CLARION COUNTY

COMMUNITY BANK

2017 ANNUAL REPORT

CLARION COUNTY COMMUNITY BANK

FINANCIAL STATEMENTS

December 31, 2017 and 2016

FINANCIAL STATEMENTS

CLARION COUNTY COMMUNITY BANK

December 31, 2017 and 2016

CONTENTS **PAGE**

SNODGRASS
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Clarion County Community Bank
Clarion, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of Clarion County Community Bank which comprise the balance sheets as of December 31, 2017 and 2016; the related statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended; and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 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 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 financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Clarion County Community Bank as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

S. R. Snodgrass, P.C.

Cranberry Township, Pennsylvania
March 29, 2018

S.R. Snodgrass, P.C. • 2009 Mackenzie Way, Suite 340 • Cranberry Township, Pennsylvania 16066 • Phone: 724-934-0344 • Fax: 724-934-0345

BALANCE SHEETS

CLARION COUNTY COMMUNITY BANK

	2017	2016
ASSETS		
Cash and due from banks	**$ 1,377,547**	$ 1,121,237
Interest bearing deposits with banks	**3,883,231**	6,863,691
Cash and cash equivalents	**5,260,778**	7,984,928
Certificates of deposit	**100,000**	100,000
Securities available for sale	**17,311,761**	14,995,935
Restricted bank stock, at cost	**1,039,300**	850,900
Loans receivable, net of allowance for loan losses of $1,247,556 in 2017 and $1,095,465 in 2016	**127,549,934**	114,995,838
Premises and equipment, net	**3,388,595**	2,434,810
Other real estate owned, net	**-**	176,300
Bank owned life insurance	**1,581,765**	1,546,904
Net deferred taxes	**341,177**	572,915
Other assets	**727,696**	712,833
Total Assets	**$ 157,301,006**	$ 144,371,363
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits		
Non-interest bearing	**$ 20,671,572**	$ 18,234,323
Interest bearing	**113,936,044**	106,242,169
Total deposits	**134,607,616**	124,476,492
Federal Home Loan Bank advances	**6,000,000**	4,000,000
Accrued interest and other liabilities	**1,217,851**	966,058
Total liabilities	**141,825,467**	129,442,550
Stockholders' Equity		
Preferred stock: 1,000,000 shares authorized, no shares issued	**-**	-
Common stock; par value $1; 10,000,000 shares authorized; 1,665,667 issued and outstanding in 2017 and 2016	**1,665,667**	1,665,667
Surplus	**10,647,455**	10,647,455
Retained earnings	**3,276,727**	2,866,847
Accumulated other comprehensive loss	**(114,310)**	(251,156)
Total stockholders' equity	**15,475,539**	14,928,813
Total Liabilities and Stockholders' Equity	**$ 157,301,006**	$ 144,371,363

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

STATEMENTS OF INCOME

CLARION COUNTY COMMUNITY BANK

	Years Ended December 31, 2017	2016
Interest Income		
Loans, including fees	**$ 6,165,535**	$ 5,532,482
Taxable securities	**135,713**	119,286
Tax exempt securities	**265,427**	207,620
Interest bearing deposits	**38,377**	14,127
Total interest income	**6,605,052**	5,873,515
Interest Expense		
Deposits	**999,769**	769,110
Federal Home Loan Bank advances	**76,592**	62,913
Total interest expense	**1,076,361**	832,023
Net Interest Income	**5,528,691**	5,041,492
Provision for Loan Losses	**240,000**	180,000
Net Interest Income after Provision for Loan Losses	**5,288,691**	4,861,492
Other Income		
Service fees	**130,944**	129,896
Bank owned life insurance	**34,861**	36,722
Net gains on sales of loans held for sale	**101,519**	109,901
Net gain/(loss) on securities available for sale	**8,319**	3,864
Other	**172,644**	154,792
Total other income	**448,287**	435,175
Other Expenses		
Salaries and employee benefits	**2,584,166**	2,421,734
Professional fees	**138,918**	183,574
FDIC insurance	**46,825**	62,442
Occupancy and equipment	**393,010**	365,722
Data processing	**524,410**	502,132
Other (see Note 11)	**979,137**	917,084
Total other expenses	**4,666,466**	4,452,688
Income Before Income Tax Expense	**1,070,512**	843,979
Income Tax Expense	**479,565**	182,009
Net Income	**$ 590,947**	$ 661,970
Earnings per Common Share:		
Basic	**$ 0.35**	$ 0.40
Diluted	**$ 0.35**	$ 0.40

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

STATEMENTS OF COMPREHENSIVE INCOME

CLARION COUNTY COMMUNITY BANK

	Years Ended December 31, 2017	Years Ended December 31, 2016
Net income	**$ 590,947**	$ 661,970
Unrealized holding gains/(loss) on available for sale securities	**236,965**	(282,570)
Reclassification adjustment for gains realized in income	**(8,319)**	(3,864)
Net unrealized gains	**228,646**	(286,434)
Tax effect	**(77,739)**	97,388
Net-of-tax amount	**150,907**	(189,046)
Amortization of prior service cost	**7,200**	7,200
Tax effect	**(2,448)**	(2,448)
Net-of-tax amount	**4,752**	4,752
Other comprehensive income/(loss)	**155,659**	(184,294)
Total comprehensive income	**$ 746,606**	$ 477,676

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

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

CLARION COUNTY COMMUNITY BANK

For the Years Ended December 31, 2017 and 2016

	Common Stock	Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance at January 1, 2016	$ 1,665,667	$ 10,647,455	$ 2,371,443	$ (66,862)	$ 14,617,703
Net income	-	-	661,970	-	661,970
Cash dividend, $0.10 per share	-	-	(166,566)	-	(166,566)
Other comprehensive loss	-	-	-	(184,294)	(184,294)
Balance at December 31, 2016	1,665,667	10,647,455	2,866,847	(251,156)	14,928,813
Reclassification of certain income tax effects from accumulated other comprehensive loss	**-**	**-**	**18,813**	**(18,813)**	**-**
Net income	**-**	**-**	**590,947**	**-**	**590,947**
Cash dividend, $0.12 per share	**-**	**-**	**(199,880)**	**-**	**(199,880)**
Other comprehensive income	**-**	**-**	**-**	**155,659**	**155,659**
Balance at December 31, 2017	**$ 1,665,667**	**$ 10,647,455**	**$ 3,276,727**	**$ (114,310)**	**$ 15,475,539**

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

STATEMENTS OF CASH FLOWS

CLARION COUNTY COMMUNITY BANK

For the Years Ended December 31, 2017 and 2016

	For the Years Ended December 31, 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	**$ 590,947**	$ 661,971
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	**186,611**	167,803
Net amortization of premiums and discounts	**70,648**	87,339
Net gains on securities available for sale	**(8,319)**	(3,864)
Provision for loan losses	**240,000**	180,000
Net gains on sale of loans held for sale	**(101,519)**	(109,901)
Loans originated for sale	**(3,313,235)**	(3,571,567)
Proceeds from sale of loans held for sale	**3,414,754**	3,681,468
Loss (gain) on OREO	**3,799**	(2,626)
Deferred taxes	**151,551**	(26,088)
Earnings in bank owned life insurance	**(34,861)**	(36,722)
Change in:		
Deferred loan fees	**35,563**	29,943
Other assets	**(7,887)**	(67,210)
Accrued interest and other liabilities	**252,022**	107,472
Net Cash From Operating Activities	**1,480,074**	1,098,017
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of available for sale securities	**(5,572,289)**	(7,082,181)
Proceeds from sales of securities available for sale	**2,160,453**	2,671,689
Maturities and calls of available for sale securities	**100,000**	3,340,000
Principal payments from mortgage-backed securities	**1,162,326**	978,424
Purchase of restricted bank stock	**(286,900)**	(520,900)
Redemption or call of restricted bank stock	**98,500**	461,200
Purchases of certificates of deposit	**(100,000)**	(100,000)
Maturities of certificates of deposit	**100,000**	100,000
Proceeds from sale of foreclosed assets	**287,500**	168,126
Loan originations and repayments, net	**(12,944,662)**	(8,577,645)
Purchases of premises and equipment	**(1,140,396)**	(680,253)
Net Cash Used By Investing Activities	**(16,135,468)**	(9,241,540)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in deposits	**10,131,124**	13,989,874
Purchase (repayment) of FHLB borrowings	**2,000,000**	(1,000,000)
Cash dividends paid on common stock	**(199,880)**	(166,566)
Net Cash From Financing Activities	**11,931,244**	12,823,308
Net Change in Cash and Cash Equivalents	**(2,724,150)**	4,679,785
Cash and Cash Equivalents at Beginning of Year	**7,984,928**	3,305,143
Cash and Cash Equivalents at End of Year	**$ 5,260,778**	$ 7,984,928
SUPPLEMENTAL DISCLOSURES		
Interest paid	**$ 1,047,435**	$ 799,598
Income taxes paid	**174,346**	229,649
Non-cash disclosures:		
Other real estate acquired in settlement of loans	**$ 115,000**	$ 41,800

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Organization: The Bank received its Pennsylvania banking charter on January 6, 2004. The Bank was incorporated under the laws of the Commonwealth of Pennsylvania on June 18, 2003, to operate as a state chartered banking institution named CNB Community Bank. The Bank has subsequently changed its name to Clarion County Community Bank. The Bank opened for business on January 8, 2004 and currently has four locations; the main office in Clarion, Pennsylvania, and full service branch offices in New Bethlehem, Pennsylvania, Rimersburg, Pennsylvania, and Franklin, Pennsylvania.

Nature of Operations: The Bank provides financial services through its offices in Clarion County and Venango County. Its primary deposit products are checking, savings, and term certificate accounts, and its primary lending products are residential mortgage, commercial real estate, commercial, and consumer loans. Substantially all loans are secured by specific items of collateral including business assets, consumer assets, and commercial and residential real estate. Commercial loans are expected to be repaid from cash flow from operations of businesses.

Subsequent Events: The Bank has evaluated subsequent events for recognition and disclosure through March 22, 2018 which is the date the financial statements were available to be issued.

Use of Estimates: To prepare financial statements in conformity with U.S. generally accepted accounting principles management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided, and actual results could differ.

Cash Flows: Cash and cash equivalents include cash, deposits with other financial institutions with original maturities fewer than 90 days, and federal funds sold. Net cash flows are reported for customer loan and deposit transactions.

Certificates of Deposit: Certificates of deposit in other financial institutions are carried at cost.

Securities: Debt 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. Debt securities are classified as available for sale when they might be sold before maturity. Equity securities with readily determinable fair values are classified as available for sale. Securities available for sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income, net of tax.

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”) at least on 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 it is more likely than not that 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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

value is recognized as impairment through earnings. For debt securities that do not meet the aforementioned criteria, the amount of impairment is split into two components as follows: 1) OTTI related to other factors, which is recognized in other comprehensive income and 2) OTTI related to credit loss, which must be recognized in the income statement. The credit loss is determined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis. For equity securities, the entire amount of impairment is recognized through earnings.

Loan Held for Sale: Mortgage loans originated and intended for sale in the secondary market are carried at the lower of aggregate cost or fair value, as determined by outstanding commitments from investors. Net unrealized losses, if any, are recorded as a valuation allowance and charged to earnings.

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: 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, less 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 level-yield method without anticipating prepayments.

Interest income on loans is discontinued at the time the loan is 90 days delinquent unless the loan is well-secured and in process of collection. Past due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful. Nonaccrual loans and loans past due 90 or more days still on accrual include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans.

All interest accrued but not received for loans placed on nonaccrual is reversed against interest income. Interest received on such loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured. A loan is moved to non-accrual status in accordance with the Bank's policy, typically after 90 days of non-payment.

Concentration of Credit Risk: Most of the Bank’s business activity is with customers located within Clarion and Venango County and their contiguous counties. Therefore, the Bank’s exposure to credit risk is significantly affected by changes in the economy in these counties. The Bank has no significant concentration of loans with any particular industry.

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 uncollectibility 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, the

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

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 components. The specific component relates to loans that are individually classified as impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Loans for which the terms have been modified resulting in a concession, 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, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all 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.

Commercial and commercial real estate loans over $50,000 are individually evaluated for impairment if management does not expect to collect principal and interest in accordance with the original contractual agreement. If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral. Large groups of smaller balance homogeneous loans, such as consumer and residential real estate loans, are collectively evaluated for impairment, and accordingly, they are not separately identified for impairment disclosures, unless such loans are modified in a troubled debt restructuring.

Troubled debt restructurings are separately identified for impairment disclosures and are measured at the present value of estimated future cash flows using the loan's effective rate at inception. If a troubled debt restructuring is considered to be a collateral dependent loan, the loan is reported, net, at the fair value of the collateral. For troubled debt restructurings that subsequently default, the Bank determines the amount of reserve in accordance with the accounting policy for the allowance for loan losses.

The general component covers non-impaired loans and is based on consideration of historical loss experience and peer data adjusted for current factors. This actual and peer 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: 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: Residential Real Estate, Commercial Real Estate, Commercial, and Consumer. Twenty-three percent of the

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Bank's loan portfolio is 1-4 family real estate, home equity lines of credit, and consumer installment loans made to individuals in the Bank's market area. These loans are largely secured by underlying real estate or consumer collateral. Repayment of these loans is dependent on general economic conditions and unemployment levels in the Bank's market area.

Commercial loans primarily consist of income producing real estate and business related assets. Repayment of these loans depends, to a large degree, on the results of operations, cash flow and management of the related businesses. These loans may be affected, to a greater extent, by adverse commerce conditions or the economy in general. Accordingly, the nature of these loans makes them more difficult for management to monitor and evaluate.

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, is 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 rights are evaluated for impairment based upon the fair value of the rights as compared to carrying amount. Impairment is determined by stratifying rights into groupings based on predominant risk characteristics, such as interest rate, loan type and investor type. Impairment is recognized through a valuation allowance for an individual grouping, to the extent that fair value is less than the carrying amount. If the Bank later determines that all or a portion of the impairment no longer exists for a particular grouping, a reduction of the allowance may be recorded as an increase to income. Changes in valuation allowances are reported with other non-interest income on the income statement. The fair values of servicing rights are subject to significant fluctuations as a result of changes in estimated and actual prepayment speeds and default rates and losses.

Servicing fee income, which is reported on the income statement as other non-interest 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. Servicing fees totaled $37,466 and $30,456 for the years ended December 31, 2017 and 2016, respectively. Amortization of mortgage servicing rights which are also recorded in other non-interest income totaled $15,566 and $12,362 for the years ended December 31, 2017 and 2016. No impairment was recorded in 2017 or 2016.

Foreclosed Assets: Foreclosed assets are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. Physical possession of residential real estate property collateralizing a consumer mortgage loan occurs when legal title is obtained upon completion of foreclosure or when the borrower conveys all interest in the property to satisfy the loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. These assets are subsequently accounted for at lower of cost or fair value less estimated costs to sell. If fair value declines subsequent to foreclosure, a valuation allowance is recorded through expense. Operating costs after acquisition are expensed.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Premises and Equipment: Land is carried at cost. Premises and equipment are stated at cost less accumulated depreciation. Buildings and related components are depreciated using the straight-line method for 30 years. Furniture, fixtures and equipment are depreciated using the straight-line method with useful lives ranging from 3 to 10 years.

Restricted Bank Stock: The Bank is a member of the Federal Home Loan Bank of Pittsburgh. 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.

Stock-Based Compensation: Compensation cost is recognized for stock options issued to employees and directors, based on the fair value of these awards at the date of grant. A Black-Scholes model is utilized to estimate the fair value of stock options. Compensation cost is recognized over the requisite service period, generally defined as the vesting period.

Bank Owned Life Insurance: The Bank purchased life insurance policies on certain key executives. Bank owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement. The Bank is the sole beneficiary, without further encumbrance, of the insurance proceeds aside from split dollar agreements promising a death benefit of $300,000 to the beneficiary of a certain officer of the Bank while under Bank employment. As the officer's projected mortality extends beyond Bank employment, no accrual has been established for this potential benefit.

Loan Commitments and Related Financial Instruments: Financial instruments include off-balance-sheet credit instruments, such as commitments to make loans and commercial letters of credit, issued to meet customer financing needs. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded.

Retirement Plans: Employee 401(k) and profit sharing plan expense is the amount of matching contributions. Supplemental retirement plan expense allocates the benefits over the years of service.

Income Taxes: Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and tax bases of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount more likely than not to be realized.

A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded.

The Bank recognizes interest and/or penalties related to income tax matters in income tax expense.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising Costs: Advertising costs are expensed as incurred.

Earnings Per Share: Basic earnings per share is calculated as net income divided by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated on the basis of the weighted average number of shares outstanding assuming dilution of the exercisable stock options using the treasury stock method. Earnings and dividends per share are restated for all stock splits and dividends through the date of issuance of the financial statements.

Comprehensive Income: Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on securities available for sale and changes in the funded status of the supplemental retirement plan which are also recognized as separate components of stockholders' equity.

Loss Contingencies: Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there now are such matters that will have a material effect on the financial statements.

Dividend Restriction: Banking regulations require maintaining certain capital levels and may limit the dividends paid by the Bank to its stockholders.

Fair Value of Financial Instruments: Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in a separate note. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect the estimates.

Reclassifications: Some items in the prior year financial statements were reclassified to conform to the current presentation. Reclassifications had no effect on prior year net income or stockholders' equity.

Change in Accounting Principal: On February 14, 2018, the Financial Accounting Standards Board finalized ASU 2018-02 - *Income Statement-Reporting Comprehensive Income (Topic 220).* This accounting standard allows Companies to reclassify the "stranded" tax effect in accumulated other comprehensive income that resulted from the U.S. federal government enacted a tax bill, H.R.1, An Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018 (Tax Cuts and Jobs Act), which requires deferred tax liabilities and assets to be adjusted for the effect of a change in tax laws.

The Company has elected to early-adopt this accounting standard, which provides a benefit to the financial statements by more accurately aligning the impacts of the items carried in accumulated other comprehensive income with the associate tax effect. The adoption resulted in a one-time cumulative effect adjustment of $18,813 between Retained Earnings and Accumulated Other Comprehensive Loss on the Consolidated Balance Sheets. The adjustment had no impact on Net Income or any prior periods presented.

NOTE 2 – INVESTMENT SECURITIES

The following table summarizes the amortized cost and fair value of securities available-for-sale at December 31, 2017 and 2016 and the corresponding amounts of gross unrealized gains and losses recognized in accumulated other comprehensive income:

	December 31, 2017			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government sponsored entities and agencies	**$ 2,698,747**	**$ -**	**$ (53,286)**	**$ 2,645,461**
State and municipal bonds-tax free	**10,662,076**	**59,613**	**(43,165)**	**10,678,524**
Residential mortgage-backed securities	**4,019,634**	**8,804**	**(40,662)**	**3,987,776**
	$ 17,380,457	**$ 68,417**	**$ (137,113)**	**$ 17,311,761**

	December 31, 2016			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government sponsored entities and agencies	$ 2,507,922	$ -	$ (57,190)	$ 2,450,732
State and municipal bonds-tax free	7,861,523	21,438	(201,417)	7,681,544
Residential mortgage-backed securities	4,923,830	14,695	(74,866)	4,863,659
	$ 15,293,275	$ 36,133	$ (333,473)	$ 14,995,935

The proceeds from the sales of securities and the associated gross gains and losses are listed below.

	2017	2016
Proceeds	**$ 2,160,453**	$ 2,671,689
Gross gains	**21,153**	13,924
Gross losses	**(12,834)**	(10,060)

The tax provision related to the net realized gains was $2,828 and $1,314, respectively.

NOTE 2 – INVESTMENT SECURITIES (continued)

As a member of the Federal Home Loan Bank of Pittsburgh (FHLB), the Bank is required to maintain a minimum amount of FHLB stock. The minimum amount is calculated based on the level of the Bank's assets, residential real estate loans, and FHLB advances. At December 31, 2017 and 2016, the Bank held $974,300 and $785,900 respectively, of FHLB stock which is carried at cost.

Management evaluates the FHLB stock for impairment in accordance with accounting guidance issued by the Financial Accounting Standards Board. Management's determination of whether this investment is impaired is based on their assessment of the ultimate recoverability of their cost basis rather than by recognizing temporary declines in value. The determination of whether a decline affects the ultimate recoverability of their cost basis is influenced by criteria such as (1) the significance of the decline in net assets of the FHLB as compared to the capital stock amount for the FHLB and the length of time this situation has persisted, (2) commitments by the FHLB to make payments required by law or regulation and the level of such payments in relation to the operating performance of the FHLB, and (3) the impact of legislative and regulatory changes on institutions and, accordingly, on the customer base of the FHLB. Management believes no impairment charge is necessary related to the FHLB stock as of December 31, 2017 or 2016.

The amortized cost and fair value of investment securities by contractual maturity are shown below. Actual investment maturities will differ from contractual maturities because issuers have the right to call or prepay obligations with or without call or prepayment penalties. Securities not due at a single maturity date are shown separate.

	December 31, 2017	
	Amortized Cost	**Fair Value**
Debt securities available for sale		
Due in one year or less	**$ -**	$ -
Due after one year through five years	**915,000**	910,400
Due after five years through ten years	**1,575,928**	1,571,156
Due after ten years	**10,869,895**	10,842,429
Residential mortgage-backed securities	**4,019,634**	3,987,776
	$ 17,380,457	$ 17,311,761

NOTES TO FINANCIAL STATEMENTS

CLARION COUNTY COMMUNITY BANK

For the Years Ended December 31, 2017 and 2016

NOTE 2 – INVESTMENT SECURITIES (continued)

The following table summarizes investment securities with unrealized losses at December 31, 2017 and 2016 by major security type and length of time in a continuous unrealized loss position:

	December 31, 2017					
	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. government sponsored entities and agencies	$ 491,750	$ (8,250)	$ 2,153,711	$ (45,036)	$ 2,645,461	$ (53,286)
State and municipal bonds-tax free	967,450	(5,066)	2,555,944	(38,099)	3,523,394	(43,165)
Residential mortgage-backed securities	495,385	(2,710)	2,878,311	(37,952)	3,373,696	(40,662)
	$ 1,954,585	$ (16,026)	$ 7,587,966	$ (121,087)	$ 9,542,551	$ (137,113)

	December 31, 2016					
	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. government sponsored entities and agencies	$ -	$ -	$ 2,450,732	$ (57,190)	$ 2,450,732	$ (57,190)
State and municipal bonds-tax free	5,181,341	(179,651)	980,090	(21,766)	6,161,431	(201,417)
Residential mortgage-backed securities	2,634,078	(52,245)	1,231,222	(22,621)	3,865,300	(74,866)
	$ 7,815,419	$ (231,896)	$ 4,662,044	$ (101,577)	$ 12,477,463	$ (333,473)

Unrealized losses on the twenty-six securities at December 31, 2017 have not been recognized into income because the securities are of high credit quality (rated AA or higher), management does not intend to sell and it is not more likely than not that management would be required to sell the securities prior to their anticipated recoveries, and the decline in fair value is largely due to changes in interest rates and other market conditions. The fair value is expected to recover as the securities approach their maturities. The Bank does not consider these securities to be other-than-temporarily impaired at December 31, 2017.

All of the mortgage-backed and agency securities held by the Bank were issued by U.S. government-sponsored entities and agencies, institutions which the government has affirmed its commitment to support.

NOTE 2 – INVESTMENT SECURITIES (continued)

The Bank has pledged investment securities with an approximate carrying value of $4,552,000 and $4,296,000 as of December 31, 2017 and 2016, respectively, to qualify for fiduciary powers in securing public monies as required by law and for other purposes.

NOTE 3 – LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES

Loans at year end were as follows:

	2017	2016
Commercial	$ **15,848,447**	$ 15,035,806
Commercial real estate	**82,869,788**	70,987,643
Residential real estate	**22,547,201**	22,621,928
Consumer:		
Auto	**1,699,829**	1,604,679
Other	**5,969,486**	5,942,945
	128,934,751	116,193,001
Net deferred loan fees	**(137,261)**	(101,698)
Allowance for loan losses	**(1,247,556)**	(1,095,465)
Loans receivable, net	$ **127,549,934**	$ 114,995,838

The following tables present the activity in the allowance for loan losses by portfolio segment for the years ending December 31, 2017 and 2016:

December 31, 2017	Commercial	Commercial Real Estate	Residential Real Estate	Consumer	Unallocated	Total
Beginning balance, January 1, 2017	$ 91,899	$ 649,396	$ 278,306	$ 17,711	$ 58,153	$ 1,095,465
Provision for loan losses	9,000	35,721	63,674	(1,912)	133,517	240,000
Loans charged-off	(8,456)	-	(71,715)	(14,128)	-	(94,299)
Recoveries	1,506	-	-	4,884	-	6,390
Total ending balance, December 31, 2017	$ 93,949	$ 685,117	$ 270,265	$ 6,555	$ 191,670	$ 1,247,556

NOTE 3 – LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES (continued)

December 31, 2016	Commercial	Commercial Real Estate	Residential Real Estate	Consumer	Unallocated	Total
Beginning balance, January 1, 2016	$ 93,245	$ 497,077	$ 300,690	$ 30,141	$ 90,404	$ 1,011,557
Provision for loan losses	(745)	152,319	68,291	(7,614)	(32,251)	180,000
Loans charged-off	(2,411)	-	(91,441)	(4,884)	-	(98,736)
Recoveries	1,810	-	766	68	-	2,644
Total ending balance, December 31, 2016	$ 91,899	$ 649,396	$ 278,306	$ 17,711	$ 58,153	$ 1,095,465

The next several tables exclude accrued interest receivable and net deferred loan fees in the recorded investment. Accrued interest receivable totaled $334,381 and $272,033 at December 31, 2017 and 2016. Net deferred loan fees totaled $(137,261) and $(101,698) at December 31, 2017 and 2016, which are not considered to be material to the loan balances.

The following table presents the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and based on impairment method as of December 31, 2017:

2017	Commercial	Commercial Real Estate	Residential Real Estate	Consumer	Unallocated	Total
Allowance for loan losses:						
Individually evaluated for impairment	$ -	$ 247,428	$ -	$ -	$ -	$ 247,428
Collectively evaluated for impairment	93,949	437,689	270,265	6,555	191,670	1,000,128
Total ending allowance balance	$ 93,949	$ 685,117	$ 270,265	$ 6,555	$ 191,670	$ 1,247,556
Loans receivable:						
Individually evaluated for impairment	$ 8,844	$ 1,643,781	$ -	$ -		$ 1,652,625
Collectively evaluated for impairment	15,839,603	81,226,007	22,547,201	7,669,315		127,282,126
Total	$ 15,848,447	$ 82,869,788	$ 22,547,201	$ 7,669,315		$ 128,934,751

NOTE 3 – LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES (continued)

The following table presents the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and based on impairment method as of December 31, 2016:

2016	Commercial	Commercial Real Estate	Residential Real Estate	Consumer	Unallocated	Total
Allowance for loan losses:						
Individually evaluated for impairment	$ 31,050	$ 369,993	$ -	$ -	$ -	$ 401,043
Collectively evaluated for impairment	60,849	279,403	278,306	17,711	58,153	694,422
Total ending allowance balance	$ 91,899	$ 649,396	$ 278,306	$ 17,711	$ 58,153	$ 1,095,465
Loans receivable:						
Individually evaluated for impairment	$ 31,050	$ 1,728,650	$ -	$ -		$ 1,759,700
Collectively evaluated for impairment	15,004,756	69,258,993	22,621,928	7,547,624		114,433,301
Total	$ 15,035,806	$ 70,987,643	$ 22,621,928	$ 7,547,624		$ 116,193,001

The following table presents information related to impaired loans as of and for the year ended December 31, 2017:

	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Commercial	$ 8,844	$ 8,844	$ -	$ 737	$ -
Commercial real estate					
Construction	-	-	-	-	-
Commercial real estate	568,136	568,136	-	1,162,825	63,712
Subtotal	576,980	576,980	-	1,163,562	63,712
With an allowance recorded:					
Commercial real estate	1,075,645	1,075,645	247,428	805,917	23,810
Subtotal	1,075,645	1,075,645	247,428	805,917	23,810
Total	$ 1,652,625	$ 1,652,625	$ 247,428	$ 1,969,479	$ 87,522

NOTE 3 – LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES (continued)

The following table presents information related to impaired loans by class of loans as of and for the year ended December 31, 2016:

	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Commercial real estate	$ 478,117	$ 478,117	$ -	$ 335,003	$ 11,185
Subtotal	478,117	478,117	-	335,003	11,185
With an allowance recorded:					
Commercial	31,050	31,050	31,050	2,587	-
Commercial real estate	1,250,533	1,250,533	369,993	338,371	8,621
Subtotal	1,281,583	1,281,583	401,043	340,958	8,621
Total	$ 1,759,700	$ 1,759,700	$ 401,043	$ 675,961	$ 19,806

The following tables present the recorded investment in nonaccrual by class of loans as of December 31, 2017 and 2016:

	Nonaccrual 2017	Nonaccrual 2016
Commercial	**$ 8,844**	$ 31,050
Commercial real estate	**962,551**	1,005,931
Residential real estate	**226,690**	284,119
Total	**$ 1,198,085**	$ 1,321,100

As of December 31, 2017 and 2016, there were no loans past due 90 days or more and still accruing.

NOTE 3 – LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES (continued)

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

2017	Total	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Loans Not Past Due
Commercial	$ 15,848,447	$ -	$ 36,356	$ 8,844	$ 45,200	$ 15,803,247
Commercial real estate	82,869,788	65,227	104,430	858,121	1,027,778	81,842,010
Residential real estate	22,547,201	155,915	134,386	226,690	516,991	22,030,210
Consumer:						
Auto	1,699,829	-	-	-	-	1,699,829
Other	5,969,486	1,839	13,036	-	14,875	5,954,611
Total	$ 128,934,751	$ 222,981	$ 288,208	$ 1,093,655	$ 1,604,844	$ 127,329,907

2016	Total	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Loans Not Past Due
Commercial	$ 15,035,806	$ 3,589	$ -	$ 31,050	$ 34,639	$ 15,001,167
Commercial real estate	70,987,643	342,271	71,113	1,005,931	1,419,315	69,568,328
Residential real estate	22,621,928	277,516	368,060	284,119	929,695	21,692,233
Consumer:						
Auto	1,604,679	12,281	-	-	12,281	1,592,398
Other	5,942,945	-	3,414	-	3,414	5,939,531
Total	$ 116,193,001	$ 635,657	$ 442,587	$ 1,321,100	$ 2,399,344	$ 113,793,657

Troubled Debt Restructurings:

As of December 31, 2017 and 2016, the Bank had a recorded investment in troubled debt restructurings of $422,488 and $459,005, respectively.

The Bank has allocated $49,579 and $70,486 of specific reserves to customers whose loan terms have been modified in troubled debt restructurings as of December 31, 2017 and 2016. The Bank chose to lend additional amounts totaling $48,272 and $25,000 during the years ended December 31, 2017 and 2016, respectively, due to the borrower's financial troubles being corrected.

There were no loans modified as troubled debt restructurings that occurred during the year ending December 31, 2017 or 2016. There were no charge offs of restructured troubled debt during the year ending December 31, 2017 or 2016.

NOTE 3 – LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES (continued)

Credit Quality public information, and current economic trends, among other factors. The Bank analyzes loans individually by classifying the loans as to credit risk. This analysis typically uses the following definitions for risk ratings:

> **Special Mention.** Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.
>
> **Substandard.** Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified 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.** Loans classified as doubtful have all the weaknesses inherent in those classified as 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.

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be pass rated loans. Loans listed as not rated are evaluated for credit quality based on aging status, which was previously presented.

Based on the most recent analysis performed, the risk category of loans by class of loans at December 31, 2017 is as follows:

December 31, 2017	Total Loans	Not Rated	Pass	Special Mention	Substandard	Doubtful
Commercial	$ 15,848,447	$ -	$ 15,839,603	$ -	$ 8,844	$ -
Commercial real estate	82,869,788	-	81,226,007	422,488	1,221,293	-
Residential real estate	22,547,201	22,320,511	-	-	226,690	-
Consumer-auto	1,699,829	1,699,829	-	-	-	-
Other	5,969,486	5,969,486	-	-	-	-
Total	$ 128,934,751	$ 29,989,826	$ 97,065,610	$ 422,488	$ 1,456,827	$ -

NOTE 3 – LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES (continued)

Based on the most recent analysis performed, the risk category of loans by class of loans at December 31, 2016 was as follows:

December 31, 2016	Total Loans	Not Rated	Pass	Special Mention	Substandard	Doubtful
Commercial	$ 15,035,806	$ -	$ 15,004,756	$ -	$ 31,050	$ -
Commercial real estate	70,987,643	-	69,258,993	459,005	1,269,645	-
Residential real estate	22,621,928	22,064,418	-	-	557,510	-
Consumer-auto	1,604,679	1,604,679	-	-	-	-
Other	5,942,945	5,942,945	-	-	-	-
Total	$ 116,193,001	$ 29,612,042	$ 84,263,749	$ 459,005	$ 1,858,205	$ -

The Bank considers the performance of the loan portfolio and its impact on the allowance for loan losses. For residential and consumer loan classes, the Bank also evaluates credit quality based on the performing status of the loan, which was previously presented, and by payment activity. Nonperforming loans includes loans on nonaccrual status and loans past due 90 days or more still accruing interest.

The following table presents the recorded investment in residential and consumer loans based on performing status as of December 31, 2017 and 2016:

	Consumer		Residential
December 31, 2017	Auto	Other	Real Estate
Performing	$ 1,699,829	$ 5,969,486	$ 22,320,511
Nonperforming	-	-	226,690
Total	$ 1,699,829	$ 5,969,486	$ 22,547,201

	Consumer		Residential
December 31, 2016	Auto	Other	Real Estate
Performing	$ 1,604,679	$ 5,942,945	$ 22,337,809
Nonperforming	-	-	284,119
Total	$ 1,604,679	$ 5,942,945	$ 22,621,928

NOTE 4 – OTHER REAL ESTATE OWNED (OREO)

Activity for other real estate owned was as follows:

	2017	2016
Beginning of year	$ 176,300	$ 300,000
Additions to OREO	115,000	41,800
Capitalized expenditures	-	-
Disposition of OREO	(291,300)	(165,500)
End of year	$ -	$ 176,300

Expenses related to other real estate owned include:

	2017	2016
Net gain (loss) on sales	$ (3,799)	$ 2,626
Operating expenses, net of rental income	18,578	28,393

Other real estate owned acquired in settlement of loans are carried at fair value, less estimated costs to sell. As of December 31, 2017, there were no consumer residential mortgages that were foreclosed on or received via a deed in lieu transaction prior to the period end included with the other real estate owned. At December 31, 2016, the balance of other real estate owned includes $26,300 of consumer residential mortgages that were foreclosed on or received via a deed in lieu transaction prior to the period end included with the other real estate owned. As of December 31, 2017, the Bank had initiated formal foreclosure proceedings on consumer residential mortgages, which have not yet been transferred into foreclosed assets, of $1,040,535.

NOTE 5 - LOAN SERVICING

Mortgage loans serviced for others are not reported as assets. The principal balances of these loans at years ended December 31, 2017 and 2016 are $16,445,000 and $13,835,000.

Custodial escrow balances maintained in connection with serviced loans were $208,900 and $167,900 at year end 2017 and 2016.

Activity for loan servicing rights and the related valuation allowance follows:

	2017	2016
Beginning of year	$ 121,165	$ 104,752
Additions	35,309	42,747
Disposals	(3,597)	(13,972)
Amortized to expense	(15,566)	(12,362)
Other changes	-	-
Change in valuation allowance	-	-
	$ 137,311	$ 121,165

NOTE 6 – PREMISES AND EQUIPMENT

Year-end premises and equipment were as follows:

	2017	2016
Land	$ 789,392	$ 730,785
Buildings and improvements	2,958,736	2,093,609
Furniture and equipment	1,763,305	1,548,801
	5,511,433	4,373,195
Accumulated depreciation	(2,122,838)	(1,938,385)
	$ 3,388,595	$ 2,434,810

Depreciation expense was $186,611 and $167,803 for 2017 and 2016, respectively.

NOTE 7 – DEPOSITS

The following table presents a breakdown of deposit types at December 31, 2017 and 2016:

	2017	2016
Non-interest bearing	$ 20,671,572	$ 18,234,323
Interest bearing:		
Demand deposit	5,081,434	4,484,506
Money market deposit account	19,361,430	17,753,674
Savings	18,064,795	18,277,009
Certificates of Deposit	71,428,385	65,726,980
Total interest bearing	113,936,044	106,242,169
Total deposits	$ 134,607,616	$ 124,476,492

Scheduled maturities of time deposits over the next five years as of December 31, 2017 were as follows:

	Amount	Percent
2018	$ 23,796,896	33.3 %
2019	19,058,897	26.7
2020	9,130,547	12.8
2021	8,665,545	12.1
2022	10,776,500	15.1
	$ 71,428,385	100.0 %

The Bank had time deposits that meet or exceed the FDIC limit of $250,000 amounting to $11,400,900 and $11,503,599 at December 31, 2017 and 2016, respectively.

NOTE 8 – FEDERAL HOME LOAN BANK ADVANCES

At December 31, 2017 and 2016, the Bank had FHLB advances outstanding as follows:

	2017	2016
Maturities February 28, 2018 through July 25, 2022, fixed rate at rates from 1.11% to 2.05%, averaging 1.61%.	**$ 6,000,000**	$ 4,000,000

Each advance is payable at its maturity date, with a prepayment penalty. Based on available collateral and the Bank's holdings of FHLB stock, the Bank is eligible to borrow up to a total of $76.3 million at year-end 2017.

Payments over the next five years are as follows:

2018	**$ 2,000,000**
2019	**1,000,000**
2020	**1,000,000**
2021	**-**
2022	**2,000,000**
	$ 6,000,000

NOTE 9 – INCOME TAXES

The provision for income taxes for the years ended December 31, 2017 and 2016 consists of the following:

	2017	2016
Current	**$ 328,014**	$ 208,097
Deferred	**(59,654)**	(26,088)
Change in corporate tax rate	**211,205**	-
	$ 479,565	$ 182,009

NOTE 9 – INCOME TAXES (continued)

The differences between the expected and actual tax provision expressed as percentages of income before income tax for the years ended December 31, 2017 and 2016 are as follows:

	2017		2016	
	Amount	% of Pre-tax Income	Amount	% of Pre-tax Income
Provision at statutory rate	$ 363,974	34.0 %	$ 286,953	34.0 %
Tax exempt interest income, net of disallowed interest expense	(94,370)	(8.8)	(85,026)	(10.0)
Earnings from bank owned life insurance	(11,853)	(1.1)	(12,485)	(1.5)
Change in corporate tax rate	211,205	19.7	-	-
Other, net	10,609	1.0	(7,433)	(0.9)
Actual tax expense and effective rate	$ 479,565	44.8 %	$ 182,009	21.6 %

The Tax Cuts and Jobs Act, enacted on December 22, 2017, lowered the federal corporate income tax rate from 35% to 21% effective January 1, 2018. As a result, the carrying value of net deferred tax assets was reduced which increased income tax expense by $211,205.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities as of December 31, 2017 and 2016 are as follows:

	2017	2016
Deferred tax assets:		
Allowance for loan losses	$ 219,777	$ 289,173
Unrealized loss on securities	14,426	101,096
Accrued supplemental retirement	157,723	228,373
Nonaccrual loan interest	10,281	9,145
Deferred loan origination fees	28,825	34,578
Total deferred tax assets	431,032	662,365
Deferred tax liabilities:		
Mortgage servicing rights	(28,835)	(41,197)
Premises and equipment	(61,020)	(48,253)
Total deferred tax liabilities	(89,855)	(89,450)
Net deferred tax asset	$ 341,177	$ 572,915

NOTE 9 – INCOME TAXES (continued)

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods which the deferred tax assets are deductible, management believes it is more likely than not the Bank will realize the benefits of these deductible differences. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

There were no unrecognized tax benefits recorded as of December 31, 2017 and 2016, as a result no provision has been taken in the financial statements for possible interest and penalties related to unrecognized tax benefits and the Bank has not recorded an accrual for the payment of interest and penalties as of December 31, 2017 and 2016. The Bank does not expect the amount of unrecognized tax benefits to materially change in the next twelve months.

The Bank is subject to U.S. Federal income tax as well as a capital based franchise tax in the State of Pennsylvania. The Bank is no longer subject to examination by the taxing authorities for 2013 and prior.

NOTE 10 – EMPLOYEE RETIREMENT PLANS

The Bank sponsors a 401(k) Profit Sharing Plan for the benefit of its employees, substantially all of whom are eligible to participate after meeting minimum qualifying standards. The Plan permits employees to make elective contributions to the Plan through pre-tax payroll deductions. The Bank has elected to make matching contributions on behalf of participating employees of 25% of employee contributions to the plan up to 4% of their total wages. The Bank incurred expense for matching contributions to the plan totaling $8,264 and $6,981 in 2017 and 2016, respectively.

The Board of Directors adopted a supplemental employee retirement plan for certain officers of the Bank on April 15, 2010. Participants will receive 30% of their final base salary annually for fifteen years beginning with the later of retirement or age 65 subject to vesting provisions for years of service. The plan requires ten years of service to be fully vested. Upon adoption, each participant was credited with service for years they have been with the Bank which resulted in participants being 35% vested. The prior service cost upon adoption of the supplemental retirement plan was approximately $130,000. The prior service cost is being amortized over the estimated future service period on a straight line basis. Total expense related to the plan for the years ended December 31, 2017 and 2016 was $86,581 and $62,558, respectively. The accrued supplemental retirement liability for this plan was $751,065 and $671,684 at December 31, 2017 and 2016. Amortization of prior service cost for the years ended December 31, 2017 and 2016 was $7,200. At December 31, 2017, the unamortized prior service cost from the supplemental retirement plan was $76,000. Following a reclassification due to a federal tax rate change the Bank registered an after tax amount of $60,040 recorded in accumulated other comprehensive loss.

NOTE 11 – OTHER EXPENSES

Other expenses are as follows:

	2017	2016
Advertising	$ **126,938**	$ 89,423
Pennsylvania bank shares tax	**114,680**	127,592
Charitable contributions	**59,850**	66,677
Postage and courier	**58,201**	54,271
Stationary and printing	**89,256**	92,362
Telephone	**55,699**	56,812
Directors fees	**171,500**	175,150
Insurance	**55,114**	52,254
Miscellaneous	**247,899**	202,543
	$ **979,137**	$ 917,084

NOTE 12 – FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

Some financial instruments, such as loan commitments, credit lines, letters of credit, and overdraft protection, are issued to meet customer financing needs. These are agreements to provide credit or to support the credit of others, as long as conditions established in the contract are met, and usually have expiration dates. Commitments may expire without being used. Off-balance-sheet risk to credit loss exists up to the face amount of these instruments, although material losses are not anticipated. The same credit policies are used to make such commitments as are used for loans, including obtaining collateral at exercise of the commitment.

The contractual amounts of financial instruments with off-balance-sheet risk at year end were as follows:

	2017 Fixed Rate	2017 Variable Rate	2016 Fixed Rate	2016 Variable Rate
Commitments to make loans	$ **1,268,000**	$ **2,096,000**	$ 1,048,000	$ 5,575,000
Unused lines of credit	**25,000**	**11,566,000**	33,000	10,079,000
Standby letters of credit	**76,000**	**-**	346,000	-

Commitments to make loans are generally made for periods of 60 days or less. The fixed rate loan commitments at December 31, 2017 have interest rates ranging from 3.88% to 7.25% and maturities ranging from ten years to thirty years. The fixed rate loan commitments at December 31, 2016 had interest rates ranging from 3.00% to 6.25% and maturities ranging from five years to thirty years.

NOTE 13 – CONCENTRATIONS, RISKS AND UNCERTAINTIES

The Bank primarily grants loans to customers in Clarion, Armstrong and Venango counties of Pennsylvania and maintains a diversified loan portfolio. The ability of its debtors to honor their contracts is not substantially dependent on any particular economic business sector.

The Bank has certain risks associated with deposit concentrations. The Bank had 57 accounts greater than $250,000 representing $30.0 million in deposits as of December 31, 2017 (22.3% of deposits as of December 31, 2017). As of December 31, 2016, the Bank had 52 accounts greater than $250,000 representing $26.6 million in deposits (21.4% of deposits as of December 31, 2016).

At December 31, 2017, approximately $3.6 million of the Bank's cash and cash equivalents was maintained at various financial institutions in amounts that exceeded the $250,000 limit on FDIC insured accounts. At December 31, 2016, approximately $6.6 million of the Bank's cash and cash equivalents was maintained at various financial institutions in amounts that exceeded the $250,000 limit on FDIC insured accounts.

The Bank is involved in various legal actions from normal business activities. Management believes that any liability arising from such actions will not have a material effect on the Bank's financial position.

NOTE 14 – RELATED PARTIES

Certain executive officers, directors and principal shareholders of the Bank, and companies in which they have beneficial ownership, were indebted (including loans, available lines of credit, open letters of credit, and third party co-signors) to the Bank. Activity during 2017 was as follows:

Beginning balance	$	**1,500,683**
New loans		**56,548**
Repayments		**(163,065)**
Ending balance	$	**1,394,166**

There were two open letters of credit by related parties in 2017 totaling $5,000.

Deposits from principal officers, directors, and their affiliates at year-end 2017 and 2016 were $9.8 million and $7.7 million, respectively.

NOTE 15 – REGULATORY MATTERS

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory-and possible additional discretionary-actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under U.S.

NOTE 15 – REGULATORY MATTERS (continued)

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

Qualitative measures established by regulatory capital standards to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of total and Tier 1 capital to risk-weighted assets, common equity Tier 1 capital to total risk-weighted assets, and of Tier 1 capital to average assets. Management believes, as of December 31, 2017, that the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2017 and 2016, the Bank is categorized as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized the Bank must maintain minimum total risk-based capital, Tier 1 risk-based capital, common equity Tier 1 risk-based capital, and Tier 1 leverage ratios of at least 10 percent, 8 percent, 6.5 percent, and 5 percent, respectively.

Actual and required capital amounts and ratios are presented below at year end.

	Actual		For Capital Adequacy Puposes		To be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Dollars in thousands)			
As of December 31, 2017:						
Total capital (to risk-weighted assets)	**$ 16,838**	**11.58%**	**$ 11,635**	**8.0%**	**$ 14,543**	**10.0%**
Tier 1 capital (to risk-weighted assets)	**15,590**	**10.72%**	**8,726**	**6.0%**	**11,635**	**8.0%**
Common equity Tier 1 capital (to risk-weighted assets)	**15,590**	**10.72%**	**6,544**	**4.5%**	**9,453**	**6.5%**
Tier 1 capital (to average assest)	**15,590**	**9.93%**	**6,277**	**4.0%**	**7,846**	**5.0%**
As of December 31, 2016:						
Total capital (to risk-weighted assets)	$ 16,275	12.52%	$ 10,398	8.0%	$ 12,998	10.0%
Tier 1 capital (to risk-weighted assets)	15,180	11.68%	7,799	6.0%	10,398	8.0%
Common equity Tier 1 capital (to risk-weighted assets)	15,180	11.68%	5,849	4.5%	8,448	6.5%
Tier 1 capital (to average assest)	15,180	10.50%	5,783	4.0%	7,229	5.0%

Banking regulations limit the amount of dividends that may be paid without prior approval of regulatory agencies. Under these regulations, the amount of dividends that may be paid in any calendar year is limited to the current year's net profits, combined with the retained net profits of the preceding two years, subject to the capital requirements described above. Under Pennsylvania law the Bank is only permitted to pay cash dividends out of retained earnings. During 2018, the Bank could, without prior approval, declare dividends of approximately $886,471 plus any 2018 net profits retained to the date of the dividend declaration.

NOTE 16 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (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. There are three levels of inputs that may be used to measure fair values:

> Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
>
> Level 2 – Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
>
> Level 3 – Significant unobservable inputs that reflect a bank's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The Bank used the following methods and significant assumptions to estimate the fair value of each type of financial instrument:

Investment Securities: The fair values for investment securities are determined by quoted market prices, if available (Level 1). For securities where quoted prices are not available, fair values are calculated based on market prices of similar securities (Level 2). For securities where quoted prices or market prices of similar securities are not available, fair values are calculated using discounted cash flows or other market indicators (Level 3).

Impaired Loans: The fair value of impaired loans with specific allocations of the allowance for loan losses is generally based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available for similar loans and collateral underlying such loans. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value. Non-real estate collateral may be valued using an appraisal, net book value per the borrower's financial statements, or aging reports, adjusted or discounted based on management's historical knowledge, changes in market conditions from the time of the valuation, and management's expertise and knowledge of the client and client's business, resulting in a Level 3 fair value classification. Impaired loans are evaluated on a quarterly basis for additional impairment and adjusted accordingly.

Other Real Estate Owned: Assets acquired through or instead of loan foreclosure are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. These assets are subsequently accounted for at lower of cost or fair value less estimated costs to sell. Fair value is commonly based on recent real estate appraisals which are updated no less frequently than annually. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of

NOTE 16 – FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

the inputs for determining fair value. Real estate owned properties are evaluated on a quarterly basis for additional impairment and adjusted accordingly.

Appraisals for both collateral-dependent impaired loans and real estate owned are performed by certified general appraisers (for commercial properties) or certified residential appraisers (for residential properties) whose qualifications and licenses have been reviewed and verified by the Bank. Once received, the Appraisal Review Officer reviews the assumptions and approaches utilized.

Assets and liabilities measured at fair value on a recurring basis are summarized below:

Description	**December 31, 2017 Carrying Value**	**(Level 1) Quoted Prices in Active Markets for Identical Assets**	**(Level 2) Significant Other Observable Inputs**	**(Level 3) Significant Unobservable Inputs**
US government sponsored entities and agencies	$ **2,645,461**	$ **2,645,461**	$ **-**	$ **-**
State and municipal bonds-tax-free	**10,678,524**	**-**	**10,678,524**	**-**
Residential mortgage-backed securities	**3,987,776**	**-**	**3,987,776**	**-**
Total investment securities available-for-sale	$ **17,311,761**	$ **2,645,461**	$ **14,666,300**	$ **-**

Description	December 31, 2016 Carrying Value	(Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs
US government sponsored entities and agencies	$ 2,450,732	$ 2,450,732	$ -	$ -
State and municipal bonds-tax-free	7,681,544	-	7,681,544	-
Residential mortgage-backed securities	4,863,659	-	4,863,659	-
Total investment securities available-for-sale	$ 14,995,935	$ 2,450,732	$ 12,545,203	$ -

NOTE 16 – FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Assets measured at fair value on a nonrecurring basis are summarized below:

Description	December 31, 2017 Carrying Value	(Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs
Impaired loans:				
Commercial real estate	**$ 828,217**	**$ -**	**$ -**	**$ 828,217**

Description	December 31, 2016 Carrying Value	(Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs
Impaired loans:				
Commercial real estate	$ 880,540	$ -	$ -	$ 880,540
Other real estate owned	$ 26,300	$ -	$ -	$ 26,300

Impaired loans, which are measured for impairment using the fair value of the collateral for collateral dependent loans, had a recorded investment of $1,075,645, with a valuation allowance of $247,428 at December 31, 2017. At December 31, 2016, impaired loans had a carrying amount of $1,281,583, with a valuation allowance of $401,043.

At December 31, 2017, the Bank registered no other real estate owned. At December 31, 2016, other real estate owned had a carrying amount of $26,300 after writedowns of $69,514 in 2016.

NOTE 16 – FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The following table presents quantitative information about level 3 fair value measurements for financial instruments measured at fair value on a non-recurring basis at December 31, 2017 and 2016:

2017

	Fair Value	Valuation Techniques	Unobservable Inputs	Weighted Average
Impaired loans	$ 828,217	Sales comparison approach	Adjustment for differences between comparable sales	23%

2016

	Fair Value	Valuation Techniques	Unobservable Inputs	Weighted Average
Impaired loans	$ 880,540	Sales comparison approach	Adjustment for differences between comparable sales	40%
Other real estate owned	$ 26,300	Appraisals	Adjustment for differences between comparable sales	62%

The carrying amount and fair values of financial instruments for December 31, 2017 were as follows:

	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial assets:					
Cash and cash equivalents	$ 5,260,778	$ 5,260,778	$ 5,260,778	$ -	$ -
Certificates of deposit	100,000	99,830	-	-	99,830
Securities available for sale	17,311,761	17,311,761	2,645,461	14,666,300	-
Restricted bank stock	1,039,300	N/A	N/A	-	-
Loans receivable, net	127,549,934	126,905,934	-	-	126,905,934
Bank owned life insurance	1,581,765	1,581,765	1,581,765	-	-
Accrued interest receivable	435,517	435,517	435,517	-	-
Financial liabilities:					
Deposits	134,607,616	134,098,848	63,179,231	-	70,919,617
FHLB advances	6,000,000	6,005,600	-	-	6,005,600
Accrued interest payable	113,868	113,868	113,868	-	-

NOTE 16 – FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The carrying amount and fair values of financial instruments for December 31, 2016 were as follows:

	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial assets:					
Cash and cash equivalents	$ 7,984,928	$ 7,984,928	$ 7,984,928	$ -	$ -
Certificates of deposit	100,000	99,480	-	-	99,480
Securities available for sale	14,995,935	14,995,935	2,450,732	12,545,203	-
Restricted bank stock	850,900	N/A	N/A	-	-
Loans receivable, net	114,995,838	114,832,838	-	-	114,832,838
Bank owned life insurance	1,546,904	1,546,904	1,546,904	-	-
Accrued interest receivable	353,418	353,418	353,418	-	-
Financial liabilities:					
Deposits	124,476,492	124,575,532	58,749,512	-	65,826,020
FHLB advances	4,000,000	4,004,000	-	-	4,004,000
Accrued interest payable	84,942	84,942	84,942	-	-

The methods and assumptions, not previously presented, used to estimate fair value are described as follows:

Carrying amount is the fair value for cash and cash equivalents, bank owned life insurance, accrued interest receivable and payable, demand deposits, and variable rate loans or deposits that reprice frequently and fully. For certificates of deposit, FHLB advances, fixed rate loans or deposits and for variable rate loans or deposits with infrequent repricing or repricing limits, fair value is based on discounted cash flows using current market rates applied to the estimated life and credit risk. It was not practicable to determine the fair value of restricted bank stock due to restrictions placed on its transferability. The fair value of off-balance-sheet items is not considered material.

NOTE 17 – EARNINGS PER COMMON SHARE

The factors used in the earnings per common share computation follows:

	2017	2016
Basic		
Net income	$ **590,947**	$ 661,970
Weighted average common shares outstanding	**1,665,667**	1,665,667
Basic earnings per common share	$ **0.35**	$ 0.40
Diluted		
Net income	$ **590,947**	$ 661,970
Weighted average common shares outstanding for basic earnings per common share	**1,665,667**	1,665,667
Add: Dilutive effects of assumed exercises of stock options	**-**	-
Average shares and dilutive potential common shares	**1,665,667**	1,665,667
Dilutive earnings per common share	$ **0.35**	$ 0.40

The following is changes in accumulated other comprehensive loss by component, net of tax, for the years ending December 31, 2017:

	Unrealized Gains and Losses on Available-for-Sale Securities	Prior Service Cost on Supplemental Retirement Plan	Total
December 31, 2017			
Beginning balance	$ (196,244)	$ (54,912)	$ (251,156)
Other comprehensive income before reclassification	156,398	-	156,398
Reclassification of certain income tax effects from accumulated other comprehensive income	(8,933)	(9,880)	(18,813)
Amounts reclassified from accumulated other comprehensive income (loss)	(5,491)	4,752	(739)
Net current period other comprehensive income (loss)	141,974	(5,128)	136,846
Ending balance	$ (54,270)	$ (60,040)	$ (114,310)

NOTE 18 – ACCUMULATED OTHER COMPREHENSIVE LOSS

The following is changes in accumulated other comprehensive loss by component, net of tax, for the years ending December 31, 2016:

	Unrealized Gains and Losses on Available-for-Sale Securities	Prior Service Cost on Supplemental Retirement Plan	Total
December 31, 2016			
Beginning balance	$ (7,198)	$ (59,664)	$ (66,862)
Other comprehensive income before reclassification	(186,496)	-	(186,496)
Amounts reclassified from accumulated other comprehensive income	(2,550)	4,752	2,202
Net current period other comprehensive income	(189,046)	4,752	(184,294)
Ending balance	$ (196,244)	$ (54,912)	$ (251,156)

The following table presents current period reclassifications out of accumulated other comprehensive loss and its impact on net income for the years ended December 31, 2017 and 2016:

	December 31, 2017	December 31, 2016
Net gain on securities available for sale	**$ 8,319**	$ 3,864
Income tax expense	**(2,828)**	(1,314)
Reclassified amount, net of tax	**$ 5,491**	$ 2,550
Prior service cost on supplemental retirement plan (recorded in salaries and employee benefits)	**$ (7,200)**	$ (7,200)
Income tax benefit	**2,448**	2,448
Reclassified amount, net of tax	**$ (4,752)**	$ (4,752)

SHAREHOLDER INFORMATION

Headquarters – Clarion
333 W. Main Street
Clarion, PA 16214
Telephone (814) 226-6000
Fax (814) 226-4882

New Bethlehem Office
308 Broad Street
New Bethlehem, PA 16242
Telephone (814) 275-1806
Fax (814) 275-1050

Rimersburg Office
592 Main Street
Rimersburg, PA 16248
Telephone (814) 473-3000
Fax (814) 473-3500

Franklin Office
1272 Elk Street
Franklin, PA 16323
Telephone (814) 437-1000

website: www.clarionbank.com

Stock Listing

Clarion County Community Bank's Common Stock is traded on the over-the counter market under the symbol "CCYY".

Auditors

S.R. Snodgrass P.C.
2009 Mackenzie Way
Suite 340
Cranberry Township, PA 16066

Counsel

Stevens & Lee
A Professional Corporation
111 North Sixth Street
Reading, PA 19601

Board of Directors

William E. Hager, III, Chairman – Attorney in private practice

J. Todd Bish - Licensed chiropractor owning and operating Bish Chiropractic Center

Susanne A. Burns - Pennsylvania-certified real estate appraiser for Burns & Burns Associates, Inc. and licensed real estate broker

J. Fred Cherico - President and Chief Operating Officer of Computer Support Associates, a designer and manager of computer networks

Rodney R. Flick - President of C.B.F. Contracting, Inc., a commercial and industrial construction company

H. Jerome Heffner – Retired past President of Heffner Brothers Co. and past partner in Heffner Brothers Partnership, gasoline and fuel oil distributors

Stephen J. Jaworski – Dentist in private practice

James L. Kifer - President, Chief Executive Officer and Chief Financial Officer of the Bank

Don D. Lewis - Chief Executive Officer of Structural Modulars, Inc., a manufacturer of residential and commercial modular structures

Mark V. Neiswonger – Retired insurance agent and past owner and operator of the Neiswonger Insurance Agency Inc.

Thomas B. Ray - President of Thomas G. Ray, Inc. and Avonelle, Inc., companies engaged in the supermarket business

Richard A. Shirey - Owner of Shirey Farms dairy farm and ECM Exploration, a natural gas production company

Executive Officers

James L. Kifer

President, Chief Executive Officer and Chief Financial Officer

Michael Fornof

Executive Vice President and Chief Credit Officer

Registrar and Transfer Agent

Shareholders who wish to change the name, address or ownership of stock, report lost stock certificates, or consolidate stock accounts should contact:

Philadelphia Stock Transfer, Inc.
2320 Haverford Road
Suite 230
Ardmore, Pennsylvania 19003
Telephone (866)-223-0448

Annual Meeting

The Annual Meeting of Shareholders of the Bank will be held on Wednesday, May 23, 2018, at 10:00 a.m. at the offices of Structural Modulars, Inc., 110 Southern Avenue, Strattanville, Pennsylvania.

(THIS PAGE LEFT INTENTIONALLY BLANK)

(THIS PAGE LEFT INTENTIONALLY BLANK)

CLARION COUNTY
COMMUNITY BANK

Corporate Office: 333 W. Main Street, Clarion, Pennsylvania 16214 - (814) 226-6000
New Bethlehem Office: 308 Broad Street, New Bethlehem, Pennsylvania 16242 - (814) 275-1806
Rimersburg Office: 592 Main Street, Rimersburg, Pennsylvania 16248 – (814) 473-3000
Franklin Office: 1272 Elk Street, Franklin, Pennsylvania 16323 – (814) 437-1000