145,184
Interest on advances from Federal Home Loan Bank	-	1,010	-	1,010
Total interest expense	-	253,421	(48)	253,373
Net interest income	48	3,713,120	-	3,713,168
Provision for loan losses	-	30,000	-	30,000
Net interest income after provision for loan losses	48	3,683,120	-	3,683,168
Noninterest income				
Dividend income from subsidiary	408,730	-	(408,730)	-
Equity in undistributed earnings of subsidiary	644,410	-	(644,410)	-
Net gains (losses) from sales of investment securities available-for-sale	-	(4,711)	-	(4,711)
Service charges and fees	-	636,149	-	636,149
Safe deposit box rental income	-	15,427	-	15,427
Rental income	-	34,152	-	34,152
Other income		27,535	-	27,535
Total noninterest income	1,053,140	708,552	(1,053,140)	708,552
Noninterest expense				
General and administrative				
Salaries and employee benefits	-	1,405,727	-	1,405,727
Occupancy and equipment	-	381,916	-	381,916
Data processing	-	235,288	-	235,288
Assessment fees	-	41,331	-	41,331
Stationary and supplies	935	37,714	-	38,649
Director fees	29,400	99,400	-	128,800
Advertising	-	23,826	-	23,826
Other expenses	1,044	823,313	-	824,357
Total noninterest expense	31,379	3,048,515	-	3,079,894
Income before income tax expense	1,021,809	1,343,157	(1,053,140)	1,311,826
Income tax expense (benefit)	(8,475)	290,017	-	281,542
Net income	**$ 1,030,284**	**$ 1,053,140**	**$ (1,053,140)**	**$ 1,030,284**

HARRISON BANKSHARES, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018

	Harrison Bankshares, Inc.	Harrison County Bank	Consolidating Eliminations	Consolidated Totals
Cash flows from operating activities				
Net income	$ 1,030,284	$ 1,053,140	$ (1,053,140)	$ 1,030,284
Adjustments to reconcile net income to net cash provided (used) by operating activities				
Equity in undistributed earnings of subsidiary	(644,410)	-	644,410	-
Depreciation	-	170,737	-	170,737
Provision for loan losses	-	30,000	-	30,000
Provision for deferred income tax	-	11,796	-	11,796
Amortizations (accretions) on investment securities - net	-	602,635	-	602,635
Net realized (gains) losses from sales of investment securities available-for-sale	-	4,711	-	4,711
(Increase) decrease in accrued interest receivable	-	(60,649)	-	(60,649)
(Increase) decrease in other assets	4,043	(30,898)	-	(26,855)
Increase (decrease) in accrued interest payable	-	3,163	-	3,163
Increase (decrease) in other liabilities	-	27,912	-	27,912
Total adjustments	(640,367)	759,407	644,410	763,450
Net cash provided (used) by operating activities	389,917	1,812,547	(408,730)	1,793,734
Cash flows from investing activities				
Purchases of time deposits	-	(1,749,000)	-	(1,749,000)
Purchases of investment securities available-for-sale	-	(9,847,605)	-	(9,847,605)
Proceeds from maturities and calls of investment securities available-for-sale	-	160,000	-	160,000
Proceeds from principal payments on investment securities available-for-sale	-	5,476,101	-	5,476,101
Proceeds from sales of investment securities available-for-sale	-	2,728,327	-	2,728,327
Net redemptions (purchases) of other securities	-	700	-	700
Loan originations and principal payment on loans	-	568,885	-	568,885
Capital expenditures	-	(105,411)	-	(105,411)
Net cash provided (used) by investing activities	-	(2,768,003)	-	(2,768,003)
Cash flows from financing activities				
Net increase (decrease) in total deposits	-	1,365,159	18,813	1,383,972
Net increase (decrease) in advance payments from borrowers for taxes and insurance	-	40,389	-	40,389
Cash dividends paid	(408,730)	(408,730)	408,730	(408,730)
Net cash provided (used) by financing activities	(408,730)	996,818	427,543	1,015,631
Net increase (decrease) in cash and cash equivalents	(18,813)	41,362	18,813	41,362
Cash and cash equivalents at beginning of year	40,553	4,668,573	(40,553)	4,668,573
Cash and cash equivalents at end of year	**$ 21,740**	**$ 4,709,935**	**$ (21,740)**	**$ 4,709,935**
Supplemental disclosure of cash flows information				
Cash paid during the year for				
Interest	$ -	$ 250,258	$ (48)	$ 250,210
Income taxes	$ -	$ 129,599	$ -	$ 129,599

Refer to the auditor's report on consolidating information.

Results: A list of branches for your depository institution: HARRISON COUNTY BANK, THE (ID_RSSD: 104234).
This depository institution is held by HARRISON BANKSHARES, INC. (1249178) of LOST CREEK, WV.
The data are as of 03/31/2019. Data reflects information that was received and processed through 04/03/2019.

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)	104234	HARRISON COUNTY BANK, THE	MAIN STREET	LOST CREEK	WV	26385	HARRISON	UNITED STATES	Not Required	Not Required	HARRISON COUNTY BANK, THE	104234	
OK		Full Service	2529934	BRIDGEPORT BRANCH	1215 JOHNSON AVENUE	BRIDGEPORT	WV	26330	HARRISON	UNITED STATES	Not Required	Not Required	HARRISON COUNTY BANK, THE	104234	
OK		Full Service	3677382	CLARKSBURG BRANCH	17 ARMORY RD	CLARKSBURG	WV	26301	HARRISON	UNITED STATES	Not Required	Not Required	HARRISON COUNTY BANK, THE	104234	
OK		Full Service	3293429	NUTTER FORT BRANCH	1506 BUCKHANNON PIKE	CLARKSBURG	WV	26301	HARRISON	UNITED STATES	Not Required	Not Required	HARRISON COUNTY BANK, THE	104234	
OK		Full Service	2448615	WEST MILFORD BRANCH	507 MAIN STREET	WEST MILFORD	WV	26451	HARRISON	UNITED STATES	Not Required	Not Required	HARRISON COUNTY BANK, THE	104234	