RICHWOOD
BANCSHARES, INC.

EXHIBIT INFORMATION
Financial Statements

OFFERING CIRCULAR

Richwood Bancshares, Inc. and Subsidiaries

Consolidated Financial Statements

December 31, 2017 and 2016

(with Independent Auditors' Report)

CLARK SCHAEFER HACKETT

CPAS & ADVISORS

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CLARK SCHAEFER HACKETT
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INDEPENDENT AUDITORS' REPORT

Board of Directors and Audit Committee
Richwood Bancshares, Inc.

Report on the Consolidated Financial Statements
We have audited the accompanying consolidated financial statements of Richwood Bancshares, Inc. and Subsidiaries, as of December 31, 2017 and 2016, which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

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

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

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

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental schedules as noted in the table of contents are presented for the purposes of additional analysis and are 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 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 information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Clark, Schaefer, Hackett & Co

Cincinnati, Ohio
September 26, 2018

Consolidated Balance Sheets (in thousands)

Assets

		2017	2016
Cash and cash due from banks	$	17,939	14,244
Federal funds sold		1,159	126
		19,098	14,370
Investment securities:			
Available-for-sale securities, at fair value		159,178	174,744
Held-to-maturity securities, at cost		125	125
Loans held for sale		936	102
Loans receivable, net		294,767	249,885
Accrued interest receivable		2,986	2,549
Premises and equipment		13,733	11,436
Federal Reserve and other stock, at cost		537	269
Federal Home Loan Bank stock, at cost		639	639
Bank-owned life insurance		11,544	11,237
Prepaid federal income taxes		431	-
Deferred income tax		964	1,639
Other assets		3,109	3,332
	$	508,047	470,327

See accompanying notes to the consolidated financial statements.

Consolidated Balance Sheets (in thousands, continued)

Liabilities and Stockholders' Equity

		2017	2016
Deposits:			
Demand	$	192,113	148,584
Savings, NOW and money market		150,590	161,683
Time		109,646	97,753
		452,349	408,020
Accrued interest payable		225	159
Accrued expenses and other liabilities		2,841	1,822
Income tax payable		-	28
Federal funds purchased		-	12,000
		455,415	422,029
Stockholders' equity:			
Common stock, $0.625 par value, 4,400,300 shares authorized, 1,315,887 and 1,305,162 shares issued at December 31, 2017 and 2016, respectively		822	816
Treasury stock, 1,427 and 0 shares, at cost, at December 31, 2017 and 2016, respectively		(76)	-
Additional paid-in capital		7,395	6,822
Retained earnings		45,503	42,230
Accumulated other comprehensive loss, net of tax		(1,012)	(1,570)
		52,632	48,298
	$	508,047	470,327

See accompanying notes to the consolidated financial statements.

Richwood Bancshares, Inc. and Subsidiaries
Consolidated Statements of Income (in thousands)
Years Ended December 31, 2017 and 2016

		2017	2016
Interest income:			
Loans	$	13,817	12,052
Securities:			
Taxable		2,550	2,256
Tax-exempt		1,959	2,216
Other		88	32
		18,414	16,556
Interest expense:			
Interest expense on deposits		2,607	1,899
Net interest income		15,807	14,657
Provision for loan losses		303	156
Net interest income after provision for loan losses		15,504	14,501
Non-interest income:			
Service fees		1,813	1,550
Net realized gain on sale of available-for-sale securities		942	647
Gain on sale of loans		233	332
Other		1,347	1,335
Total non-interest income		4,335	3,864
Non-interest expense:			
Salaries and employee benefits		7,929	6,964
Net occupancy expense		1,715	1,536
Deposit insurance premium		139	180
Data processing		901	786
State franchise taxes		405	396
Professional fees		345	230
Sales and marketing		772	570
Other		3,060	2,631
		15,266	13,293
Income before income taxes		4,573	5,072
Provision for income taxes		516	806
Net income	$	4,057	4,266
Net income per share of common stock	$	3.08	3.27

See accompanying notes to the consolidated financial statements.

Richwood Bancshares, Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income (in thousands)
Years Ended December 31, 2017 and 2016

	2017	2016
Net income	$ 4,057	4,266
Other comprehensive income (loss), net of tax		
Available-for-sale investment securities:		
Unrealized holding losses on securities during the year, net of related tax expense (benefit) of $455 and ($1,452) in 2017 and 2016, respectively	1,712	(2,818)
Reclassification adjustment for gains on securities available-for-sale included in comprehensive income net of related tax expense of $198 and $220 in 2017 and 2016, respectively	(744)	(427)
	968	(3,245)
Defined benefit retirement plan:		
Net actuarial loss, net of tax effects	(410)	(19)
Other comprehensive income (loss)	558	(3,264)
Comprehensive income	$ 4,615	1,002

See accompanying notes to the consolidated financial statements.

Richwood Bancshares, Inc.
Consolidated Statements of Shareholders' Equity
Years Ended December 31, 2017 and 2016

	Common Stock		Treasury Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount (in thousands)	Shares	Amount (in thousands)	(in thousands)	(in thousands)	(in thousands)	(in thousands)
Balance, January 1, 2016	1,296,483	$ 810	-	$ -	6,392	38,717	1,694	47,613
Net income	-	-	-	-	-	4,266	-	4,266
Other comprehensive loss	-	-	-	-	-	-	(3,264)	(3,264)
Sale of common stock	8,679	6	-	-	430	-	-	436
Dividends on common stock, $0.58 per share	-	-	-	-	-	(753)	-	(753)
Balance, December 31, 2016	1,305,162	816	-	-	6,822	42,230	(1,570)	48,298
Net income	-	-	-	-	-	4,057	-	4,057
Other comprehensive income	-	-	-	-	-	-	558	558
Sale of common stock	10,725	6	-	-	573	-	-	579
Dividends on common stock, $0.60 per share	-	-	-	-	-	(784)	-	(784)
Purchase of treasury stock, net	-	-	1,427	(76)	-	-	-	(76)
Balance, December 31, 2017	1,315,887	$ 822	1,427	$ (76)	7,395	45,503	(1,012)	52,632

See accompanying notes to the consolidated financial statements.

Richwood Bancshares, Inc.
Consolidated Statements of Cash Flows (in thousands)
Years Ended December 31, 2017 and 2016

		2017	2016
Cash flows from operating activities:			
Net income	$	4,057	4,266
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization of premiums and discounts on securities, net		1,269	1,970
Net realized gain on available-for-sale securities		(942)	(647)
Provision for loan losses		303	156
Amortization on the sale of loans		(72)	95
Gain on sale of loans		(233)	(292)
Proceeds from the sale of loans		9,052	2,807
Loans disbursed for sale in the secondary market		(8,819)	(2,515)
Gain on sale of other real estate owned		-	(5)
Depreciation		840	719
Net realized (gain) loss on disposal of premises and equipment		77	(7)
Increase in cash surrender value on bank-owned life insurance		(307)	(280)
Deferred income taxes		144	64
Changes in cash arising from changes in assets and liabilities:			
Accrued interest receivable		(437)	(140)
Other assets		223	(291)
Accrued interest payable		66	(7)
Other liabilities		571	270
Income tax payable		(459)	(35)
Net cash provided by operating activities		5,333	6,128
Cash flows from investing activities:			
Purchases of available-for-sale securities		(211,657)	(205,896)
Proceeds from calls, maturities, and paydowns of available-for-sale securities		11,141	15,254
Proceeds from sales of available-for-sale securities		217,087	188,740
Net change in loans		(45,947)	(25,048)
Purchase of stock		(63)	-
Purchases of bank-owned life insurance		-	(3,000)
Proceeds from sale of other real estate owned		-	35
Purchases of premises and equipment		(3,639)	(1,327)
Proceeds from sale of premises and equipment		425	25
Net cash used in investing activities		(32,653)	(31,217)
Cash flows from financing activities:			
Net change in interest bearing deposits		44,329	17,839
Purchase (repayment) of federal funds		(12,000)	7,000
Proceeds from the sale of common stock		579	436
Proceeds from sale of treasury stock		-	143
Purchase of treasury stock		(76)	(143)
Dividends paid		(784)	(753)
Net cash provided by financing activities		32,048	24,522
Net change in cash and cash equivalents:		4,728	(567)
Cash and cash equivalents, beginning of year		14,370	14,937
Cash and cash equivalents, end of year	$	19,098	14,370
Supplemental disclosure of cash flow information:			
Interest paid	$	2,541	1,899
Income taxes paid	$	830	771
Deferred gain on merger of UBB stock	$	205	-

See accompanying notes to the consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The following accounting policies are set forth to facilitate the understanding of data presented in the consolidated financial statements:

Principles of consolidation
The consolidated financial statements include the accounts of Richwood Bancshares, Inc. (the Company) and its wholly owned subsidiaries, The Richwood Banking Company (the Bank) and Richwood Financial Services, LLC (Financial Services). Material intercompany transactions and balances have been eliminated in consolidation.

Nature of operations
Richwood Bancshares, Inc. is a bank holding company whose principal activity is the ownership and management of The Richwood Banking Company. The Bank generates commercial loans (including agricultural, mortgage, and consumer loans) and receives deposits from customers located primarily in Union, Marion, Logan, and Delaware counties in Ohio and the surrounding areas. Accordingly, a substantial portion of the debtors' ability to honor their contracts is dependent upon the financial health of the local economy.

The Bank is a state chartered bank subject to regulation by the Ohio Department of Commerce, Division of Financial Institutions and the Federal Deposit Insurance Corporation (FDIC). The Bank is also a member of the Federal Home Loan Bank (FHLB) system, and as a member, maintains a required investment in the capital stock of the FHLB. The Company is subject to regulations by the Federal Reserve System through the Federal Reserve Bank of Cleveland.

The Company also owns Richwood Financial Services, LLC, which provides private banking services to its customers.

Deposit accounts are insured within certain limitations by the Deposit Insurance Fund (DIF), which is administered by the FDIC. An annual premium is required by the DIF for insurance of such deposits.

Basis of presentation
The accounting and reporting policies of the Company conform with accounting principles generally accepted in United States of America (GAAP) as contained in the Accounting Standards Codification (ASC) issued by the Financial Accounting Standards Board (FASB) and general practices within the financial services industry. All numerical disclosures within these consolidated footnotes are reported in thousands unless otherwise defined.

Use of estimates
The accounting principles followed by the Company and the methods of applying these principles conform to GAAP and to general practice within the banking industry. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the consolidated balance sheet date and reported amounts of revenues and expenses for that period. Actual results could differ from those estimates.

The determination of the adequacy of the allowance for loan losses is based on estimates that are particularly susceptible to significant changes in the economic environment and economic conditions. In connection with the determination of the estimated losses on loans (the provision for loan losses on the consolidated statement of income) management must exercise judgment and obtain independent appraisals for significant collateral.

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

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

Concentrations of credit risk
A significant majority of the Bank's loans and commitments to extend credit have been granted to customers in the Bank's market area. The Bank, as a matter of practice, does not extend credit to any single borrower or group of related borrowers in excess of $3.4 million.

Other financial instruments which subject the Bank to concentrations of credit risk include cash and due from banks and its stock in the Federal Home Loan Bank. The Company maintains cash in bank accounts which, at times exceed federally insured limits. The Company has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk. To limit this risk, the Bank's investment policy limits investing activities to high credit quality financial institutions and sets diversification practices.

Cash flows
For reporting cash flows, cash and cash equivalents with maturities less than 90 days include cash on hand, due from financial institutions and federal funds sold, if applicable. Net cash flows are reported for customer loan and deposit transactions.

Investment securities
Investment securities are classified upon acquisition into one of three categories: held-to-maturity, available-for-sale, or trading.

Investment securities are classified as held-to-maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Investment securities are classified as available-for-sale when they might be sold before maturity for any reason, including liquidity needs, changes in market interest rates, or asset-liability management strategies. Investment securities available-for-sale are carried at fair value, with unrealized holding gains and losses reported separately in stockholders' equity, net of applicable taxes. Investment securities are classified as trading when held for short-term periods in anticipation of market gains, and are carried at fair value. At December 31, 2017 and 2016 investment securities were classified as held-to-maturity or available-for-sale.

Interest income includes amortization of purchase premium or discount. Premiums and discounts on securities are amortized on the level-yield method without anticipating prepayments, except for mortgage backed securities where prepayments are anticipated. Gains and losses on sales are recorded on the trade date and determined using the specific identification method.

Management evaluates securities for other-than-temporary impairment (OTTI) on at least a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. For securities in an unrealized loss position, management considers the extent and duration of the unrealized loss, and the financial condition and near-term prospects of the issuer. Management also assesses whether it intends to sell, or is more likely than not it will be required to sell, a security in an unrealized loss position before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the entire difference between amortized cost and fair value is recognized as impairment through earnings. For debt securities that do not meet the criteria, the amount of impairment is split into two components as follows: 1) OTTI related to credit loss, which is recognized in the income statement and 2) OTTI related to other factors, which is recognized in other comprehensive income. The credit loss is defined as the difference between the present value of the cash flows expected to be collected and amortized cost basis. For equity securities, the entire amount of impairment is recognized in the income statement. During the years ended December 31, 2017 and 2016, the Company recognized no impairment losses on investment securities for declines in value deemed by management to be other-than-temporary.

Common stock of the Federal Home Loan Bank (“FHLB”), Federal Reserve Bank, Farmer Mac and United Banker’s Bank represents ownership in institutions which are wholly owned by other financial institutions. These equity securities are accounted for at cost and evaluated for impairment.

The Bank is a member of the FHLB of Cincinnati and, as such, is required to maintain a minimum investment in stock of the FHLB that varies with the level of advances outstanding with the FHLB. The stock is purchased from and sold to the FHLB based upon its $100 par value. The stock does not have a readily determinable fair value and, as such, is classified as restricted stock, carried at cost, and evaluated by management. The stock’s value is determined by the ultimate recoverability of the par value rather than by recognizing temporary declines. The determination of whether the par value will ultimately be recovered is influenced by criteria such as the following: (a) the significance of the decline in net assets of the FHLB as compared with the capital stock amount and the length of time this situation has persisted, (b) commitments by the FHLB to make payments required by law or regulation and the level of such payments in relation to the operating performance, (c) the impact of legislative and regulatory changes on the customer base of the FHLB, and (d) the liquidity position of the FHLB.

Loans held for sale

Mortgage loans originated and intended for sale in the secondary market are carried at cost. Net unrealized losses, if any, are recognized through a valuation allowance by charges to noninterest income. Gains and losses on loan sales are recorded as non-interest income, and direct loan origination costs and fees are recognized at origination of the loan.

Mortgage loans held for sale are generally sold with servicing rights retained. The carrying value of mortgage loans sold is reduced by the amount allocated to the servicing right. Gains and losses on sales of mortgage loans are based on the difference between the selling price and the carrying value of the related loan sold.

Loans receivable
Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at the principal balance outstanding, net of deferred loan fees and costs, and an allowance for loan losses. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the interest method without anticipating prepayments.

Loans are placed on non-accrual status when management believes that the borrower's financial condition, after giving consideration to economic and business conditions and collection efforts, is such that collection of interest is doubtful. Interest income is not reported when full loan repayment is in doubt, typically when payments are past due over 90 days and evaluated as such by management. Loans are charged against the allowance for loan losses when management believes that the collectability of the principal is unlikely.

All interest accrued but not received for loans placed on non-accrual is reversed against interest income. Interest received on such loans is accounted for on the cash-basis, until qualifying for return to accrual. Under the cash-basis method, interest income is recorded when the payment is received in cash. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for loan losses
The allowance for loan losses is a valuation allowance for probable incurred credit losses. Loan losses are charged against the allowance when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance required using past loan loss experience, current loan to value, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors.

Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged-off.

The allowance consists of specific and general allocations. The specific allocation relates to loans that are individually classified as impaired or loans otherwise classified as substandard or doubtful. The general allocation covers non-classified loans and is based on historical loss experience adjusted for current environmental factors.

A loan is impaired when, based on current information and events, it is probable that the Bank will be unable to collect all amounts due according to the contractual terms of the loan agreement. Loans, for which the terms have been modified, and for which the borrower is experiencing financial difficulties, are considered troubled debt restructurings and classified as impaired.

Factors considered by management in determining impairment include payment status and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

In situations where, for economic or legal reasons related to a borrower's financial difficulties, management may grant a concession for other than an insignificant period of time to the borrower that would not otherwise be considered, the related loan is classified as a troubled debt restructuring (TDR). These modified terms may include rate reductions, principal forgiveness, payment forbearance and other actions intended to minimize the economic loss and to avoid foreclosure or repossession of the collateral.

TDRs are measured at the present value of estimated future cash flows using the loan's effective rate at inception including the probability of re-default. If a TDR is considered to be a collateral dependent loan, the loan is reported, net, at the fair value of collateral. For TDRs that subsequently default, the Bank determines the amount of reserve in accordance with the accounting policy for the allowance for loan losses.

The general allocation covers non-impaired loans and is based on historical loss experience adjusted for current factors. The historical loss experience is determined by portfolio segment and is based on the actual loss history. This actual loss experience is supplemented with other economic factors based on the risks present for each portfolio segment. These economic factors include consideration of the following: current loan to value, current credit score, levels of and trends in delinquencies and impaired loans; levels of and trends in charge-offs and recoveries; trends in volume and terms of loans; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures, and practices; experience, ability, and depth of lending management and other relevant staff; national and local economic trends and conditions; industry conditions; and effects of changes in credit concentrations. The following portfolio segments have been identified: real estate, commercial secured and unsecured, and consumer secured and unsecured. The Bank reviews the credit risk exposure of all its portfolio segments by internally assessing risk factors. Risk factors impacting loans in each of the portfolio segments include broad deterioration of property values, and reduced credit availability.

Servicing rights

When mortgage loans are sold with servicing retained, servicing rights are initially recorded at fair value with the income statement effect recorded in gains on sales of loans. Fair value is based on market prices for comparable mortgage servicing contracts when available, or alternatively, based on a valuation model that calculates the present value of estimated future net servicing income. All classes of servicing assets are subsequently measured using the amortization method which requires servicing rights to be amortized into non-interest income in proportion to, and over the period of, the estimated future net servicing income of the underlying loans.

Servicing fee income is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal; or a fixed amount per loan and are recorded as income when earned. The amortization of mortgage servicing rights is netted against loan servicing fee income.

Other real estate owned

Real estate acquired through, or in lieu of, loan foreclosure is recorded at the lower of cost or fair value less estimated costs of disposal at the date of foreclosure. However, in no case is the carrying value of the asset greater than the estimated net realizable value after considering costs to hold and dispose. If fair value less estimated costs to sell subsequently falls below the carrying amount, the deficiency is recognized as other non-interest expense. Costs relating to significant development and improvement of property are capitalized to the extent the fair value less estimated cost to sell is not exceeded. Costs relating to the holding of property are expensed as incurred. Gain or loss on sale of the assets is based on the specific identification method.

The Bank had no foreclosed real estate held for sale at December 31, 2017 and 2016. Further, there was no in-substance real estate owned. There were no in-foreclosure losses that were charged off to the allowance for loan losses or subsequent write-downs of foreclosed real estate during 2017 and 2016. Other real estate owned expenses recognized in other expenses during 2017 and 2016 were immaterial to the consolidated financial statements.

Bank-owned life insurance
The Bank owns insurance on the lives of a certain group of current and former key employees. The policies were purchased to help offset the increase in the costs of various fringe benefit plans, including healthcare. The cash surrender value of these policies is included as an asset on the consolidated balance sheets, and any increases in the cash surrender value are recorded as non-interest income on the consolidated statement of income. In the event of the death of an insured individual under these policies, the Bank would receive a non-taxable death benefit, which would be recorded as non-interest income.

Federal Reserve Bank (FRB) Stock
The Bank is a member of its regional Federal Reserve Bank. FRB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

Federal Home Loan Bank Stock
The Bank is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

Income taxes
Income taxes are provided for the tax effects of the transactions reported in the consolidated financial statements. The income tax provision consists of taxes currently due and deferred taxes. Deferred taxes represent the tax effects of the temporary differences in the basis of certain assets and liabilities for tax and financial statement purposes. The deferred taxes of future deductible or taxable amounts that have been recognized on a cumulative basis in the consolidated financial statements are calculated at current effective tax rates.

The Company’s policy with regard to interest and penalties is to recognize interest through interest expense and penalties through other expense. In evaluating the Company’s tax provisions and accruals, future taxable income, and the reversal of temporary differences, interpretations and tax planning strategies are considered. Management believes their estimates are appropriate based on current facts and circumstances.

The Company and its subsidiaries are subject to U.S. federal income tax as well as income tax of the State of Ohio. The Company is no longer subject to examination by taxing authorities for years before 2014.

Advertising costs

The Company expenses all advertising costs as incurred and these costs are immaterial to the consolidated financial statements.

Retirement plans

The Bank maintains a noncontributory defined benefit retirement plan covering all employees. Effective December 31, 2010, the Bank amended the plan disallowing any additional employees from participation and freezing the benefit accrual of participating employees.

The Bank has a 401(k) plan with a 3% contribution from the Bank regardless of employee participation. Accordingly, the Bank has recognized expense of $152 and $132 (in thousands) for the years ended December 31, 2017 and 2016, respectively.

Treasury stock

Common stock shares repurchased are recorded at cost. The cost of shares retired or reissued is determined using the first in, first out method.

Earnings per share of common stock

Earnings per share of common stock is computed by dividing net income by the weighted average number of shares of common stock outstanding during the year. Earnings and dividends per share are restated for all stock splits and stock dividends through the date of issuance of the consolidated financial statements.

Comprehensive income (loss)

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as those related to unrealized gain and loss on available-for-sale investment securities and the funded status of the defined benefit retirement plan, are reported as a separate component of the consolidated shareholders' equity section of the consolidated balance sheets, such items, along with net income, are components of consolidated comprehensive income.

The components of accumulated other comprehensive loss, included in consolidated shareholders' equity, are as follows at December 31:

	2017	2016
Net unrealized gain on securities available-for-sale	$ (925)	(1,893)
Defined benefit retirement plan	(355)	(486)
Tax effects	268	809
Accumulated other comprehensive loss	$ (1,012)	(1,570)

The following information discloses the reclassification adjustments for each component of accumulated other comprehensive income, including the consolidated statement of income line items that are affected as of the following years:

2017 – Investments

Accumulated Other Comprehensive Loss Components	Reclassification Amount	Affected Line Item in the Consolidated Statement of Operations
Unrealized gains on securities available-for-sale	$ 942	Gain on sale of securities
	(198)	Income tax expense at 21%
Total reclassifications for the period	$ 744	Reclassification adjustment, net of tax

2016 – Investments

Accumulated Other Comprehensive Loss Components	Reclassification Amount	Affected Line Item in the Consolidated Statement of Operations
Unrealized gains on securities available-for-sale	$ 647	Gain on sale of securities
	(220)	Income tax expense at 34%
Total reclassifications for the period	$ 427	Reclassification adjustment, net of tax

2017 – Defined Benefit Plan

Accumulated Other Comprehensive Loss Components	Reclassification Amount	Affected Line Item in the Consolidated Statement of Operations
Net actuarial loss	$ (519)	Salaries and employee benefits
	109	Income tax benefit at 21%
Total reclassifications for the period	$ (410)	Reclassification adjustment, net of tax

2016 – Defined Benefit Plan

Accumulated Other Comprehensive Loss Components	Reclassification Amount	Affected Line Item in the Consolidated Statement of Operations
Net actuarial loss	$ (29)	Salaries and employee benefits
	10	Income tax benefit at 34%
Total reclassifications for the period	$ (19)	Reclassification adjustment, net of tax

In February 2018, the FASB issued ASU 2018-02, Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income (Loss) ("AOCI). The Company early adopted this new standard in the current year. ASU 2018-01 requires reclassification from AOCI to retained earnings for stranded tax effects resulting from the impact of the newly enacted federal corporate income tax rate on items included in AOCI. The amount of this reclassification in 2017 was approximately $46,000.

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

Reclassification
Certain reclassifications have been made to the previous consolidated financial statements to conform to the 2017 consolidated financial statement presentation. These reclassifications had no effect on the reported net income or retained earnings.

Subsequent events
The Company evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the consolidated financial statements. The accompanying consolidated financial statements consider events through September 26, 2018, the date on which the financial statements were available to be issued. See Note 14 for further discussion.

Recent Accounting Pronouncements
In May 2014, the FASB issued ASU 2014-09 "Revenue from Contracts with Customers (Topic 606)", and amended existing guidance related to revenue from contracts with customers. The amendment supersedes and replaces nearly all existing revenue recognition guidance, including industry-specific guidance, establishes a new control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time, provides new and more detailed guidance on specific topics and expands and improves disclosures about revenue. In addition, the amendment specifies the accounting from some costs to obtain or fulfill a contract with a customer.

The amendments are effective for the periods beginning after December 15, 2018, including interim periods within that reporting period.

The amendments allow for one of two transition methods: full retrospective or modified retrospective. The full retrospective approach requires application to all periods presented. The modified retrospective transition requires application to uncompleted contracts at the date of adoption. Periods prior to the date of adoption are not retrospectively revised, but a cumulative effect is recognized at the date of the application on uncompleted contracts.

Management is currently assessing the impact of the standard but does not expect the new standard to result in a material change for revenue because the majority of the Company's financial instruments are not within scope.

In February 2016, the FASB issued ASU 2016-02 “Leases (Topic 842)”, which requires lessees to recognize lease assets and liabilities on the balance sheet and requires expanded disclosure about leasing arrangements. The new standard is effective for the year ended December 31, 2020. Management is currently assessing the impact of the new standard.

In June 2016, the FASB issued ASU 2016-13, “Financial Instruments-Credit Losses: Measurement of Credit Losses on Financial Instruments (Topic 326)”, which changes the impairment model for most financial assets. This ASU is intended to improve financial reporting by requiring timelier recording of credit losses on loans and other financial instruments held by financial institutions and other organizations. The underlying premise of the ASU is that financial assets measured at amortized cost should be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The allowance for credit losses should reflect management’s current estimate of credit losses that are expected to occur over the remaining life of a financial asset. The income statement will be affected for the measurement of credit losses for newly recognized financial assets, as well as the expected increases or decreases of expected credit losses that have taken place during the period. ASU 2016-13 is effective for annual and interim periods beginning after December 15, 2020, and early adoption is permitted for annual and interim periods beginning after December 15, 2018. With certain exceptions, transition to the new requirements will be through a cumulative effect adjustment to opening retained earnings as of the beginning of the first reporting period in which the guidance is adopted. The Company will be evaluating the impact of this ASU over the next several years.

2. INVESTMENT SECURITIES:

The amortized cost and fair values, together with gross unrealized gains and losses, of securities are as follows:

December 31, 2017		Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale securities:					
U.S. Government agency securities	$	2,000	-	(91)	1,909
Obligations of states and political subdivisions		52,022	1,958	(389)	53,591
Mortgage-backed securities in Government-sponsored entities		105,511	104	(1,937)	103,678
Total	$	159,533	2,062	(2,417)	159,178
Held-to maturity securities:					
Obligations of states and political subdivisions	$	125	-	-	125

December 31, 2016	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale securities:				
U.S. Government agency securities	$ 2,000	-	(108)	1,892
Obligations of states and political subdivisions	60,128	2,292	(988)	61,432
Mortgage-backed securities in Government-sponsored entities	114,508	203	(3,291)	111,420
Total	$ 176,636	2,495	(4,387)	174,744
Held-to maturity securities:				
Obligations of states and political subdivisions	$ 125	-	-	125

The following tables show the Company's gross unrealized losses and fair value, aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position.

	Less than 12 Months		12 Months or Greater		Total	
December 31, 2017	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
U.S. government agency securities	$ -	-	1,909	(91)	1,909	(91)
Obligations of states and political subdivisions	7,458	(110)	9,357	(279)	16,815	(389)
Mortgage-backed securities in Government-sponsored entities	38,071	(334)	59,648	(1,603)	97,719	(1,937)
Total	$ 45,529	(444)	70,914	(1,973)	116,443	(2,417)

	Less than 12 Months		12 Months or Greater		Total	
December 31, 2016	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
U.S. government agency securities	$ 1,892	(108)	-	-	1,892	(108)
Obligations of states and political subdivisions	21,082	(936)	1,211	(52)	22,293	(988)
Mortgage-backed securities in Government-sponsored entities	102,922	(3,291)	-	-	102,922	(3,291)
Total	$ 125,896	(4,335)	1,211	(52)	127,107	(4,387)

There were 87 and 105 positions that were in an unrealized loss position at December 31, 2017 and 2016, respectively. The Company has concluded that the unrealized losses disclosed above are not other than temporary but are the result of interest rate changes, sector credit ratings changes, or entity-specific rating changes that are not expected to result in the non-collection of principal and interest during the period.

The amortized cost and fair value of debt securities at December 31, 2017, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Within one year	$ 1,613	1,646	-	-
Due after one year through five years	5,123	5,293	-	-
Due after five years through ten years	14,592	14,859	-	-
Due after ten years	138,205	137,380	125	125
Total	$ 159,533	159,178	125	125

Investment securities with a fair value of $31,752 and $126,651 at December 31, 2017 and 2016, respectively, were pledged to secure deposits and other purposes as required by law.

3. LOANS:

The composition of loans at December 31 is as follows:

	2017	2016
Real estate:		
Residential	$ 106,510	72,382
Commercial	73,248	68,919
Agricultural	61,820	54,886
Line of credit	9,320	9,552
Total real estate	250,898	205,739
Commercial, industrial and agricultural:		
Secured	39,077	38,798
Unsecured	4,441	3,627
Total commercial, industrial and agricultural	43,518	42,425
Consumer:		
Secured	1,886	2,233
Other unsecured	424	418
Total consumer	2,310	2,651
Total loans	296,726	250,815
Credit cards	-	828
Net deferred loan origination costs	(342)	(262)
	297,320	251,483
Allowance for loan losses	(1,617)	(1,496)
Net loans	$ 294,767	249,885

The risk characteristics applicable to each segment of the loan portfolio are described as follows:

Residential real estate loans are secured by 1-4 family residences and are generally owner-occupied. The Bank generally establishes a maximum loan-to-value ratio and requires private mortgage insurance if that ratio is exceeded. Repayment of these loans is primarily dependent on the personal income of the borrowers, which can be impacted by economic conditions in their market area, such as unemployment levels. Repayment can also be impacted by changes in property values of residential properties. Risk is mitigated by the fact that the loans are of smaller individual amounts and spread over a large number of borrowers.

Commercial real estate loans, including farmland and nonfarm loans, are viewed primarily as cash flow loans and secondarily as loans secured by real estate. Commercial real estate lending typically involves larger loan principal amounts and the repayment of these loans is generally dependent on the successful operation of the property securing the loan or the business conducted on the property securing the loan. Commercial real estate loans may be more adversely affected by conditions in the real estate markets or in the general economy. The characteristics of properties securing the Bank's commercial real estate portfolio are diverse, but with geographic location almost entirely in the Bank's market area. Management monitors and evaluates commercial real estate loans based on cash flow, collateral, geography and risk grade criteria.

Construction loans related to both residential and commercial loans are underwritten utilizing feasibility studies, independent reviews and financial analysis of the developers and property owners. Construction loans are generally based on estimates of costs and value associated with the complete project. These estimates may be inaccurate. Construction loans often involve the disbursement of substantial funds with repayment substantially dependent on the success of the ultimate project. Sources of repayment for these types of loans may be pre-committed permanent loans from approved long-term lenders, sales of developed property or an interim loan commitment from the Bank until permanent financing is obtained. These loans are closely monitored by on-site inspections and are considered to have higher risks than other real estate loans due to their ultimate repayment being sensitive to interest rate changes, governmental regulation of real property, general economic conditions and the availability of financing. Construction loans are short-term in nature and none are recorded on the balance sheet at December 31, 2017 or 2016.

Commercial, industrial and agricultural loans are primarily based on the identified cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. The cash flows of borrowers, however, may not be expected and the collateral; securing these loans may fluctuate in value. Most commercial loans are secured by the assets being financed or other business assets, such as accounts receivable or inventory, and may include a personal guarantee. Short-term loans may be made on an unsecured basis. In the case of loans secured by accounts receivable, the availability of funds for the repayment of these loans may be substantially dependent on the ability of the borrowers to collect amounts due from its customers.

Consumer loans consist of two segments - automobile loans and home equity loans. Automobile loans are generally secured by the automobile being financed or other personal assets. Home equity loans are typically secured by a subordinate interest in 1-4 family residences. Repayment of these loans is primarily dependent on the personal income of the borrowers, which can be impacted by economic conditions in their market area, such as unemployment levels, and secondarily on the collateral securing the loan. Risk is mitigated by the fact that the loans are of smaller individual amounts and spread over a large number of borrowers.

Allowance for loan losses

The Bank has an established methodology to determine the adequacy of the allowance for loan losses that assesses the risks and losses inherent in the Bank's portfolio. For purposes of determining the allowance for loan losses, the Bank segments certain loans in its portfolio by product type. The Bank's loans are segmented into the following pools: real estate; commercial, industrial and agricultural; and consumer portfolios. Each pool of loans requires significant judgment to determine the estimation method that fits the credit risk characteristics of its portfolio segment. The Bank uses both internally developed and vendor supplied models in this process. Management must use judgment in establishing additional input metrics for the modeling processes. The models and assumptions the Bank uses 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 following are the factors the Bank uses to determine the balance of the allowance account for each segment of loans. These loans are segmented by portfolio pools and a historical loss percentage is applied to each pool. Historical loss percentages are based on historical loss experience modeling. At December 31, 2017 and 2016 the historical loss time frame was 2 years.

The following table presents by portfolio segment the changes in the allowance for loan losses and the recorded investment in loans as of and for the year ended December 31, 2017 and 2016:

December 31, 2017	Real Estate	Commercial, Industrial and Agricultural	Consumer	Total
Loans:				
Ending balance: collectively evaluated for impairment	$ 239,847	43,106	2,302	285,255
Ending balance: individually evaluated for impairment	11,051	412	8	11,471
Ending balance	$ 250,898	43,518	2,310	296,726
Allowance for loan losses:				
Beginning balance	$ 1,237	255	4	1,496
Provision	257	44	2	303
Charge-offs	(25)	(106)	(76)	(207)
Recoveries	25	-	-	25
Ending balance	$ 1,494	193	(70)	1,617
Ending balance: collectively evaluated for impairment	$ 1,494	193	(70)	1,617
Ending balance: individually evaluated for impairment	$ -	-	-	-

December 31, 2016		Real Estate	Commercial, Industrial and Agricultural	Consumer	Total
Loans:					
Ending balance: collectively evaluated for impairment	$	203,979	42,205	2,633	248,817
Ending balance: individually evaluated for impairment		1,760	220	18	1,998
Ending balance	$	205,739	42,425	2,651	250,815
Allowance for loan losses:					
Beginning balance	$	1,274	347	31	1,652
Provision charges to operations		128	26	2	156
Loans charged off		(260)	(118)	(29)	(407)
Recoveries		95	-	-	95
Ending balance	$	1,237	255	4	1,496
Ending balance: collectively evaluated for impairment	$	1,237	255	4	1,496
Ending balance: individually evaluated for impairment	$	-	-	-	-

Credit Risk Profile Categories

The Bank assigns credit risk grades to evaluated loans using grading standards employed by regulatory agencies. The following is a description of the assigned credit risk grades:

Prime: (1) Borrowers are of the highest quality displaying uniformly strong characteristics with respect to all basic credit criteria. These borrowers exhibit seasoned management with substantial depth in all areas. Loans that are fully secured by cash or readily marketable securities and/or are guaranteed by a government agency (i.e. SBA) are considered to be Prime.

Pass / Satisfactory (4) These borrowers are characterized by acceptable asset quality, although leverage may be materially above industry averages and liquidity may be thin. Satisfactory loans should generally be secured unless strong co-makers/guarantors are evident. Year-end financial information may be limited to compilation or even owner –prepared statements but must be complete and accurate. Interim financial information including accounts receivable agings, etc. should be available. Trends may be varied or the borrower may experience an occasional loss year, but is generally profitable.

Further, cash flows should be sufficient to cover debt service but may show occasional or seasonal deficiency. Financial condition is considered satisfactory but one or more ratios may be below industry averages. Working assets and fixed assets are generally encumbered at or below bank’s guidelines. Contingencies may include a moderate to substantial amount of indirect liabilities and could adversely affect the borrower financial condition. Payment history is clear with some possible slowness to trade.

Term loans are paid as agreed but the borrower may ask for some covenants to be waived/amended for compliance.

Watch: (5) Watch credits are considered acceptable risks with no apparent loss of principal or interest envisioned but requiring a higher level of management attention. Assets in this category are currently protected but are potentially weak.

Potential first signs of weakness could include but are not limited to loan delinquency, persistent overdrafts in deposit accounts or knowledge of a business setback. Financial statement data may not always be received on a timely basis. All business assets are generally pledged and may include junior mortgages and liens. Credit enhancements by guarantors are evident. Financial flexibility may become very limited. These borrowers merit close supervision, monitoring, and review.

Special Mention: (6) A Special Mention asset has potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the institution's credit position at some future date. Special Mention assets are not adversely classified and do not expose an institution to sufficient risk to warrant adverse classification.

Substandard: (7) A Substandard asset is inadequately protected by the current sound worth and paying capacity of the obligator or of the collateral pledged, if any. Assets so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful: (8) An asset classified doubtful has all the weaknesses inherent in one classified Substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loss: (9) Assets classified as loss are considered uncollectible and of such little value that their continuance as bankable assets is not warranted. This classification does not meant that the asset has absolutely no recovery or salvage value, but rather it is not practical or desirable to defer writing off this basically worthless asset even though partial recovery may be effected in the future.

The following tables represent the credit risk profile by creditworthiness category:

	December 31, 2017						
	Grade						
	Pass	Watch	Special Mention	Substandard	Doubtful	Loss	Total
Real estate:							
Residential	$ 61,297	37,775	6,955	483	-	-	106,510
Commercial	43,003	30,245	-	-	-	-	73,248
Agricultural	42,531	15,679	1,708	1,902	-	-	61,820
Lines of credit	8,285	1,035	-	-	-	-	9,320
Commercial, industrial and agricultural:							
Secured	21,797	16,874	210	196	-	-	39,077
Unsecured	3,030	1,411	-	-	-	-	4,441
Consumer:							
Secured	1,800	78	-	8	-	-	1,886
Unsecured	422	2	-	-	-	-	424
Total	$ 182,165	103,099	8,873	2,589	-	-	296,726

	December 31, 2016						
	Grade						
	Pass	Watch	Special Mention	Substandard	Doubtful	Loss	Total
Real estate:							
Residential	$ 52,959	14,779	4,236	408	-	-	72,382
Commercial	48,841	20,078	-	-	-	-	68,919
Agricultural	39,389	12,637	1,656	1,204	-	-	54,886
Lines of credit	9,019	533	-	-	-	-	9,552
Commercial, industrial and agricultural:							
Secured	21,452	17,100	53	193	-	-	38,798
Unsecured	2,909	718	-	-	-	-	3,627
Consumer:							
Secured	2,144	88	-	1	-	-	2,233
Unsecured	416	2	-	-	-	-	418
Total	$ 177,129	65,935	5,945	1,806	-	-	250,815

Credit cards
The Bank liquidated their credit card portfolio during 2017.

Performing: Loans are being paid as agreed with no or limited risk of loss.

Nonperforming: Loans are not being paid as agreed with an assessed risk of loss based on the individual loan. Loans are classified when the borrowers' payment history, payment capacity or collateral is inadequate.

Credit Cards	December 31, 2016
Performing	$ 828
Nonperforming	-
Total	$ 828

Age analysis of past due loans by class

Following is a table which includes an aging analysis of loans by class as of:

December 31, 2017

	31-60 days past due	61-90 days past due	Greater than 90 days past due	Total past due	Total current and accruing	Total current and non-accruing	Total financing receivables	Nonaccrual	Recorded investment > 90 days and accruing
Real estate:									
Residential	$ 924	131	176	1,231	105,265	14	106,510	747	96
Commercial	72	471	-	543	72,705	-	73,248	-	-
Agricultural	81	410	-	491	61,329	-	61,820	-	-
Lines of credit	209	7	-	216	9,104	-	9,320	-	-
Commercial, industrial and agricultural:									
Secured	105	-	-	105	38,972	-	39,077	17	-
Unsecured	-	-	-	-	4,441	-	4,441	-	-
Consumer:									
Secured	8	8	-	16	1,853	17	1,886	10	-
Other unsecured	-	-	-	-	424	-	424	-	-
Total	$ 1,399	1,027	176	2,602	294,093	31	296,726	774	96

December 31, 2016

	31-60 days past due	61-90 days past due	Greater than 90 days past due	Total past due	Total current and accruing	Total current and non-accruing	Total financing receivables	Nonaccrual	Recorded investment > 90 days and accruing
Real estate:									
Residential	$ 197	99	204	500	71,337	545	72,382	690	59
Commercial	554	-	-	554	68,365	-	68,919	-	-
Agricultural	18	-	541	559	54,327	-	54,886	-	541
Lines of credit	9	70	-	79	9,473	-	9,552	-	-
Commercial, industrial and agricultural:									
Secured	96	24	25	145	38,653	-	38,798	49	-
Unsecured	-	-	-	-	3,627	-	3,627	-	-
Consumer:									
Secured	15	1	16	32	2,200	1	2,233	19	-
Other unsecured	2	-	-	2	416	-	418	-	-
Total	$ 891	194	786	1,871	248,398	546	250,815	758	600

Impaired loans

The following tables include the recorded investment and unpaid principal balances for impaired loans, at December 31, 2017 and 2016, with the associated allowance amount, if applicable. The balances are presented by class and category of loan.

December 31, 2017

	Recorded Investment	Unpaid Principal Balance	Associated Allowance	Average Recorded Investment	Interest Income Recognized
With no specific allowance recorded:					
Real estate:					
Residential	$ 7,441	7,441	-	3,999	-
Agricultural	3,610	3,610	-	2,407	-
Commercial, industrial and agricultural:					
Secured	412	412	-	316	-
Consumer:					
Secured	8	8	-		-
Total	$11,471	11,471	-		-

At December 31, 2017 the bank had no impaired loans with a specific allowance recorded against an individual loan.

December 31, 2016

	Recorded Investment	Unpaid Principal Balance	Associated Allowance	Average Recorded Investment	Interest Income Recognized
With no specific allowance recorded:					
Real estate:					
Residential	$ 556	556	-	520	-
Agricultural	1,204	1,204	-	867	-
Commercial, industrial and agricultural:					
Secured	220	220	-	434	-
Consumer:					
Secured	18	18	-	20	-
Unsecured	-	-	-	1	-
Total	$ 1,998	1,998	-		-

At December 31, 2016, the bank had no impaired loans with a specific allowance recorded against an individual loan.

The recorded investment in loans excludes accrued interest receivable and loan origination fees, net due to immateriality. For purposes of this disclosure, the unpaid principal balance is not reduced for partial charge-offs. There were no outstanding commitments to lend additional amounts to borrowers who have impaired loans at December 31, 2017.

Loan Modifications
If a borrower is experiencing financial difficulty, the Company may consider, in certain circumstances, modifying the terms of their loan in a troubled debt restructuring (TDR) to maximize collection of amounts due. Within each of the Bank's loan classes, TDRs typically involved either a reduction of the stated interest rate of the loan or an extension of the loan's maturity date(s) with a stated rate lower than the current market rate for a new loan with similar risk. Modifying the terms of loans may result in an increase or decrease to the allowance for loan losses depending upon the terms modified, the method used to measure the allowance for loan losses for a loan prior to modification, and whether any charge-offs were recorded on the loan before or at the time of modification.

The Bank did not modify any loans in a TDR during 2017 or 2016. At December 31, 2017 and 2016, the Company had no outstanding TDR loans.

There were no troubled debt restructurings that subsequently defaulted.

At December 31, 2017 and 2016, $51 and $45 (in thousands), respectively, of overdrafts on deposit accounts have been reclassified and included in the loan receivable balance.

The Bank had $936 and $102 (in thousands) of 1-4 family fixed rate loans designated as held for sale at December 31, 2017 and 2016, respectively, for which the originated carrying value approximates fair value. It is generally management's intention to hold all other loans originated to maturity or prepayment.

4. LOAN SERVICING:

Mortgage loans the Bank services for others are not included in the accompanying consolidated financial statements. The unpaid principal balance of mortgage loans serviced for others was $46,091 and $46,406 as of December 31, 2017 and 2016. The unpaid principal balance of traditional loan participations sold was $11,743 and $2,807 as of December 31, 2017 and 2016, respectively. The unpaid principal balance of traditional loan participations purchased was $20,299 and $7,568 as of December 31, 2017 and 2016, respectively.

The Bank sells mortgage loans in the secondary market under terms of a Mortgage Purchase Program ("MPP") with Freddie Mac. Gain on sales of loans was $374 and $292 for during the years ended December 31, 2017 and 2016, respectively.

The following is an analysis of the activity of mortgage servicing rights, which are included in other assets, for the years ended December 31:

	2017	2016
Balance, beginning of the year	$ 459	454
Additions, net	108	100
Amortization	(73)	(95)
Balance, end of the year	$ 494	459

5. PREMISES AND EQUIPMENT:

Major classifications of premises and equipment are summarized as follows at December 31:

	2017	2016
Banking premises	$ 11,860	9,465
Furniture, fixtures, and equipment	5,896	5,026
Construction in progress	-	761
	17,756	15,252
Less accumulated depreciation	(4,023)	(3,816)
Net	$ 13,733	11,436

6. DEPOSITS:

The scheduled maturities of time deposits are as follows:

	2017	2016
Maturities:		
In one year or less	$ 69,106	63,518
After one year through two years	22,408	25,308
After two years through three years	14,395	2,737
After three years through four years	3,275	5,149
After four years through five years	454	1,033
After 5 years	8	8
Total time deposits	$ 109,646	97,753

Time deposits in denominations of $250 or more were $46,219 and $43,020 on December 31, 2017 and 2016, respectively.

7. FEDERAL FUNDS PURCHASED:

The Bank has the ability to borrow funds, unsecured, from the Federal Reserve Bank with no securities pledged at December 31, 2017. The Bank had no borrowings under this agreement at December 31, 2017($12,000 at December 31, 2016). All borrowings are considered short-term in nature with a nominal interest rate.

8. INCOME TAXES:

The provision for federal income taxes consists of the following for the years ended December 31:

	2017	2016
Current tax expense	$ 372	742
Deferred tax expense	144	64
	$ 516	806

The effective tax rate varies from the federal statutory tax rate primarily due to the following:

	2017	2016
Federal income taxes computed at statutory rates	$1,554	1,724
Decrease in taxes resulting from:		
Tax exempt interest	(667)	(746)
Bank owned life insurance earnings	(104)	(95)
Other	(13)	(77)
Tax impact from enacted change in tax rate	(254)	-
	$ 516	806

Income tax expense for 2017 includes a downward adjustment of net deferred tax assets of approximately $254,000, recorded as a result of the enactment of H.R.1 Tax Cuts and Jobs Act on December 22, 2017. The Act reduced the corporate Federal tax rate from 34% to 21% effective January 1, 2018.

There is currently no liability for uncertain tax positions and no known unrecognized tax benefits. The Bank recognizes, when applicable, interest and penalties related to unrecognized tax benefits in the provision for income taxes in the consolidated statement of income. The State of Ohio currently imposes a tax on the net worth of banks operating in the State of Ohio; this tax is not “income based” and is classified in operating expenses on the consolidated statement of income. The Bank does not have out of state operations, and accordingly, income tax filings are not required in other states.

The components of net deferred income tax assets (liabilities) at December 31 are as follows:

	2017	2016
Deferred income tax assets:		
Allowance for loan losses	$ 255	380
Alternative minimum tax credit carryforwards	1,374	1,115
Net unrealized loss on securities available-for-sale	75	643
Net operating loss carryforward	108	-
Other	229	163
	2,041	2,301
Deferred income tax liabilities:		
Depreciation	900	458
Mortgage servicing	104	156
Other	73	48
	1,077	662
Net deferred income tax asset	$ 964	1,639

As a result of the enactment of H.R.1 Tax Cuts and Jobs Act on December 22, 2017, net operating loss carryforwards do not expire.

9. RETIREMENT PLAN:

The Company has funded a noncontributory defined benefit pension plan that covered substantially all of its employees. Accrued benefits for active participants were frozen on December 31, 2010 and no new participants were allowed to enter the plan as of this date. The Company uses December 31 as the measurement date for this plan.

The following tables reconcile the change in the Bank's defined benefit projected benefit obligation and the change in plan assets for the years ended December 31:

	2017	2016
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	$ 2,898	2,900
Interest cost	128	129
Actuarial loss	559	64
Benefits paid	(200)	(196)
	$ 3,385	2,897

	2017	2016
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 2,630	2,575
Actual return (loss) on plan assets	303	215
Employer contributions	36	36
Benefits paid	(200)	(196)
Fair value of plan assets at end of year	2,769	2,630
Unfunded status at end of year	$ (616)	(267)
Amounts recognized in consolidated balance sheets:		
Accrued benefit liability	$ (616)	(267)
Accumulated other comprehensive loss	731	321
	$ 115	54
Amounts recognized in accumulated other comprehensive income (loss):		
Unrecognized net actuarial loss	$ (925)	(487)
Deferred tax benefit	194	166
Accumulated other comprehensive loss, net of tax	$ (731)	(321)
Components of net periodic pension benefit:		
Interest cost	$ 128	129
Return on plan assets	(181)	(180)
Net periodic pension benefit	$ (53)	(51)
Weighted-average assumptions used to determine benefit cost:		
Discount rate	3.60%	4.50%
Rate of compensation increase	0.00%	0.00%
Expected long-term rate of return on plan assets	6.00%	7.00%
Weighted-average assumptions used to determine benefit obligation:		
Discount rate	3.60%	4.50%
Rate of compensation increase	0.00%	0.00%

Expenses associated with this retirement plan, including various administrative fees, were immaterial to the consolidated financial statements for both years ended December 31, 2017 and 2016, respectively.

Plan assets

The allocation of the trust fund assets on the last two measurement dates are as follows:

Asset Category	2017	2016
Cash and cash equivalents	1.0%	1.0%
Preferred stock	1.0	-
Exchanged traded funds	10.7	3.6
Mutual funds	87.3	95.4
Total	100.0%	100.0%

It is the Bank's intention to allocate contributions to the above categories in a manner that will maximize investment return while limiting to the extent possible investment volatility. To this end, the designated investment objectives of the Plan include: maximizing return at a reasonable and prudent level of risk, enabling the payment of benefit obligations when due and controlling costs to the Plan. The Bank seeks broad diversification and does not invest in speculative investments. At least annually, the Bank reconsiders the allocation.

The Bank's expected long-term rate of return on assets is based on historical returns.

The following is a description of the valuation methodologies used for the assets measured at fair value in the above table.

> Common stocks and mutual funds: Valued at the closing price reported on the active market on which the individual securities are traded.

The following tables set forth by level within the fair value hierarchy, the Plan's assets at fair value:

		Fair Value Measurements Using		
December 31, 2017	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 27	26	-	-
Preferred stock	27	27	-	-
Exchange traded funds	297	297	-	-
Mutual funds	2,418	2,418	-	-
Total plan assets, at fair value	$ 2,769	2,769	-	-

		Fair Value Measurements Using		
December 31, 2016	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 26	26	-	-
Exchange traded funds	95	95	-	-
Mutual funds	2,509	2,509	-	-
Total plan assets, at fair value	$ 2,630	2,630	-	-

Contributions
The Bank expects to make a contribution to the pension plan in 2018 of $90.

Estimated future benefit payments
The benefit payments are expected to be paid as follows:

2018	$ 970
2019	72
2020	31
2021	76
2022	150
Thereafter	1,080
	$ 2,379

10. COMMITMENTS AND CONTINGENCIES:

In the normal course of business, there are various outstanding commitments and certain contingent liabilities which are not reflected in the accompanying consolidated financial statements. These commitments and contingent liabilities represent financial instruments with off-balance sheet risk. The contract or notional amounts of these instruments reflect the extent of involvement in particular types of financial instruments which comprise the following at December 31:

	2017	2016
Commitments to extend credit	$ 64,043	34,360
Standby letters of credit	-	1,073
Total	$ 64,043	35,433

The instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets. The same credit policies are used in making commitments and conditional obligations as for on-balance sheet instruments. The terms are typically for a one-year period with an annual renewal option subject to prior approval by management. No material losses or liquidity demands are anticipated as a result of these commitments.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the loan agreement. These commitments comprise available commercial and personal lines of credit.

Standby letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. Fees earned from issuance of these letters are recognized at origination.

The exposure to loss under these commitments is limited by subjecting them to credit approval and monitoring procedures. Substantially all commitments to extend credit are contingent upon customers maintaining specific credit standards at the time of the loan funding. Management assesses the credit risk associated with certain commitments to extend credit in determining the level of the allowance for loan losses. Since many of the commitments are expected to expire without being drawn upon, the contractual amounts do not necessarily represent future funding requirements.

In the normal course of business, the Company is involved in various legal proceedings. In the opinion of management, any liability resulting from such proceedings would not have a material adverse effect on the Company's consolidated financial statements.

11. REGULATORY CAPITAL:

Regulatory capital requirement

Banks and bank holding companies are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action. The final rules implementing Basel Committee on Banking Supervision's capital guidelines for U.S. banks (Basel III rules) became effective for the Company on January 1, 2015 with full compliance with all of the requirements being phased in over a multi-year schedule, and fully phased in by January 1, 2019. Under the Basel III rules, the Company must hold a capital conservation buffer above the adequately capitalized risk-based capital ratios. The capital conservation buffer is being phased in at the rate of 0.625% per year from 0.0% in 2015 to 2.50% on January 1, 2018. The capital conservation buffer for 2017 is 1.25% and for 2016 is 0.625%. The net unrealized gain or loss on available-for-sale for securities is not included in computing regulatory capital. Management believes as of December 31, 2017, the Company and Bank meet all capital adequacy requirements to which they are subject. At December 31, 2017 and 2016, the Bank's capital levels were sufficient to be deemed well-capitalized.

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

Dividend restrictions

All State of Ohio Chartered Banks are subject to the dividend restrictions set forth by the State of Ohio. Under such restrictions, the Bank may not, without the prior approval of the Superintendent of Banks of the State of Ohio, declare dividends in excess of the sum of the current year's earnings (as defined) plus the retained earnings (as defined) from the prior two years. The dividends, as of December 31, 2017 and 2016, that the Bank could declare, without the approval of the Superintendent of Banks of the State of Ohio, is approximately $8.3 million and $8.2 million, respectively.

The Company’s and the Bank's actual capital amounts and ratios as of December 31, 2017 and 2016 are presented in the table below:

2017	Actual		For Capital Adequacy Purposes		To Be Well-Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk-weighted assets)						
Bank	$ 46,999	12.9%	$ 16,422	4.5%	$ 23,721	6.5%
Company	$ 52,631	14.2%	$ 16,672	4.5%	N/A	N/A
Common equity tier 1 capital (to risk-weighted capital)						
Bank	48,616	13.3%	29,195	8%	36,494	10.0%
Company	55,260	14.9%	29,640	8%	N/A	N/A
Tier 1 capital (to risk-weighted assets)						
Bank	46,999	12.9%	21,896	6.0%	29,195	8.0%
Company	52,631	14.2%	22,230	6.0%	N/A	N/A
Tier 1 capital (to average assets)						
Bank	46,999	9.4%	20,100	4.0%	25,125	5.0%
Company	52,969	10.4%	20,322	4.0%	N/A	N/A

2016

	Actual Amount	Ratio	For Capital Adequacy Purposes Amount	Ratio	To Be Well-Capitalized Under Prompt Corrective Action Provisions Amount	Ratio
Total capital (to risk-weighted assets)						
Bank	$ 48,807	15.1%	$ 25,802	8.0%	$ 32,253	10.0%
Company	$ 51,309	15.8%	$ 25,958	8.0%	N/A	N/A
Common equity tier 1 capital (to risk-weighted capital)						
Bank	47,311	14.7%	14,514	4.5%	20,964	6.5%
Company	48,298	14.9%	14,601	4.5%	N/A	N/A
Tier 1 capital (to risk-weighted assets)						
Bank	47,311	14.7%	19,352	6.0%	25,802	8.0%
Company	48,298	14.9%	19,468	6.0%	N/A	N/A
Tier 1 capital (to average assets)						
Bank	47,311	10.0%	19,029	4.0%	23,786	5.0%
Company	48,298	10.1%	19,107	4.0%	N/A	N/A

12. RELATED-PARTY TRANSACTIONS:

At December 31, 2017 and 2016, the Bank had loans outstanding to executive officers, directors, significant shareholders and their affiliates (related parties), in the amount of $541 and $722, respectively.

In management's opinion, such loans and other extensions of credit and deposits were made in the ordinary course of business and were made on substantially the same terms (including interest rates and collateral) as those prevailing at the time for comparable transactions with other persons. Further, in management's opinion, these loans did not involve more than normal risk of collectability or present other unfavorable features.

Deposits from related parties held by the Bank at December 31, 2017 and 2016 totaled $4,431 and $4,719, respectively.

13. FAIR VALUE MEASUREMENTS:

GAAP defines fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Company has the ability to access.

- Level 2 inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.

- Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

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.

The following methods and assumptions were used by the Bank in estimating the fair value disclosures for financial instruments:

Investment securities
The fair values of available-for-sale securities are determined by various valuation methodologies. Where quoted market prices are available in an active market, securities are classified within Level 1. Level 1 securities include U.S. Treasuries and exchange-traded equity securities. For securities traded in secondary markets for which quoted market prices are not available, the fair values are estimated by using pricing models or quoted prices of securities with similar characteristics. Level 2 securities include obligations of U.S. government corporations and agencies, mortgage-backed securities, certificates of deposit, collateralized mortgage obligations and other securities. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Impaired loans
Loans for which it is probable that the Bank will not collect all principal and interest due according to contractual terms are measured for impairment. Allowable methods for estimating fair value include using the fair value of the collateral for collateral dependent loans or, where a loan is determined not to be collateral dependent, using the discounted cash flow method.

Assets measured at fair value on a recurring basis

The following table summarizes the assets measured at fair value on a recurring basis as December 31, 2017, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value.

		Fair Value Measurements Using		
December 31, 2017	Level 1	Level 2	Level 3	Total
Fair value measurements on recurring basis:				
Securities available-for-sale:				
U.S. government agency securities	$ -	1,909	-	1,909
Obligations of states and political subdivisions	-	53,591	-	53,591
Mortgage-backed securities	-	103,678	-	103,678
Total	-	159,178	-	159,178
Securities held-to maturity:				
Obligations of states and political subdivisions	-	125	-	125
	$ -	159,303	-	159,303

		Fair Value Measurements Using		
December 31, 2016	Level 1	Level 2	Level 3	Total
Fair value measurements on recurring basis:				
Securities available-for-sale:				
U.S. government agency securities	$ -	1,892	-	1,892
Obligations of states and political subdivisions	-	61,432	-	61,432
Mortgage-backed securities	-	111,420	-	111,420
Total	-	174,744	-	174,744
Securities held-to maturity:				
Obligations of states and political subdivisions	-	125	-	125
	$ -	174,869	-	174,869

Assets measured at fair value on a nonrecurring basis
The Bank measures certain assets at fair value on a nonrecurring basis; that is, the assets are not measured at fair value on an ongoing basis but are subject to fair value on a nonrecurring basis as of December 31, 2017 and 2016 are included in the table below.

	Fair Value Measurements Using			
December 31, 2017	Level 1	Level 2	Level 3	Total
Fair value measurements on nonrecurring basis:				
Impaired loans	$ -	11,471	-	11,471

	Fair Value Measurements Using			
December 31, 2016	Level 1	Level 2	Level 3	Total
Fair value measurements on nonrecurring basis:				
Impaired loans	$ -	1,998	-	1,998

14. SUBSEQUENT EVENT – MERGER:

On July 25, 2018, Richwood Bancshares, Inc. entered into an Agreement and Plan of Merger (Agreement) with Home City Financial Corporation, the holding company of Home City Federal Savings Bank of Springfield. The Agreement provides for Home City Financial Corporation merger into Richwood Bancshares, Inc. The aggregate consideration of $31.7 million will be paid to Home City Financial Corporation common shareholders for all of their outstanding common stock including options currently in place. Home City Financial Corporation and Richwood Bancshares, Inc. are schedule to approve the transaction in November 2018 and the transaction is scheduled to close in December 2018.

Consolidating Balance Sheet (in thousands)

		Bank	Financial Services	Bancshares	Eliminations	Consolidated
Assets						
Cash and cash due from banks	$	17,939	60	788	(848)	17,939
Federal funds sold		1,159	-	-	-	1,159
		19,098	60	788	(848)	19,098
Investment securities:						
Available-for-sale securities, at fair value		153,745	-	5,433	-	159,178
Held-to-maturity securities, at cost		-	-	125	-	125
Loans held for sale		936		-	-	936
Loans receivable, net		294,767	-	-	-	294,767
Accrued interest receivable		2,958	-	28	-	2,986
Premises and equipment		13,733	-	-	-	13,733
Federal Reserve and other stock, at cost		537	-	-	-	537
Federal Home Loan Bank stock, at cost		639	-	-	-	639
Bank-owned life insurance		11,544	-	-	-	11,544
Prepaid federal income tax		431	-	-	-	431
Deferred income tax		946	-	18	-	964
Investment in subsidiary		-	-	46,160	(46,160)	-
Other assets		2,993	36	80	-	3,109
	$	502,327	96	52,632	(47,008)	508,047
Liabilities and Stockholders' Equity						
Liabilities:						
Deposits:						
Demand	$	192,961	-	-	(848)	192,113
Savings, NOW and money market		150,590	-	-	-	150,590
Time		109,646	-	-	-	109,646
		453,197	-	-	(848)	452,349
Accrued interest payable		225	-	-	-	225
Accrued expenses and other liabilities		2,814	27	-	-	2,841
		456,236	27	-	(848)	455,415
Stockholders' equity:						
Common stock, $0.625 par value, 4,400,300 shares authorized, 1,315,887 and 1,305,162 shares issued at December 31, 2017 and 2016, respectively		725	-	822	(725)	822
Treasury stock, 1,427 and 0 shares, at cost, at December 31, 2017 and 2016, respectively		-	-	(76)	-	(76)
Additional paid-in capital		725	89	7,395	(814)	7,395
Retained earnings		45,585	(20)	45,503	(45,565)	45,503
Accumulated other comprehensive loss, net of tax		(944)	-	(1,012)	944	(1,012)
		46,091	69	52,632	(46,160)	52,632
	$	502,327	96	52,632	(47,008)	508,047

Richwood Bancshares, Inc. and Subsidiaries
Consolidating Statement of Income (in thousands)
Year Ended December 31, 2017

		Bank	Financial Services	Bancshares	Eliminations	Consolidated
Interest income:						
Loans	$	13,817	-	-	-	13,817
Securities:						
Taxable		2,519	-	31	-	2,550
Tax-exempt		1,911	-	48	-	1,959
Other		88	-	-	-	88
		18,335	-	79	-	18,414
Interest expense:						
Interest expense on deposits		2,607	-	-	-	2,607
Net interest income		15,728	-	79	-	15,807
Provision for loan losses		303	-	-	-	303
Net interest income after provision for loan losses		15,425	-	79	-	15,504
Non-interest income:						
Service fees		1,813	-	-	-	1,813
Net realized gain on sales and calls of available-for-sale securities		939	-	3	-	942
Gain on sale of loans		233	-	-	-	233
Other		1,251	96	4,137	(4,137)	1,347
Total non-interest income		4,236	96	4,140	(4,137)	4,335
Non-interest expense:						
Salaries and employee benefits		7,929	-	-	-	7,929
Net occupancy expense		1,715	-	-	-	1,715
Deposit insurance premium		139	-	-	-	139
Data processing		901	-	-	-	901
State franchises taxes		405	-	-	-	405
Professional fees		276	29	40	-	345
Marketing		673	37	62	-	772
Other		2,939	61	60	-	3,060
		14,977	127	162	-	15,266
Income before income taxes		4,684	(31)	4,057	(4,137)	4,573
Provision for income taxes		516	-	-	-	516
Net income	$	4,168	(31)	4,057	(4,137)	4,057

Consolidating Balance Sheet (in thousands)

		Bank	Financial Services	Bancshares	Eliminations	Consolidated
Assets						
Cash and cash due from banks	$	14,244	50	310	(360)	14,244
Federal funds sold		126	-	-	-	126
		14,370	50	310	(360)	14,370
Investment securities:						
Available-for-sale securities, at fair value		172,959	-	1,785	-	174,744
Held-to-maturity securities, at cost		-	-	125	-	125
Loans held for sale		102	-	-	-	102
Loans receivable, net		249,885	-	-	-	249,885
Accrued interest receivable		2,549	-	-	-	2,549
Premises and equipment		11,436	-	-	-	11,436
Federal Reserve and other stock, at cost		269	-	-	-	269
Federal Home Loan Bank stock, at cost		639	-	-	-	639
Bank-owned life insurance		11,237	-	-	-	11,237
Deferred income tax		1,612	-	27	-	1,639
Investment in subsidiary		-	-	45,949	(45,949)	-
Other assets		3,172	56	104	-	3,332
	$	468,230	106	48,300	(46,309)	470,327
Liabilities and Stockholders' Equity						
Liabilities:						
Deposits:						
Demand	$	148,944	-	-	(360)	148,584
Savings, NOW and money market		161,683	-	-	-	161,683
Time		97,753	-	-	-	97,753
		408,380	-	-	(360)	408,020
Accrued interest payable		159	-	-	-	159
Accrued expenses and other liabilities		1,814	6	2	-	1,822
Income tax payable		28	-	-	-	28
Federal funds purchased		12,000	-	-	-	12,000
		422,381	6	2	(360)	422,029
Stockholders' equity:						
Common stock, $0.625 par value, 4,400,300 shares authorized, 1,305,162 and 1,296,483 shares issued at December 31, 2017 and 2016, respectively		725	-	816	(725)	816
Additional paid-in capital		725	89	6,822	(814)	6,822
Retained earnings		45,917	11	42,230	(45,928)	42,230
Accumulated other comprehensive income, net of tax		(1,518)	-	(1,570)	1,518	(1,570)
		45,849	100	48,298	(45,949)	48,298
	$	468,230	106	48,300	(46,309)	470,327

Richwood Bancshares, Inc. and Subsidiaries
Supplimental Consolidating Statement of Income (in thousands)
Year Ended December 31, 2016

		Bank	Financial Services	Bancshares	Eliminations	Consolidated
Interest income:						
Loans	$	12,052	-	-	-	12,052
Securities:						
Taxable		2,256	-	-	-	2,256
Tax-exempt		2,138	-	78	-	2,216
Other		30	-	2	-	32
		16,476	-	80	-	16,556
Interest expense:						
Interest expense on deposits		1,899	-	-	-	1,899
		1,899	-	-	-	1,899
Net interest income		14,577	-	80	-	14,657
Provision for loan losses		156	-	-	-	156
Net interest income after provision for loan losses		14,421	-	80	-	14,501
Non-interest income:						
Service fees		1,550	-	-	-	1,550
Net realized gain on sales and calls of available-for-sale securities		647	-	-	-	647
Gain on sale of loans		332	-	-	-	332
Other		1,246	89	4,244	(4,244)	1,335
Total non-interest income		3,775	89	4,244	(4,244)	3,864
Non-interest expense:						
Salaries and employee benefits		6,964	-	-	-	6,964
Net occupancy expense		1,535	-	1	-	1,536
Deposit insurance premium		180	-	-	-	180
Data processing		786	-	-	-	786
State franchises taxes		396	-	-	-	396
Professional fees		180	31	19	-	230
Marketing		566	4	-	-	570
Other		2,554	39	38	-	2,631
		13,161	74	58	-	13,293
Income before income taxes		5,035	15	4,266	(4,244)	5,072
Provision for income taxes		806	-	-	-	806
Net income (loss)	$	4,229	15	4,266	(4,244)	4,266

RICHWOOD
BANCSHARES, INC.

Member FDIC