FNB First Neighborhood Bank

2015 Annual Report

Suttle & Stalnaker PLLC
CERTIFIED PUBLIC ACCOUNTANTS

2015

WCB West-Central Bancorp, Inc.

FNB First Neighborhood Bank

Message from the Chairman of the Board

During the past five years, I have discussed the many challenges that the banking industry has faced as well as the efforts of the Board of Directors and management to position the Bank and Holding Company for the future.

Because of those efforts, I am proud to report record earnings for 2015 as well as another successful examination cycle as it relates to bank safety and soundness, audit and compliance and CRA (Community Reinvestment Act).

First Neighborhood Bank has experienced significant loan growth while controlling expenses, resulting in the increase in earnings for 2014 and 2015. We have also been able to increase capital well above the new regulatory requirements. Because we exceeded our goal of increased capital, we are happy to report that the regular dividend was increased to $1.00/share.

The senior management and Board of Directors still have many new challenges, due to more regulations. In particular, there is a large increase in real estate disclosure forms and timeframes to meet that hopefully will better educate the customer. While management is making every effort to comply, it will take a lot more time and specialization. We are currently reviewing potential ways to deliver the product to the borrower while continuing to protect the bank. We are confident that we have great employees that will be able to deliver.

As a shareholder of West-Central Bancorp, we hope that you are happy with the increased earnings, return, and value of your investment.

David M. Righter

David M. Righter
Chairman of the Board and
Chief Executive Officer

The annual report can be viewed at:
http://firstneighborhoodbank.com/about-us/investor-relations/
Under Annual Reports, click on 2015 FNB Annual Report (pdf).

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Suttle & Stalnaker PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
West-Central Bancorp, Inc. and Subsidiaries
Spencer, West Virginia

We have audited the accompanying consolidated financial statements of West-Central Bancorp, Inc. and its Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2015, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 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.

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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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of West-Central Bancorp, Inc. and its Subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015, in accordance with accounting principles generally accepted in the United States of America.

Suttle & Stalnaker, PLLC

Parkersburg, West Virginia
February 12, 2016

WEST-CENTRAL BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2015 AND 2014

	2015	2014
ASSETS		
Cash and due from banks	$ 4,416,461	$ 5,042,799
Interest-bearing deposits in other banks	378,656	374,114
Federal funds sold	6,045,000	4,765,000
Cash and cash equivalents	10,840,117	10,181,913
Time deposits	1,750,000	2,750,000
Investment securities		
Securities available-for-sale, at fair value	24,349,285	29,464,310
Other securities	69,900	67,100
Loans	100,632,029	94,312,789
Less: allowance for loan losses	(1,101,210)	(1,003,540)
Loans - net	99,530,819	93,309,249
Accrued interest receivable	403,322	410,907
Premises and equipment - net	2,867,346	2,970,592
Other real estate owned	20,000	70,000
Cash surrender value - bank owned life insurance	3,054,863	3,146,412
Deferred income taxes	696,260	607,000
Other assets	467,114	130,936
Total assets	**$ 144,049,026**	**$ 143,108,419**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits		
Demand - noninterest-bearing	$ 45,283,144	$ 40,487,332
Demand - interest-bearing	26,220,780	26,951,778
Savings	19,864,478	19,447,783
Time	35,872,299	40,179,694
Total deposits	127,240,701	127,066,587
Advance payments from borrowers for taxes and insurance	109,365	87,075
Accrued interest payable	39,724	47,863
Other liabilities	1,239,065	1,308,314
Total liabilities	128,628,855	128,509,839
Shareholders' equity		
Common stock (par value $1.00; 5,000,000 shares authorized; 350,860 shares issued; 211,343 shares outstanding as of December 31, 2015 and 2014, respectively)	350,860	350,860
Additional paid in capital	1,597,246	1,597,246
Retained earnings	15,953,784	15,107,757
Less: treasury stock, at cost (139,517 shares as of December 31, 2015 and 2014, respectively)	(2,539,505)	(2,539,505)
Accumulated other comprehensive income	57,786	82,222
Total shareholders' equity	15,420,171	14,598,580
Total liabilities and shareholders' equity	**$ 144,049,026**	**$ 143,108,419**

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

WEST-CENTRAL BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 2015

	2015	2014	2013
Interest income			
Interest and fees on loans	$ 4,785,348	$ 4,593,956	$ 4,264,019
Interest on deposits in other banks	25,354	30,796	21,432
Interest on federal funds sold	12,205	15,523	23,604
Interest and dividends on investment securities	530,656	663,800	642,038
Total interest income	5,353,563	5,304,075	4,951,093
Interest expense			
Interest on deposits	400,740	473,267	615,972
Interest on borrowings	-	-	20
Total interest expense	400,740	473,267	615,992
Net interest income	4,952,823	4,830,808	4,335,101
Provision for loan losses	144,000	90,000	120,000
Net interest income after provision for loan losses	4,808,823	4,740,808	4,215,101
Noninterest income			
Service charges and fees	585,494	620,067	632,751
Increase in cash surrender value - bank owned life insurance	61,693	65,221	71,707
Net realized gains from sales of investment securities available-for-sale	32,191	111,435	-
Other income	182,830	63,106	91,648
Total noninterest income	862,208	859,829	796,106
Noninterest expense			
General and administrative			
Compensation and benefits	2,219,944	2,101,374	2,087,265
Occupancy and equipment	610,809	624,161	633,766
FDIC assessment	72,000	80,000	96,000
Data processing	468,361	453,944	425,268
Other expenses	941,025	1,112,621	868,230
Total noninterest expense	4,312,139	4,372,100	4,110,529
Income before income tax expense	1,358,892	1,228,537	900,678
Income tax expense	301,522	298,170	132,150
Net income	**$ 1,057,370**	**$ 930,367**	**$ 768,528**
Net income available for common shareholders	$ 1,057,370	$ 930,367	$ 768,528
Per common share data			
Net income	5.00	4.40	3.64
Cash dividends declared	1.00	0.70	0.70
Average common shares outstanding	211,343	211,343	211,343

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

WEST-CENTRAL BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 2015

	2015	2014	2013
Net income	$ 1,057,370	$ 930,367	$ 768,528
Other comprehensive income			
Unrealized gains (losses) on investment securities available-for-sale arising during the period	(8,245)	951,684	(1,090,776)
Adjustment for income tax (expense) benefit	3,286	(376,025)	431,000
	(4,959)	575,659	(659,776)
Reclassification adjustment for (gains) losses on investment securities available-for-sale included in net income	(32,191)	(111,435)	-
Adjustment for income tax expense (benefit)	12,714	44,025	-
	(19,477)	(67,410)	-
Other comprehensive income (loss), net of income tax	(24,436)	508,249	(659,776)
Comprehensive income	**$ 1,032,934**	**$ 1,438,616**	**$ 108,752**

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

WEST-CENTRAL BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 2015

	Common Stock	Additional Paid In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance at December 31, 2012	$ 350,860	$ 1,597,246	$ 13,704,742	$ (2,539,505)	$ 233,749	$ 13,347,092
Comprehensive income	-	-	768,528	-	(659,776)	108,752
Cash dividends declared ($0.70 per share)	-	-	(147,940)	-	-	(147,940)
Balance at December 31, 2013	350,860	1,597,246	14,325,330	(2,539,505)	(426,027)	13,307,904
Comprehensive income	-	-	930,367	-	508,249	1,438,616
Cash dividends declared ($0.70 per share)	-	-	(147,940)	-	-	(147,940)
Balance at December 31, 2014	350,860	1,597,246	15,107,757	(2,539,505)	82,222	14,598,580
Comprehensive income	-	-	1,057,370	-	(24,436)	1,032,934
Cash dividends declared ($1.00 per share)	-	-	(211,343)	-	-	(211,343)
Balance at December 31, 2015	**$ 350,860**	**$ 1,597,246**	**$ 15,953,784**	**$ (2,539,505)**	**$ 57,786**	**$ 15,420,171**

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

WEST-CENTRAL BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 2015

	2015	2014	2013
Cash flows from operating activities			
Net income	$ 1,057,370	$ 930,367	$ 768,528
Adjustments to reconcile net income to net cash provided (used) by operating activities			
Depreciation	256,506	279,748	271,994
Provision for loan losses	144,000	90,000	120,000
Provision for deferred income tax	(73,260)	4,929	(72,920)
Amortizations (accretions) on investments - net	24,128	98,794	97,425
Net realized (gains) losses from sales of investment securities available-for-sale	(32,191)	(111,435)	-
Net realized (gains) losses from disposal of premises and equipment	6,662	576	(21,922)
Net realized (gains) losses from sales of other real estate owned	22,500	40,164	42,000
Other real estate owned writedown	25,000	175,000	30,000
Net realized (gains) losses from bank owned life insurance	(140,539)	-	-
(Increase) decrease in accrued interest receivable	7,585	14,212	8,379
(Increase) decrease in cash surrender value - bank owned life insurance	(61,693)	(65,221)	(71,707)
(Increase) decrease in other assets	(42,397)	(1,889)	270,228
Increase (decrease) in accrued interest payable	(8,139)	(5,859)	(13,589)
Increase (decrease) in other liabilities	(69,249)	41,507	39,658
Total adjustments	58,913	560,526	699,546
Net cash flows provided (used) by operating activities	1,116,283	1,490,893	1,468,074
Cash flows from investing activities			
Net (increase) decrease in time deposits	1,000,000	(250,000)	(1,000,000)
Purchases of investment securities available-for-sale	(3,735,000)	(7,992,000)	(6,575,281)
Proceeds from maturities and calls of investment securities available-for-sale	7,483,442	7,000,000	8,275,000
Proceeds from sales of investment securities available-for-sale	1,334,210	8,403,385	-
Redemption of Federal Home Loan Bank stock	(2,800)	174,200	6,800
Loan originations and principal payment on loans	(6,365,570)	(9,283,349)	(3,446,727)
Proceeds from sales of other real estate owned	2,500	325,836	8,000
Proceeds from sales of premises and equipment	-	405	272,083
Capital expenditures	(159,922)	(86,301)	(557,356)
Net cash flows provided (used) by investing activities	(443,140)	(1,707,824)	(3,017,481)
Cash flows from financing activities			
Net increase (decrease) in total deposits	174,114	(4,552,026)	1,840,530
Net increase (decrease) in advance payments from borrowers for taxes and insurance	22,290	31,444	9,648
Repayments of long-term borrowings	-	-	(1,360)
Cash dividends paid	(211,343)	(147,940)	(147,940)
Net cash flows provided (used) by financing activities	(14,939)	(4,668,522)	1,700,878
Net increase (decrease) in cash and cash equivalents	658,204	(4,885,453)	151,471
Cash and cash equivalents at beginning of year	10,181,913	15,067,366	14,915,895
Cash and cash equivalents at end of year	**$ 10,840,117**	**$ 10,181,913**	**$ 15,067,366**

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

WEST-CENTRAL BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 2015
(CONTINUED)

	2015	2014	2013
Supplemental schedule of noncash investing and financing activities			
Loans transferred to other real estate owned	$ -	$ 270,533	$ -
Proceeds from sales of other real estate owned financed through loans	$ -	$ 176,500	$ 70,000
Total change in unrealized gains (losses) on investment securities available-for-sale	$ (40,436)	$ 840,249	$ (1,090,776)
Supplemental disclosure of cash flows information			
Cash paid during the period for Interest	$ 408,879	$ 479,126	$ 629,581
Income taxes, net of refunds	$ 410,782	$ 243,721	$ 179,567

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Nature of operations - West-Central Bancorp, Inc. (the Bancorp) is a bank holding company whose wholly owned bank subsidiary, First Neighborhood Bank, Inc. (the Bank), is a commercial bank with operations in Spencer and Parkersburg, West Virginia. The Bank provides retail and commercial loans and deposit services principally to customers in Roane and Wood counties in West Virginia and surrounding counties. 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). The Bancorp's other subsidiary, West Central Insurance, LLC, had no significant operations during the years ended December 31, 2015, 2014, and 2013.

Basis of financial statement presentation - The accounting and reporting policies of the Bancorp and its Subsidiaries 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 West-Central Bancorp, Inc. and its Subsidiaries, First Neighborhood Bank, Inc. and West Central Insurance, LLC. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of estimates - The preparation of consolidated 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.

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 balance sheets. Such items, along with net income, are components of comprehensive income.

Presentation of cash flows - For the purpose of reporting cash flows, the Bancorp and its Subsidiaries have defined cash and cash equivalents as those amounts included in the consolidated balance sheets captions "Cash and due from banks" and "Interest-bearing deposits in other banks," which have original maturities of ninety (90) days or less, and "Federal funds sold." Generally, federal funds are sold for one-day periods.

Investment securities - It is the policy of the Bank to prohibit the use of their respective investment accounts to maintain a trading account or to speculate in securities that would demonstrate management's intent to profit from short-term price movements.

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

Debt securities are classified as held-to-maturity when management has both the intent and ability to hold the securities to maturity. Securities held-to-maturity are carried at cost, adjusted for amortization of premiums and accretion of discounts computed by the interest method from purchase date to maturity. There are no securities classified as held-to-maturity in the accompanying consolidated financial statements.

Securities not classified as held-to-maturity or as trading are classified as available-for-sale. Securities available-for-sale are carried at estimated fair value based on information provided by a third party pricing service, with unrealized gains and losses, net of the deferred income tax effect, reported in accumulated other comprehensive income. Realized gains and 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. The cost of securities sold is determined on the specific-identification method. Amortization of premiums and accretion of discounts are recognized in interest income using the interest method over the terms of the securities.

Declines in the estimated fair value of individual investment securities below their cost that are other-than-temporary are reflected as realized losses in the consolidated statements of income. 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 Bank to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

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

Loans are stated at the amount of unpaid principal balances, less the allowance for loan losses.

Interest on loans is accrued based on principal amounts outstanding.

Allowance for credit losses - The allowance for credit losses consists of an allowance for loan losses for outstanding loan and credit financial instruments of the Bank.

The allowance for loan losses reflects management's judgment of probable loan losses inherent in the portfolio. The Bank uses a disciplined process and methodology to establish the allowance for loan losses each quarter. 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) commercial portfolio, (2) mortgage portfolio, and (3) installment portfolio.

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

To determine the balance of the allowance account, loans are pooled by portfolio segment and losses are modeled using historical experience and quantitative and other mathematical techniques over the loss emergence period. Management exercises significant judgment in determining the estimation method that fits the credit risk characteristics of each portfolio segment. Management must use judgment in establishing additional input metrics for the modeling processes. The models and assumptions used to determine the allowance are independently validated and reviewed to ensure that their theoretical foundation, assumptions, data integrity, computational processes, reporting practices, and end-user controls are appropriate and properly documented.

The establishment of the allowance for loan losses relies on a consistent process that requires multiple layers of management review and judgment and responds to changes in economic conditions, customer behavior, and collateral value, among other influences. From time to time, events or economic factors may affect the loan portfolio, causing management to provide additional amounts to or release balances from the allowance for loan losses. The Bank's allowance for loan losses is sensitive to risk ratings assigned to individually evaluated loans and economic assumptions and delinquency trends driving statistically modeled reserves. Individual loan risk ratings are evaluated based on each situation by experienced senior credit officers.

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.

<u>Troubled debt restructurings (TDRs)</u> - 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. All TDRs are considered impaired loans.

<u>Premises and equipment</u> - Land is carried at cost. Bank buildings and equipment are carried at cost, less accumulated depreciation. Depreciation is computed primarily using the straight-line, 150% declining balance, or double declining balance methods for financial reporting purposes over the estimated useful lives of the respective assets, which range from 3 to 10 years for equipment and 10 to 50 years for buildings and improvements. Useful lives are revised when a change in life expectancy becomes apparent.

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

Maintenance and repairs are expensed as incurred while major additions and improvements are capitalized. Gains and losses on dispositions are included in current operations as realized.

Other real estate owned - Real estate acquired through, or in lieu of, loan foreclosure is held-for-sale and is initially recorded at the lower of the Bank's cost (book value) or fair value less estimated selling costs at the date of foreclosure. Any writedowns based on the asset's fair value at the date of acquisition are charged to the allowance for loan losses. After foreclosure, valuations are periodically performed by management, and any subsequent writedowns are recorded as a charge to operations, if necessary, to reduce the carrying value of a property to the lower new fair value less costs to sell. Costs of significant property improvements are capitalized, whereas costs relating to holding the property are expensed. The portion of interest costs relating to development of real estate is capitalized.

Advertising - The Bancorp and its Subsidiaries' policy is to expense advertising costs as incurred. Advertising expense for the years ended December 31, 2015, 2014, and 2013 were $112,071, $85,239, and $81,489, respectively.

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, supplemental employee benefit plans, subsequent loss writedowns on other real estate owned, the allowance for loan losses, and accumulated depreciation 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. Valuation limitation reserves are established, as deemed necessary, and adjusted periodically on certain deferred tax assets to reflect estimated recoverability of the asset in a reasonable time period. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

The Bancorp and its Subsidiaries file consolidated federal and state tax returns. Tax allocation arrangements between the Bancorp and its Subsidiaries follow the policy of determining federal and state income taxes as if the Subsidiaries filed separate federal and state income tax returns with consolidation surtax eliminations at the Bancorp's level.

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 211,343 shares for each of the three years in the period ended December 31, 2015. During each of the three years in the period ended December 31, 2015, the Bancorp did not have any potentially dilutive securities.

Employee benefit plans - The Bank has a profit-sharing plan and an employee stock ownership plan (ESOP) which covers substantially all employees. The amount of the contributions to the plans is at the discretion of the Bank's Board of Directors.

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

Fair value measurements - The Bancorp and its Subsidiaries 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 2014 and 2013, as previously presented, have been reclassified to conform with the 2015 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 12, 2016, 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 Bank 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, 2015 and 2014.

NOTE 3 - INVESTMENT SECURITIES

The amortized cost, gross unrealized gains, gross unrealized losses, and fair values of investment securities as of December 31, 2015 and 2014 are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2015				
Securities available-for-sale				
U.S. government and federal agencies	$ 12,167,063	$ 7,093	$ (38,507)	$ 12,135,649
State, county, and municipal – nontaxable	9,611,629	123,862	(33,084)	9,702,407
State, county, and municipal – taxable	2,474,806	44,351	(7,928)	2,511,229
Total	$ 24,253,498	$ 175,306	$ (79,519)	$ 24,349,285
December 31, 2014				
Securities available-for-sale				
U.S. government and federal agencies	$ 14,985,775	$ 11,878	$ (69,765)	$ 14,927,888
State, county, and municipal – nontaxable	11,016,106	162,573	(39,023)	11,139,656
State, county, and municipal – taxable	3,326,207	98,986	(28,427)	3,396,766
Total	$ 29,328,088	$ 273,437	$ (137,215)	$ 29,464,310

The caption “Other securities” in the consolidated balance sheets consists of Federal Home Loan Bank stock. This equity security is carried at cost since it may only be sold back to the Federal Home Loan Bank or another member at par value.

NOTE 3 - INVESTMENT SECURITIES (Continued)

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, are 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, 2015						
Securities avaible-for-sale						
U.S. government and federal agencies	$ 5,974,365	$ (25,635)	$ 987,128	$ (12,872)	$ 6,961,493	$ (38,507)
State, county, and municipal – nontaxable	2,320,638	(10,204)	588,327	(22,880)	2,908,965	(33,084)
State, county, and municipal – taxable	1,157,808	(7,928)	-	-	1,157,808	(7,928)
Total	$ 9,452,811	$ (43,767)	$ 1,575,455	$ (35,752)	$ 11,028,266	$ (79,519)
December 31, 2014						
Securities avaible-for-sale						
U.S. government and federal agencies	$ 2,988,058	$ (10,440)	$ 5,940,675	$ (59,325)	$ 8,928,733	$ (69,765)
State, county, and municipal – nontaxable	1,127,130	(1,092)	2,692,631	(37,931)	3,819,761	(39,023)
State, county, and municipal – taxable	497,395	(3,433)	652,836	(24,994)	1,150,231	(28,427)
Total	$ 4,612,583	$ (14,965)	$ 9,286,142	$ (122,250)	$ 13,898,725	$ (137,215)

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. Impairment is evaluated considering numerous factors and their relative significance varies from case to case. Factors considered include the length of time and extent to which the fair value has been less than cost; the financial condition and near-term prospects of the issuer; and the intent and ability to retain the security in order to allow for an anticipated recovery in fair value.

As of December 31, 2015, the fifteen (15) debt securities with unrealized losses have depreciated approximately 0.72% from the Bank's amortized cost basis. These securities are predominately rated investment grade securities and the unrealized losses are due to overall increases in market rates and not due to any underlying credit concerns of the issuers. 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 reviews 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 3 - INVESTMENT SECURITIES (Continued)

The amortized cost and fair values of securities as of December 31, 2015, are summarized by contractual maturity as follows:

	Securities Available-for-sale	
	Amortized Cost	Fair Value
Due in one year or less	$ 1,317,343	$ 1,317,273
Due after one year through five years	11,391,096	11,403,237
Due after five years through ten years	9,791,560	9,897,805
Due after ten years	1,753,499	1,730,970
Total	$ 24,253,498	$ 24,349,285

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

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

	Proceeds	Gross Realized Gains	Gross Realized Losses
For the year ended December 31,			
2015	$ 1,334,210	$ 32,191	$ -
2014	8,403,385	145,398	(33,963)
2013	-	-	-

Securities pledged to secure public deposits and for other purposes required or permitted by law had an estimated fair value of $3,828,341 and $3,797,836 as of December 2015 and 2014, respectively.

NOTE 4 - BANK OWNED LIFE INSURANCE

The Bank invested in whole life insurance contracts on the lives of four (4) current and former officers who have provided positive consent allowing the Bank to be named beneficiary of these insurance contracts. These policies are recorded at their cash surrender values which are presented in the consolidated balance sheets as "Cash surrender value – bank owned life insurance." These contracts are insurance products of Nationwide Insurance and Equias Alliance and consist of seven (7) policies. These policies have a stated aggregate death benefit as of December 31, 2015 and 2014 of $5,724,520 and $6,039,295, respectively, and aggregate cash surrender values of $3,054,863 and $3,146,412 as of December 31, 2015 and 2014, respectively.

These policies were funded by premium payments of $2,292,680. Cash surrender value increases to the carrying amounts of the policies are recognized as income of $61,693, $65,221, and $71,707 for the years ended December 31, 2015, 2014, and 2013, respectively.

NOTE 5 - LOANS

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

	December 31,	
	2015	2014
Commercial	$ 54,472,538	$ 49,804,563
Mortgage	43,672,047	41,878,040
Installment	2,487,444	2,630,186
Total loans	100,632,029	94,312,789
Less: allowance for loan losses	(1,101,210)	(1,003,540)
Loans - net	$ 99,530,819	$ 93,309,249

As of December 31, 2015 and 2014, overdrafts from deposit accounts of $46,839 and $45,622, respectively, are included within the appropriate loan segment above.

NOTE 5 - LOANS (Continued)

In the ordinary course of business, the Bancorp and its Subsidiaries have and expect to continue to have transactions, including borrowings, with its officers, directors, and their affiliates. In the opinion of management, such transactions were on substantially the same terms and conditions, including interest rates and collateral, as those prevailing at the time of comparable transactions with other customers and did not involve more than a normal credit risk of collectibility or present any other unfavorable features to the Bancorp and its Subsidiaries. Loans to such borrowers are summarized as follows:

	December 31, 2015	December 31, 2014
Balance at beginning of year	$ 5,565,095	$ 4,357,599
Repayments	(564,301)	(275,104)
Borrowings	280,000	1,482,600
Balance at end of year	$ 5,280,794	$ 5,565,095

NOTE 6 - CREDIT QUALITY

Management monitors the credit quality of loans on an ongoing basis. Measurement of delinquency and past due status are based on the contractual terms of the loan.

For all loan classes, past due loans are reviewed on a monthly basis to identify loans for nonaccrual status. Generally, when full collection of the principal and interest is jeopardized, the loan is placed on nonaccrual. The accrual of interest income generally is discontinued when a loan becomes 90 days or more past due as to principal or interest, unless the loan is fully secured and in the process of collection and resolution of collection is expected in the near term (generally less than 90 days). When interest accruals are discontinued, unpaid interest recognized in income in the current year is reversed, and unpaid interest accrued in prior years is charged to the allowance for loan losses. The Bank's method of income recognition for loans that are classified as nonaccrual is to recognize interest income on a cash basis or to apply the cash receipt to principal when the ultimate collectibility of the principal is in doubt. Management may elect to continue the accrual of interest when the estimated net realized value of collateral exceeds the principal balance and accrued interest, and the loan is in the process of collection. Nonaccrual loans will not normally be returned to accrual status unless all past due principal and interest have been paid.

NOTE 6 - CREDIT QUALITY (Continued)

The following table sets forth the Bank'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, 2015							
Secured by real estate							
Construction	$ -	$ -	$ -	$ -	$ 1,643,823	$ 1,643,823	$ -
Farmland	-	-	-	-	750,006	750,006	-
Residential	-	132,375	131,703	264,078	53,794,438	54,058,516	-
Commercial	169,556	-	-	169,556	27,701,582	27,871,138	-
Commercial and industrial	-	207,705	11,021	218,726	12,551,008	12,769,734	-
Consumer	6,919	1,249	51,806	59,974	2,734,326	2,794,300	19,577
Government	-	-	-	-	744,512	744,512	-
Total	$ 176,475	$ 341,329	$ 194,530	$ 712,334	$ 99,919,695	$ 100,632,029	$ 19,577
December 31, 2014							
Secured by real estate							
Construction	$ -	$ -	$ -	$ -	$ 1,127,039	$ 1,127,039	$ -
Farmland	-	-	-	-	619,766	619,766	-
Residential	-	44,274	-	44,274	51,639,716	51,683,990	-
Commercial	-	-	-	-	23,880,500	23,880,500	-
Commercial and industrial	34,159	-	27	34,186	13,532,287	13,566,473	27
Consumer	27,073	-	682	27,755	3,287,043	3,314,798	628
Government	-	-	-	-	120,223	120,223	-
Total	$ 61,232	$ 44,274	$ 709	$ 106,215	$ 94,206,574	$ 94,312,789	$ 655

The Bank generally places loans on nonaccrual status when the full and timely collection of interest or principal becomes uncertain, part of the principal balance has been charged off and no restructuring has occurred, or the loans reach a certain number of days past due.

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

	December 31, 2015	December 31, 2014
Secured by real estate		
Construction	$ -	$ -
Farmland	-	-
Residential	-	-
Commercial	-	-
Commercial and industrial	-	-
Consumer	32,229	-
Government	-	-
Total	$ 32,229	$ -

There were no loans modified as troubled debt restructurings (TDRs) during the years ended December 31, 2015 and 2014 and no previous TDRs re-defaulted in the year ended December 31, 2015.

NOTE 6 - CREDIT QUALITY (Continued)

As of December 31, 2015, there are no commitments to lend additional funds to any borrower whose loan terms have been modified in a troubled debt restructuring.

The Bank assigns credit quality indicators of pass, special mention, substandard, doubtful, and loss to its loans. The loans are internally assigned a grade based on a combination of the known creditworthiness of the borrower and on the loan's delinquency status. The Bank updates these grades on a quarterly basis.

A loan classified as pass has strong asset quality and liquidity along with a multi-year track record of profitability.

A loan classified as special mention has potential weaknesses that deserves management's close attention. If left unmonitored, these potential weaknesses may result in deterioration of the repayment prospects for such loans or in the Bank's credit position at some future date. Adverse economic or market conditions may also support a special mention rating. Other nonfinancial reasons for rating a credit exposure as special mention can include known borrower problems, pending litigation, or lending agreement issues.

A loan classified as substandard contains weaknesses that, if left uncorrected, create some degree of doubt as to the likelihood of full collection of principal and interest. These loans require intensive supervision by management. Such loans are generally characterized by current or expected unprofitable operations, inadequate debt service coverage, inadequate liquidity, or marginal capitalization. Repayment may depend on collateral or other credit risk mitigants.

A loan classified as doubtful exhibits all the weaknesses inherent in one classified as substandard with the additional characteristic that the weaknesses make its collection in full, based on currently existing facts, conditions, and values, highly questionable and improbable. A doubtful loan has a high probability of total or substantial loss, but because of specific pending events that may strengthen the credit, its classification as loss is deferred at the present time. Doubtful borrowers are usually in default, lack adequate liquidity or capital, and lack the resources necessary to remain operationally solvent. Specific pending events may include mergers, acquisitions, liquidations, capital injections, the perfection of liens of additional collateral, the valuation of collateral, and refinancing. Loans classified as doubtful are also considered impaired. Generally, consumer credit exposures are charged off prior to being classified as doubtful.

A loan classified as a loss is considered uncollectible. This classification does not guarantee that the loan has no recovery or salvage value, but rather it is not practical or desirable to defer charging off the loan even though partial recovery may be affected in the future.

NOTE 6 - CREDIT QUALITY (Continued)

The following table sets forth the Bank's credit quality indicators information, segregated by class of loans:

	Pass	Special Mention	Substandard	Doubtful	Loss	Total
December 31, 2015						
Secured by real estate						
Construction	$ 1,643,823	$ -	$ -	$ -	$ -	$ 1,643,823
Farmland	750,006	-	-	-	-	750,006
Residential	53,858,566	131,703	68,247	-	-	54,058,516
Commercial	26,670,268	966,559	234,311	-	-	27,871,138
Commercial and industrial	12,398,422	-	371,312	-	-	12,769,734
Consumer	2,744,091	17,980	32,229	-	-	2,794,300
Government	744,512	-	-	-	-	744,512
Total	$ 98,809,688	$ 1,116,242	$ 706,099	$ -	$ -	$100,632,029
December 31, 2014						
Secured by real estate						
Construction	$ 1,127,039	$ -	$ -	$ -	$ -	$ 1,127,039
Farmland	619,766	-	-	-	-	619,766
Residential	51,614,564	-	69,426	-	-	51,683,990
Commercial	23,263,116	-	617,384	-	-	23,880,500
Commercial and industrial	13,549,979	-	16,494	-	-	13,566,473
Consumer	3,314,798	-	-	-	-	3,314,798
Government	120,223	-	-	-	-	120,223
Total	$ 93,609,485	$ -	$ 703,304	$ -	$ -	$ 94,312,789

Loans are designated as impaired when, in the opinion of management, based on current information and events, the collection of principal and interest in accordance with the loan contract is doubtful. Typically, such loans have exhibited a sustained period of delinquency or there have been significant events (such as bankruptcy, eminent foreclosure, or natural disasters) that impact repayment probability. Impairment is evaluated on an individual loan basis. Consistent with the Bank's existing method of income recognition for loans, interest on impaired loans, except those classified as nonaccrual, is recognized as income using the accrual method. Impaired loans, or portions thereof, are charged off when deemed uncollectible.

NOTE 6 - 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, 2015					
With no related allowance recorded					
Secured by real estate					
Construction	$ -	$ -	$ -	$ -	$ -
Farmland	-	-	-	-	-
Residential	199,950	199,950	-	121,483	7,033
Commercial	1,200,870	1,200,870	-	1,025,736	55,993
Commercial and industrial	371,312	371,312	-	84,807	17,644
Consumer	50,209	50,209	-	39,783	1,910
Government	-	-	-	-	-
With an allowance recorded					
Secured by real estate					
Construction	-	-	-	-	-
Farmland	-	-	-	-	-
Residential	-	-	-	-	-
Commercial	-	-	-	-	-
Commercial and industrial	-	-	-	-	-
Consumer	-	-	-	-	-
Government	-	-	-	-	-
Total	$ 1,822,341	$ 1,822,341	$ -	$ 1,271,809	$ 82,580
December 31, 2014					
With no related allowance recorded					
Secured by real estate					
Construction	$ -	$ -	$ -	$ -	$ -
Farmland	-	-	-	-	-
Residential	69,426	69,426	-	70,021	4,202
Commercial	365,483	365,483	-	380,428	14,681
Commercial and industrial	16,494	16,494	-	25,201	1,028
Consumer	-	-	-	-	-
Government	-	-	-	-	-
With an allowance recorded					
Secured by real estate					
Construction	-	-	-	-	-
Farmland	-	-	-	-	-
Residential	-	-	-	-	-
Commercial	251,901	251,901	15,000	260,442	8,499
Commercial and industrial	-	-	-	-	-
Consumer	-	-	-	-	-
Government	-	-	-	-	-
Total	$ 703,304	$ 703,304	$ 15,000	$ 736,092	$ 28,410

NOTE 7 - ALLOWANCE FOR CREDIT LOSSES

The allowance for loan losses is management's estimate of the probable credit losses inherent in the loan portfolio. Management's evaluation of the adequacy of the allowance for loan losses and the appropriate provision for credit losses is based upon a quarterly evaluation of the portfolio. This evaluation is inherently subjective and requires significant estimates, including the amounts and timing of estimated future cash flows, estimated losses on pools of loans based on historical loss experience, and consideration of current economic trends, all of which are susceptible to constant and significant change. Allocations are made for specific loans based upon management's estimate of the borrowers' ability to repay and other factors impacting collectibility. Other loans not specifically reviewed are segregated by portfolio segment and allocations are made based upon historical loss percentages adjusted for current environmental factors. The environmental factors considered for each of the portfolio segments include estimated probable inherent but undetected losses within the portfolio due to uncertainties in economic conditions, delays in obtaining information, including unfavorable information about a borrower's financial condition, the difficulty in identifying triggering events that correlate perfectly to subsequent loss rates, and risk factors that have not yet fully manifested themselves in loss allocation factors. In addition, a portion of the allowance accounts is for the inherent imprecision in the allowance for credit losses analysis. During 2015, there were no material changes to the accounting policy or methodology related to the allowance for loan losses.

Loans deemed to be uncollectible are charged against the allowance for loan losses, while recoveries of previously charged off amounts are credited to the allowance for loan losses. When a loan or a portion of a loan is identified to contain a loss, a charge-off recommendation is directed to management to charge off all or a portion of that loan.

Generally, any unsecured commercial loan that has reached 180 days delinquent in payment of interest must be charged off in full. If secured, the charge-off is generally made to reduce the loan balance to a level equal to the liquidation value of the collateral when payment of principal and interest is six months delinquent. Any commercial loan, secured or unsecured, on which a principal or interest payment has not been made within 90 days, is reviewed monthly for appropriate action.

First mortgage residential real estate loans which are well-secured and in process of collection are to be charged off on or before becoming 365 days past due. Home equity and improvement loans are to be reviewed before they become 180 days past due, and are to be charged off unless they are well-secured and in process of collection. If well-secured and in process of collection, charge-off can be deferred until the loan is 365 days past due.

Consumer loans that are past due 120 cumulative days from the contractual due date are charged off. Any consumer loan on which a principal or interest payment has not been made within 90 days is reviewed monthly for appropriate action.

The Bank considers the allowance for loan losses of $1,101,210 and $1,003,540 adequate to cover loan losses inherent in the loan portfolio as of December 31, 2015 and 2014, respectively. The following table presents by portfolio segment, the changes in the allowance for loan losses and the recorded investment in loans.

NOTE 7 - ALLOWANCE FOR CREDIT LOSSES (Continued)

	Commercial	Mortgage	Installment	Allocated	Total
December 31, 2015					
Allowance for credit losses					
Beginning balance	$ 652,209	$ 252,942	$ 27,617	$ 70,772	$ 1,003,540
Charge-offs	(48,052)	-	(19,991)	-	(68,043)
Recoveries	12,117	-	9,596	-	21,713
Provision	113,201	4,723	(556)	26,632	144,000
Ending balance	729,475	257,665	16,666	97,404	1,101,210
Ending balance - individually evaluated for impairment	-	-	-	-	-
Ending balance - collectively evaluated for impairment	729,475	257,665	16,666	97,404	1,101,210
Financing receivables					
Ending balance	54,472,538	43,672,047	2,487,444		100,632,029
Ending balance - individually evaluated for impairment	920,181	851,951	50,209		1,822,341
Ending balance - collectively evaluated for impairment	$ 53,552,357	$ 42,820,096	$ 2,437,235		$ 98,809,688
December 31, 2014					
Allowance for credit losses					
Beginning balance	$ 454,458	$ 96,172	$ 16,966	$ 427,883	$ 995,479
Charge-offs	(34,851)	(77,789)	(8,069)	-	(120,709)
Recoveries	30,015	398	8,357	-	38,770
Provision	202,587	234,161	10,363	(357,111)	90,000
Ending balance	652,209	252,942	27,617	70,772	1,003,540
Ending balance - individually evaluated for impairment	15,000	-	-	-	15,000
Ending balance - collectively evaluated for impairment	637,209	252,942	27,617	70,772	988,540
Financing receivables					
Ending balance	49,804,563	41,878,040	2,630,186		94,312,789
Ending balance - individually evaluated for impairment	633,878	69,426	-		703,304
Ending balance - collectively evaluated for impairment	$ 49,170,685	$ 41,808,614	$ 2,630,186		$ 93,609,485

NOTE 8 - ACCRUED INTEREST RECEIVABLE

Accrued interest receivable consists of the following:

	December 31	
	2015	2014
Time deposits	$ 4,991	$ 9,361
Investment securities	148,642	162,285
Loans	249,689	239,261
Total	$ 403,322	$ 410,907

NOTE 9 - PREMISES AND EQUIPMENT

The major categories of premises and equipment are as follows:

	December 31,	
	2015	2014
Land	$ 819,305	$ 819,305
Building and improvements	4,152,291	4,147,791
Furniture, fixtures, and equipment	2,544,089	2,475,748
Automobile	42,128	42,128
Total cost	7,557,813	7,484,972
Less: accumulated depreciation	(4,690,467)	(4,514,380)
Net	$ 2,867,346	$ 2,970,592

Depreciation expense for the years ended December 31, 2015, 2014, and 2013, totaled $256,506, $279,748 and $271,994, respectively.

NOTE 10 - OTHER REAL ESTATE OWNED

The following is a summary of activity of other real estate owned, expected to be disposed of in the near term, for the years ended:

	December 31, 2015	December 31, 2014
Balance at beginning of year	$ 70,000	$ 585,000
Loan foreclosures and in lieu of foreclosures	-	270,533
Adjustment to carrying value		
At date of foreclosed or repossession	-	(68,033)
Additional valuation adjustments	(25,000)	(175,000)
Total foreclosed properties for disposition	45,000	612,500
Proceeds from sales of other real estate owned	2,500	502,336
Net realized (gains) losses on sales	22,500	40,164
Total basis of other real estate owned sold	25,000	542,500
Balance at end of year	$ 20,000	$ 70,000

Subsequent writedowns and realized gains and losses on the sale of other real estate owned are recognized in the “Other expense” caption in the consolidated statements of income.

NOTE 11 - DEPOSITS

Time deposits issued in denominations that meet or exceed the Federal Deposit Insurance Corporation (FDIC) limit of $250,000 or more totaled $1,522,901 and $2,145,309 as of December 31, 2015 and 2014, respectively.

As of December 31, 2015, the maturity distribution of time deposits is as follows:

2016	$ 19,662,208
2017	8,366,093
2018	2,761,362
2019	2,480,978
2020 and thereafter	2,601,658
Total	$ 35,872,299

The Bank held related party deposits of approximately $8,205,400 and $8,021,600 as of December 31, 2015 and 2014, respectively.

NOTE 12 - SHORT-TERM BORROWINGS

The Bank has obtained unsecured, uncommitted, borrowing facilities for the purchase of federal funds in the amounts of $4,500,000 from CenterState Bank of Florida, N.A. and $2,000,000 from Pacific Coast Bankers' Bank (PCBB). Any borrowings bear an interest rate which is determined at the time of each advance. Requests for advances under these facilities are subject to CenterState Bank and PCBB's sole and absolute discretion, including, without limitation, the availability of funds. There were no borrowings outstanding as of December 31, 2015 and 2014, respectively.

The Bank is a member of the Federal Home Loan Bank of Pittsburgh (FHLB). As a member, the Bank has an open line of credit commitment from the FHLB. Any advances bear interest at the interest rate posted by the FHLB on the day of the borrowing and are subject to change daily. Any advances are secured by a blanket lien on certain loans secured by 1 to 4 family mortgages made by the Bank and other eligible collateral. As of December 31, 2015, no loans were pledged for collateral. In addition, the Bank has a maximum borrowing capacity with the FHLB of approximately $52,135,600 based on qualifying loan collateral. As of December 31, 2015 and 2014, there were no borrowings outstanding.

NOTE 13 - INCOME TAXES

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

	December 31,		
	2015	2014	2013
Current			
Federal	$ 331,782	$ 249,741	$ 159,453
State	43,000	43,500	45,617
	374,782	293,241	205,070
Deferred			
Federal	(64,125)	4,554	(63,572)
State	(9,135)	375	(9,348)
	(73,260)	4,929	(72,920)
Total income tax expense	$ 301,522	$ 298,170	$ 132,150

NOTE 13 - 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,					
	2015		2014		2013	
	Amount	%	Amount	%	Amount	%
Federal statutory tax rate	$ 450,509	34.0%	$ 402,785	34.0%	$ 293,899	34.0%
Tax-exempt interest	(118,808)	(9.2)	(124,404)	(11.0)	(131,877)	(15.9)
Increase in cash surrender value of life insurance	(20,976)	(1.7)	(22,175)	(2.0)	(24,380)	(2.9)
State income taxes, net of federal tax benefit	22,351	1.7	28,958	2.4	23,938	2.9
Nondeductible interest expense	3,757	0.2	3,396	0.2	4,869	0.6
Insurance proceed for death benefit	(47,783)	(3.7)	-	-	-	-
Capital loss carryforward applied	-	-	-	-	(7,503)	(0.9)
Effect of other items	12,472	0.9	9,610	0.7	(26,796)	(3.1)
Reported effective tax rate	$ 301,522	22.2%	$ 298,170	24.3%	$ 132,150	14.7%

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.

NOTE 13 - INCOME TAXES (Continued)

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

	December 31, 2015	December 31, 2014
Deferred tax assets		
Allowance for loan losses	$ 331,643	$ 293,551
Employee benefit plans	352,393	346,777
Other real estate owned	11,310	6,630
Accumulated depreciation	38,914	14,042
Total deferred tax assets	734,260	661,000
Deferred tax liabilities		
Unrealized gains on investment securities available-for-sale	(38,000)	(54,000)
Total deferred tax liabilities	(38,000)	(54,000)
Net deferred tax assets	$ 696,260	$ 607,000

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Bancorp and its Subsidiaries and recognize a tax liability (or asset) if the Bancorp and its Subsidiaries 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 Bancorp and its Subsidiaries, and has concluded that as of December 31, 2015, 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 Bancorp 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 Bancorp is not subject to audit for any years prior to 2012.

NOTE 14 - EMPLOYEE BENEFIT PLANS

Profit sharing and employee stock ownership plans - The Bank has a defined contribution profit sharing plan covering substantially all employees. The Bank's contributions under the profit sharing plan are funded with a trustee and are contingent upon the Bank achieving a minimum earnings level.

NOTE 14 - EMPLOYEE BENEFIT PLANS (Continued)

The Bank has an Employee Stock Ownership Plan (ESOP) which enables eligible employees to acquire shares of the Bancorp's common stock. The cost of the ESOP is borne by the Bank through annual contributions to an Employee Stock Ownership Trust, the trustees of which are also members of the Bancorp and its Subsidiary Bank's Board of Directors. The expense recognized by the Bank is based on cash contributed or committed to be contributed by the Bank to the ESOP during the year. Dividends made by the Bancorp to the ESOP are reported as a reduction to retained earnings. The ESOP owns 21,654 shares of the Bancorp's common stock as of December 31, 2015, all of which are considered outstanding for earnings per share computations.

The amount of the contributions to the profit-sharing plan and the ESOP are determined at the discretion of the Bank's Board of Directors in compliance with Internal Revenue Service limitations. Contributions have historically been made in the amount of 10% of the Bank's income before profit-sharing, ESOP, and income taxes. In the event this calculated contribution exceeds the amount allowable under current Internal Revenue Service regulations, the excess is distributed to the employees in the form of a cash bonus. Contributions to the plans, for the years ended December 31, 2015, 2014, and 2013, were $149,500, $134,500, and $172,500, respectively.

Incentive compensation program - The Bank has an incentive compensation program for its key employees. Bonuses are awarded to key employees based on a prescribed formula using the Bank's return on assets as a base. Included in the incentive program formula is a discretionary amount of 10% of the total award which may be used for merit awards to individual employees. Under the terms of the incentive compensation program, no bonuses were charged to operations for the years ending December 31, 2015, 2014, and 2013.

Executive supplemental income plan - The Bank has entered into a nonqualified supplemental income plan with certain senior officers that provide these participating officers with an income benefit payable at retirement age or death. The liabilities accrued for the Executive Supplemental Income Plan as of December 31, 2015 and 2014, were $903,572 and $889,171, respectively, which are included in other liabilities in the accompanying consolidated balance sheets. In addition, the Bank has purchased certain insurance contracts to fund the liabilities arising under this plan. As of December 31, 2015 and 2014, the cash surrender value of these insurance contracts was $3,054,863 and $3,146,412, respectively.

NOTE 15 - RESTRICTIONS ON BANK DIVIDENDS

The payment of dividends to shareholders by the Bancorp is not encumbered by any restrictive provisions. There are, however, limitations set by law on the amount of funds available to the Bancorp 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 31-A-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 Bancorp without prior approval from regulatory authorities for 2015 was approximately $2,408,788, less $211,343 which was distributed by December 31, 2015.

NOTE 16 - REGULATORY CAPITAL MATTERS

The Bancorp 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 Company's activities and those of its Subsidiary Bank are limited to the business of banking and activities closely related or incidental to banking.

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 possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Bancorp and its 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 as of January 1, 2015, 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). Prior to January 1, 2015, minimum amounts and ratios of total capital, tier 1 capital, and leverage capital, which is tier 1 capital to adjusted average total assets (as defined), were required. Management believes, as of December 31, 2015 and 2014, that the Bank meets all the capital adequacy requirements to which it is subject.

As of December 31, 2015 and 2014, the most recent notification from the FDIC, the Bank was categorized 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 16 – REGULATORY CAPITAL MATTERS (Continued)

The following table outlines the regulatory components of the Bancorp and the Bank's capital and capital ratios under the rules applicable as of December 31, 2015 and 2014, 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, 2015						
Total capital (to risk-weighted assets)						
Consolidated	$ 16,463	18.64%	$ 7,066	≥ 8.00%	$ N/A	≥ N/A
Subsidiary Bank	$ 16,350	18.52%	$ 7,062	≥ 8.00%	$ 8,828	≥ 10.00%
Tier I capital (to risk-weighted assets)						
Consolidated	$ 15,362	17.39%	$ 5,299	≥ 6.00%	$ N/A	≥ N/A
Subsidiary Bank	$ 15,249	17.27%	$ 5,297	≥ 6.00%	$ 7,062	≥ 8.00%
Common equity tier 1 capital (to risk-weighted assets)						
Consolidated	$ 15,362	17.39%	$ 3,975	≥ 4.50%	$ N/A	≥ N/A
Subsidiary Bank	$ 15,249	17.27%	$ 3,972	≥ 4.50%	$ 5,738	≥ 6.50%
Leverage capital (to adjusted average total assets)						
Consolidated	$ 15,362	10.83%	$ 5,675	≥ 4.00%	$ N/A	≥ N/A
Subsidiary Bank	$ 15,249	10.75%	$ 5,673	≥ 4.00%	$ 7,091	≥ 5.00%
As of December 31, 2014						
Total risk-based capital (to risk-weighted assets)						
Consolidated	$ 15,520	17.93%	$ 6,846	≥ 8.00%	$ N/A	≥ N/A
Subsidiary Bank	$ 15,423	18.03%	$ 6,842	≥ 8.00%	$ 8,553	≥ 10.00%
Tier I capital (to risk-weighted assets)						
Consolidated	$ 14,516	16.83%	$ 3,423	≥ 4.00%	$ N/A	≥ N/A
Subsidiary Bank	$ 14,420	16.86%	$ 3,421	≥ 4.00%	$ 5,132	≥ 6.00%
Tier I capital (leverage) (to average assets)						
Consolidated	$ 14,516	9.99%	$ 5,815	≥ 4.00%	$ N/A	≥ N/A
Subsidiary Bank	$ 14,420	9.92%	$ 5,813	≥ 4.00%	$ 7,266	≥ 5.00%

NOTE 17 - LEASES

The Bank leases equipment under noncancellable operating lease agreements and is subject to renewal options. Rent expense under those noncancellable operating leases approximated $26,327, $26,327 and $40,000 for the years ended December 31, 2015, 2014, and 2013, respectively.

Future minimum payments under noncancellable operating leases with initial or remaining terms of one year or more consisted of the following as of December 31, 2015:

2016	$	26,327
2017		23,413
Total	$	49,740

NOTE 18 - COMMITMENTS AND CONTINGENT LIABILITIES

The Bancorp and its Subsidiary Bank have an executive benefit agreement with the current Chief Executive Officer. This agreement contains change in control provisions that would entitle the officer to receive a multiple of his annual compensation if there is a change in control in the Bancorp (as defined) and a termination of his employment under certain circumstances. The maximum contingent liability under this agreement approximates $590,000 as of December 31, 2015.

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 June 2017. As of December 31, 2015, the contingent liability to the Bank's service center is estimated to be approximately $383,000 plus the actual costs incurred in connection with the termination.

The Bank is involved in various legal actions arising in the ordinary course of business. In the opinion of management and counsel, there are no legal actions pending at the time of the audit report.

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 19 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

In the normal course of business, the Bank has outstanding commitments, contingent liabilities, and other financial instruments that are not reflected in the accompanying consolidated financial statements. These include commitments to extend credit, standby letters of credit, and overdraft protection, which are some of the instruments used by the Bank to meet the financing needs of its customers. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the consolidated balance sheets.

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

Commitments to extend credit - The Bank has outstanding firm commitments to extend credit as follows:

	December 31, 2015			December 31, 2014		
	Fixed Rate	Variable Rate	Total	Fixed Rate	Variable Rate	Total
Real estate loans	$ 331,500	$ -	$ 331,500	$ -	$ -	$ -
Commercial loans	3,108,537	1,715,171	4,823,708	2,019,345	2,241,425	4,260,770
Home equity loans	-	1,563,172	1,563,172	-	1,488,673	1,488,673
Commercial lines of credit	1,771,448	6,097,267	7,868,715	62,282	10,400,393	10,462,675
Total	$ 5,211,485	$ 9,375,610	$ 14,587,095	$ 2,081,627	$ 14,130,491	$ 16,212,118

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

Standby letters of credit - The Bank has commitments under standby letters of credit that totaled $683,119 and $706,111 as of December 31, 2015 and 2014, respectively.

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

NOTE 19 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (Continued)

Overdraft protection - The Bank has an overdraft privilege product with qualified individual transaction account holders providing automatic payment of overdrafts up to a specified amount based on the type of account, charging the standard overdraft fee. The Bank had commitments of $1,290,945 and $1,358,738 as of December 31, 2015 and 2014, respectively.

NOTE 20 - 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 Bank may be required to record other assets at fair value on a nonrecurring basis, such as impaired loans and other real estate owned. These nonrecurring fair value adjustments typically involve application of lower of cost or market accounting or writedowns of individual assets.

NOTE 20 - 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, 2015				
Securities available-for-sale				
U.S. government federal agencies	$ 12,135,649	$ -	$ 12,135,649	$ -
State, county, and municipal nontaxable	9,702,407	-	9,702,407	-
State, county, and municipal taxable	2,511,229	-	2,511,229	-
Total securities available-for-sale	$ 24,349,285	$ -	$ 24,349,285	$ -
December 31, 2014				
Securities available-for-sale				
U.S. government federal agencies	$ 14,927,888	$ -	$ 14,927,888	$ -
State, county, and municipal nontaxable	11,139,656	-	11,139,656	-
State, county, and municipal taxable	3,396,766	-	3,396,766	-
Total securities available-for-sale	$ 29,464,310	$ -	$ 29,464,310	$ -

NOTE 20 - 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 Bank 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, 2015, the fair value of substantially all of the impaired loans was estimated based on the fair value of the collateral. There is no calculated difference between the fair value of collateral and the outstanding loan balance for impaired loans. When the fair value of the collateral is based on an observable market price or a current appraised value, the Bank 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 Bank 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.

Other real estate owned (OREO) - OREO consists of real estate acquired in foreclosure or other settlement of loans. Such assets are carried on the consolidated balance sheet at the lower of the investment in the real estate or its fair value less estimated selling costs. The fair value of OREO is determined on a nonrecurring basis generally utilizing current appraisals performed by an independent, licensed appraiser applying an income or market value approach using observable market data (Level 2). However, if a current appraisal is not available, the original appraised value is discounted, as appropriate, to compensate for the estimated depreciation in the value of the real estate since the date of its original appraisal. Such discounts are generally estimated based upon management's knowledge of sales of similar property within the applicable market area and its knowledge of other real estate market-related data as well as general economic trends (Level 3). Upon foreclosure, any fair value adjustment is charged against the allowance for loan losses. Subsequent fair value adjustments are recorded in the period incurred and included in other noninterest expense in the consolidated statements of income.

NOTE 20 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The following are assets and liabilities that were accounted for or disclosed at fair value on a nonrecurring 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, 2015				
Impaired loans				
Secured by real estate				
Residential	$ 199,950	$ -	$ -	$ 199,950
Commercial	1,200,870	-	-	1,200,870
Commercial and industrial	371,312	-	-	371,312
Consumer	50,209			50,209
Total impaired loans	$ 1,822,341	$ -	$ -	$ 1,822,341
Other real estate owned				
Residential	$ 20,000	$ -	$ -	$ 20,000
Total other real estate owned	$ 20,000	$ -	$ -	$ 20,000
December 31, 2014				
Impaired loans				
Secured by real estate				
Residential	$ 69,426	$ -	$ -	$ 69,426
Commercial	602,384	-	-	602,384
Commercial and industrial	16,494	-	-	16,494
Total impaired loans	$ 688,304	$ -	$ -	$ 688,304
Other real estate owned				
Residential	$ 70,000	$ -	$ -	$ 70,000
Total other real estate owned	$ 70,000	$ -	$ -	$ 70,000

NOTE 20 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The quantitative information about Level 3 fair value measurements for financial assets and liabilities measured at fair value on a nonrecurring basis is as follows:

Description	Fair Value	Valuation Technique	Significant Unobservable Input	Range
December 31, 2015				
Impaired loans				
Secured by real estate				
Residential	$ 199,950	Appraisal of collateral	Appraisal adjustment	*
Commercial	1,200,870	Appraisal of collateral	Appraisal adjustment	*
Commercial and industrial	371,312	Appraisal of collateral	Appraisal adjustment	*
Consumer	50,209	Appraisal of collateral	Appraisal adjustment	*
Other real estate owned				
Residential	$ 20,000	Appraisal of property	Appraisal adjustment	Up to 55%
December 31, 2014				
Impaired loans				
Secured by real estate				
Residential	$ 69,426	Appraisal of collateral	Appraisal adjustment	*
Commercial	602,384	Appraisal of collateral	Appraisal adjustment	Up to 6%
Commercial and industrial	16,494	Appraisal of collateral	Appraisal adjustment	*
Other real estate owned				
Residential	$ 70,000	Appraisal of collateral	Appraisal adjustment	Up to 51%

**There are no related allowances for this loan classification.*

The following methods and assumptions were used to estimate the fair value disclosures for other financial instruments as of December 31, 2015 and 2014:

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 approximates fair value based on the redemption provisions of the FHLB.

NOTE 20 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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.

Bank owned life insurance - The fair value of bank owned life insurance approximates the cash surrender value of the policies.

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 values of commitments to extend credit, standby letters of credit, and overdraft protection are 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, standby letters of credit, and overdraft protection are deemed insignificant, and therefore, the estimated fair values and carrying values are not shown.

NOTE 20 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

	December 31, 2015		December 31, 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Cash and due from banks	$ 4,416,461	$ 4,416,461	$ 5,042,799	$ 5,042,799
Interest bearing deposits in other banks	378,656	378,656	374,114	374,114
Federal funds sold	6,045,000	6,045,000	4,765,000	4,765,000
Time deposits	1,750,000	1,750,000	2,750,000	2,750,000
Securities available-for-sale	24,349,285	24,349,285	29,464,310	29,464,310
Other securities	69,900	69,900	67,100	67,100
Loans	99,530,819	105,633,559	93,309,249	100,696,435
Accrued interest receivable	403,322	403,322	410,907	410,907
Bank owned life insurance	3,054,863	3,054,863	3,146,412	3,146,412
Financial liabilities				
Deposits	127,240,701	126,098,264	127,066,587	126,051,599
Advance payments from borrowers for taxes and insurance	109,365	109,365	87,075	87,075
Accrued interest payable	39,724	39,724	47,863	47,863

NOTE 21 - CONDENSED FINANCIAL INFORMATION - PARENT COMPANY ONLY

The following financial statements reflect the financial position, results of operations, and cash flows of West-Central Bancorp, Inc. (Parent Company Only).

CONDENSED BALANCE SHEETS

	December 31,	
	2015	2014
Assets		
Cash and due from banks (all from subsidiary bank)	$ 66,451	$ 49,720
Investment in subsidiaries (equity basis)	15,353,720	14,548,860
Total assets	$ 15,420,171	$ 14,598,580
Liabilities and shareholders' equity		
Total liabilities	$ -	$ -
Shareholders' equity		
Common stock (par value $1.00, 5,000,000 shares authorized, 350,860 shares issued, 211,343 shares outstanding as of December 31, 2015 and 2014, respectively)	350,860	350,860
Additional paid in capital	1,597,246	1,597,246
Retained earnings	15,953,784	15,107,757
Less: treasury stock, at cost (139,517 shares as of December 31, 2015 and 2014, respectively)	(2,539,505)	(2,539,505)
Accumulated other comprehensive income	57,786	82,222
Total shareholders' equity	15,420,171	14,598,580
Total liabilities and shareholders' equity	$ 15,420,171	$ 14,598,580

NOTE 21 - CONDENSED FINANCIAL INFORMATION - PARENT COMPANY ONLY (Continued)

CONDENSED STATEMENTS OF INCOME

	Years Ended December 31, 2015	2014	2013
Income			
Dividend income from subsidiaries	$ 228,099	$ 163,878	$ 166,968
Total income	228,099	163,878	166,968
Expenses			
Other expenses	25	50	50
Total expenses	25	50	50
Income before income tax expense and equity in undistributed income of subsidiaries	228,074	163,828	166,918
Income tax expense	-	-	-
Income before equity in undistributed income of subsidiaries	228,074	163,828	166,918
Equity in undistributed income of subsidiaries	829,296	766,539	601,610
Net income	$ 1,057,370	$ 930,367	$ 768,528

NOTE 21 - CONDENSED FINANCIAL INFORMATION - PARENT COMPANY ONLY (Continued)

CONDENSED STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
	2015	2014	2013
Cash flows from operating activities			
Net income	$ 1,057,370	$ 930,367	$ 768,528
Adjustments to reconcile net income to net cash provided (used) by operating activities			
Equity in undistributed (income) loss of subsidiaries	(829,296)	(766,539)	(601,610)
Total adjustments	(829,296)	(766,539)	(601,610)
Net cash flows provided (used) by operating activities	228,074	163,828	166,918
Cash flows from financing activities			
Cash dividends paid	(211,343)	(147,940)	(147,940)
Net cash flows provided (used) by financing activities	(211,343)	(147,940)	(147,940)
Net increase (decrease) in cash and cash equivalents	16,731	15,888	18,978
Cash and cash equivalents at beginning of year	49,720	33,832	14,854
Cash and cash equivalents at end of year	$ 66,451	$ 49,720	$ 33,832

Principal sources of income for the Bancorp are dividends received from its Subsidiaries. State law imposes limitations on the payment of dividends by the Subsidiary Bank of the Bancorp. 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 Bancorp had no borrowings outstanding from its Subsidiary Bank as of December 31, 2015.

NOTE 21 - CONDENSED FINANCIAL INFORMATION - PARENT COMPANY ONLY (Continued)

The Bancorp accounts for its investments in its Subsidiaries by the equity method. During the years ended December 31, 2015, 2014, and 2013, changes in the investments were as follows:

	West Central Insurance, LLC	First Neighborhood Bank, Inc.
Percent to total shares	100%	100%
Balance at December 31, 2012	$ 46,610	$ 13,285,628
Add (deduct)		
Equity in net income	19,028	749,550
Dividends declared	(19,028)	(147,940)
Change in accumulated other comprehensive income	-	(659,776)
Balance at December 31, 2013	46,610	13,227,462
Add (deduct)		
Equity in net income	(15,938)	914,479
Dividends declared	15,938	(147,940)
Change in accumulated other comprehensive income	-	508,249
Balance at December 31, 2014	46,610	14,502,250
Add (deduct)		
Equity in net income	(16,756)	1,040,639
Dividends declared	16,756	(211,343)
Change in accumulated other comprehensive income	-	(24,436)
Balance at December 31, 2015	$ 46,610	$ 15,307,110

SUPPLEMENTARY INFORMATION

Suttle & Stalnaker PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON
CONSOLIDATING INFORMATION

To the Board of Directors
West-Central Bancorp, Inc. and Subsidiaries
Spencer, West Virginia

We have audited the consolidated financial statements of West-Central Bancorp, Inc. and its Subsidiaries as of and for the year ended December 31, 2015, and have issued our report thereon dated February 12, 2016, 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 12, 2016

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WEST-CENTRAL BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2015

	West-Central Bancorp, Inc.	First Neighborhood Bank, Inc.	West Central Insurance, LLC	Consolidating Eliminations	Consolidated Totals
ASSETS					
Cash and due from banks	$ 66,451	$ 4,416,461	$ -	$ (66,451)	$ 4,416,461
Interest-bearing deposits in other banks	-	378,656	-	-	378,656
Federal funds sold	-	6,045,000	-	-	6,045,000
Cash and cash equivalents	66,451	10,840,117	-	(66,451)	10,840,117
Time deposits	-	1,750,000	-	-	1,750,000
Investment securities					
Securities available-for-sale, at fair value	-	24,349,285	-	-	24,349,285
Other securities	-	69,900	-	-	69,900
Investment in subsidiaries	15,353,720	-	-	(15,353,720)	-
Loans	-	100,632,029	-	-	100,632,029
Less: allowance for loan losses	-	(1,101,210)	-	-	(1,101,210)
Loans - net	-	99,530,819	-	-	99,530,819
Accrued interest receivable	-	403,322	-	-	403,322
Premises and equipment - net	-	2,867,346	-	-	2,867,346
Other real estate owned	-	20,000	-	-	20,000
Cash surrender value - bank owned life insurance	-	3,054,863	-	-	3,054,863
Deferred income taxes	-	696,260	-	-	696,260
Other assets	-	420,504	46,610	-	467,114
Total assets	**$ 15,420,171**	**$ 144,002,416**	**$ 46,610**	**$ (15,420,171)**	**$ 144,049,026**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Deposits					
Demand - noninterest-bearing	$ -	$ 45,349,595	$ -	$ (66,451)	$ 45,283,144
Demand - interest-bearing	-	26,220,780	-	-	26,220,780
Savings	-	19,864,478	-	-	19,864,478
Time	-	35,872,299	-	-	35,872,299
Total deposits	-	127,307,152	-	(66,451)	127,240,701
Advance payments from borrowers for taxes and insurance	-	109,365	-	-	109,365
Accrued interest payable	-	39,724	-	-	39,724
Other liabilities	-	1,239,065	-	-	1,239,065
Total liabilities	-	128,695,306	-	(66,451)	128,628,855
Shareholders' equity					
Common stock	350,860	545,669	-	(545,669)	350,860
Additional paid in capital	1,597,246	1,500,000	-	(1,500,000)	1,597,246
Retained earnings	15,953,784	13,203,655	46,610	(13,250,265)	15,953,784
Less: treasury stock, at cost	(2,539,505)	-	-	-	(2,539,505)
Accumulated other comprehensive income	57,786	57,786	-	(57,786)	57,786
Total shareholders' equity	15,420,171	15,307,110	46,610	(15,353,720)	15,420,171
Total liabilities and shareholders' equity	**$ 15,420,171**	**$ 144,002,416**	**$ 46,610**	**$ (15,420,171)**	**$ 144,049,026**

Refer to the auditor's report on consolidating information.

WEST-CENTRAL BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2015

	West-Central Bancorp, Inc.	First Neighborhood Bank, Inc.	West Central Insurance, Inc.	Consolidating Eliminations	Consolidated Totals
Interest income					
Interest and fees on loans	$ -	$ 4,785,348	$ -	$ -	$ 4,785,348
Interest on deposits in other banks	-	25,354	-	-	25,354
Interest on federal funds sold	-	12,205	-	-	12,205
Interest and dividends on investment securities	-	530,656	-	-	530,656
Total interest income	-	5,353,563	-	-	5,353,563
Interest expense					
Interest on deposits	-	400,740	-	-	400,740
Total interest expense	-	400,740	-	-	400,740
Net interest income	-	4,952,823	-	-	4,952,823
Provision for loan losses	-	144,000	-	-	144,000
Net interest income after provision for loan losses	-	4,808,823	-	-	4,808,823
Noninterest income					
Dividend income from subsidiaries	228,099	-	-	(228,099)	-
Equity income of subsidiaries	829,296	-	-	(829,296)	-
Service charges and fees	-	585,494	-	-	585,494
Increase in cash surrender value - bank owned life insurance	-	61,693	-	-	61,693
Net gains from sales of investment securities available-for-sale	-	32,191	-	-	32,191
Other income	-	166,049	16,781	-	182,830
Total noninterest income	1,057,395	845,427	16,781	(1,057,395)	862,208
Noninterest expense					
General and administrative					
Compensation and benefits	-	2,219,944	-	-	2,219,944
Occupancy and equipment	-	610,809	-	-	610,809
FDIC assessment	-	72,000	-	-	72,000
Data processing	-	468,361	-	-	468,361
Other expenses	25	940,975	25	-	941,025
Total noninterest expense	25	4,312,089	25	-	4,312,139
Income before income tax expense	1,057,370	1,342,161	16,756	(1,057,395)	1,358,892
Income tax expense	-	301,522	-	-	301,522
Net income	**$ 1,057,370**	**$ 1,040,639**	**$ 16,756**	**$ (1,057,395)**	**$ 1,057,370**

Refer to the auditor's report on consolidating information.

WEST-CENTRAL BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2015

	West-Central Bancorp, Inc.	First Neighborhood Bank, Inc.	West Central Insurance, Inc.	Consolidating Eliminations	Consolidated Totals
Cash flows from operating activities					
Net income	$ 1,057,370	$ 1,040,639	$ 16,756	$ (1,057,395)	$ 1,057,370
Adjustments to reconcile net income to net cash provided (used) by operating activities					
Equity in undistributed (income) loss of subsidiaries	(829,296)	-	-	829,296	-
Depreciation	-	256,506	-	-	256,506
Provision for loan losses	-	144,000	-	-	144,000
Provision for deferred income tax	-	(73,260)	-	-	(73,260)
Amortizations (accretions) on investments - net	-	24,128	-	-	24,128
Net realized (gains) losses from sales of investment securities available-for-sale	-	(32,191)	-	-	(32,191)
Net realized (gains) losses from disposal of premises and equipment	-	6,662	-	-	6,662
Net realized (gains) losses from sales of other real estate owned	-	22,500	-	-	22,500
Other real estate owned writedown	-	25,000	-	-	25,000
Net realized (gains) losses from bank owned life insurance	-	(140,539)	-	-	(140,539)
(Increase) decrease in accrued interest receivable	-	7,585	-	-	7,585
(Increase) decrease in cash surrender value - bank owned life insurance	-	(61,693)	-	-	(61,693)
(Increase) decrease in other assets	-	(42,397)	-	-	(42,397)
Increase (decrease) in accrued interest payable	-	(8,139)	-	-	(8,139)
Increase (decrease) in other liabilities	-	(69,249)	-	-	(69,249)
Total adjustments	(829,296)	58,913	-	829,296	58,913
Net cash flows provided (used) by operating activities	228,074	1,099,552	16,756	(228,099)	1,116,283
Cash flows from investing activities					
Net (increase) decrease in time deposits	-	1,000,000	-	-	1,000,000
Purchases of investment securities available-for-sale	-	(3,735,000)	-	-	(3,735,000)
Proceeds from maturities and calls of investment securities available-for-sale	-	7,483,442	-	-	7,483,442
Proceeds from sales of investment securities available-for-sale	-	1,334,210	-	-	1,334,210
Redemption of federal home loan bank stock	-	(2,800)	-	-	(2,800)
Loan originations and principal payment on loans	-	(6,365,570)	-	-	(6,365,570)
Proceeds from sales of other real estate owned	-	2,500	-	-	2,500
Capital expenditures	-	(159,922)	-	-	(159,922)
Net cash flows provided (used) by investing activities	-	(443,140)	-	-	(443,140)

Refer to the auditor's report on consolidating information.

WEST-CENTRAL BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

	West-Central Bancorp, Inc.	First Neighborhood Bank, Inc.	West Central Insurance, Inc.	Consolidating Eliminations	Consolidated Totals
Cash flows from financing activities					
Net increase (decrease) in total deposits	$ -	$ 190,845	$ -	$ (16,731)	$ 174,114
Net increase (decrease) in advance payments from borrowers for taxes and insurance	-	22,290	-	-	22,290
Cash dividends paid	(211,343)	(211,343)	(16,756)	228,099	(211,343)
Net cash flows provided (used) by financing activities	(211,343)	1,792	(16,756)	211,368	(14,939)
Net increase (decrease) in cash and cash equivalents	16,731	658,204	-	(16,731)	658,204
Cash and cash equivalents at beginning of year	49,720	10,181,913	-	(49,720)	10,181,913
Cash and cash equivalents at end of year	**$ 66,451**	**$ 10,840,117**	**$ -**	**$ (66,451)**	**$ 10,840,117**
Supplemental schedule of noncash investing and financing activities					
Loans transferred to other real estate owned	$ -	$ -	$ -	$ -	$ -
Proceeds from sales of other real estate owned financed through loans	$ -	$ -	$ -	$ -	$ -
Total change in unrealized gains (losses) on securities available-for-sale	$ -	$ (40,436)	$ -	$ -	$ (40,436)
Supplemental disclosure of cash flows information					
Cash paid during the year for					
Interest	$ -	$ 408,879	$ -	$ -	$ 408,879
Income taxes	$ -	$ 410,782	$ -	$ -	$ 410,782