WELCOME

TO 21ST-CENTURY BANKING

Mars National Bancorp

Annual Report
2015



WHAT DOES A 21ST-CENTURY COMMUNITY BANK LOOK LIKE?

"Branch of the Future" Richland Office
- Open floor plan
- Self-service convenience boxes

myMNB Online Suite of Services
- Online Banking and Bill Pay
- Mobile Banking App
- Mobile Remote Deposit
- Popmoney Person-to-Person Payments
- Text Banking

Award Winning Service
- Best Mortgage Lender (Gold award)
- Best Bank (Silver award)

AT MARS NATIONAL BANK

we are committed to relationship-driven, independent community banking. That means continuing to be focused on the people, the businesses and the communities we serve. Local decision-making, by people that live and work in our communities. With an unwavering commitment to serve each customer as they choose: in person, on the phone, or through technology. We are Your One True Community Bank

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MESSAGE TO SHAREHOLDERS

INTRODUCTION

I am pleased to share information about our key accomplishments during the past year, along with what we envision lies ahead for the coming year. As a relationship driven community bank, Mars National Bancorp remains committed to its locally-owned, independent bank mission. We will manage by sound financial principles, follow traditional lending practices, provide safety to our depositor accounts, offer current technology solutions, contribute to the well being of our communities and provide a fair return to our shareholders.

We grew our total loans outstanding by 15%, originating commercial, mortgage and home equity loans totaling $18 million, $53 million and $14 million, respectively.

KEY ACCOMPLISHMENTS

During 2015, we again provided stable financial results and consistent dividends, improved core earnings, and successfully accomplished the following key objectives:

- Originated commercial, mortgage and home equity loans totaling $18 million, $53 million and $14 million, respectively, growing our total loans outstanding by 15%.
- Maintained effective and consistent loan underwriting, monitoring and collection practices resulting in very strong credit quality.
- Successfully implemented numerous consumer lending regulations, including the new Truth in Lending Real Estate Settlement and Procedures Act, Integrated Disclosure ("TRID") rules, in accordance with the required deadlines.
- Designed and built a "branch of the future" at the Richland Office location, allowing us to showcase our 21st century community bank.
- Effectively consolidated our ancillary products and services as well as our system support activities to a new core application platform resulting in greater efficiencies, lower costs and reduced processing risks.
- Successfully launched and marketed our upgraded on-line banking, mobile banking, mobile deposit and merchant services products.
- Improved our cybersecurity program and related control activities to further protect customer information.
- Implemented a formalized marketing, communications and public relations plan improving our value and recognition in the market place.
- Demonstrated our unwavering commitment to the communities we serve through expanded employee volunteerism and strong financial support.
- Focused on bank-wide profit improvement and expense management.
- Recognized, by our customers, as the Best Mortgage Lender (Gold) and Best Bank (Silver) in a local publication's Community Choice Awards.

FINANCIAL RESULTS

Net income for 2015 totaled $1,010,000, as compared to $1,167,000 for the same period in the prior year, a decrease of $157,000 or -13.5%. As we have discussed in this letter in previous years, earnings continue to be challenged by the protracted flat interest rate environment, declining yields on earning assets and higher regulatory and operating costs. Despite these challenges, we continue to deliver stable financial performance and have maintained our dividend providing a very competitive yield of 3%. The key items impacting our financial results were as follows:

We designed and built a "branch of the future" at the Richland Office location, allowing us to showcase our 21st century community bank.

- Net interest income decreased by $9,000 or 0.1% for the twelve months ended December 31, 2015 as compared to the same period in 2014. The decrease of $9,000 was primarily due to the decrease in average investment security balances of $22.6 million for the twelve months ended December 31, 2015 as compared to the same period in 2014 and earned interest yields which continue to contract. This was partially offset by an increase in average loan receivables of $36.0 million for the twelve months ended December 31, 2015 compared to the same period in 2014. The net interest spread and net interest margin decreased slightly to 2.86% and 2.92% for the year ended December 31, 2015, respectively, as compared to 3.03% and 3.09% for the same period in 2014, respectively.
- Loans outstanding increased to $224.4 million or 14.6% at December 31, 2015 as compared to $195.7 at December 31, 2014 while deposits decreased slightly to $296.2 million or -1.4% at December 31, 2015 compared to $300.4 million at December 31, 2014.
- The provision for loan losses totaled $167,000 for the twelve months ended December 31, 2015 as compared to $105,000 for the same period in the prior year. Our credit quality position at December 31, 2015 remained very strong as evidenced by delinquencies at 0.09% of total loans, nonaccrual loans at 0.86% of total loans and the allowance for loan losses to loans coverage at 1.06%.
- Non-interest income decreased by $116,000 or 4.3% for the twelve months ended December 31, 2015. The decrease was primarily the result of a reduction in gain on sale of assets of $277,000 primarily due the recognized one-time gain of $347,000 associated with the sale of a branch office in 2014. Without this one-time gain variance, non-interest income would have increased $161,000 in 2015 as compared to 2014. This increase was primarily due to an increase in residential mortgage income of $307,000 and FHLB stock dividends of $118,000 which was partially offset by a decrease in investment service fees of $201,000 and a decrease in service charges on deposits of $19,000 and fees associated with debit card activity of $23,000.

- Non-interest expense decreased by $160,000 or 1.4% for the twelve months ended December 31, 2015, primarily related to decreases in consulting costs $144,000, legal costs of $61,000, miscellaneous of $55,000 and salary and employee benefit costs of $47,000. These decreases were partially offset by an increase in PA Shares Tax of $82,000, computer services of $54,000 and equipment expense of $36,000.
- We recognized an income tax expense of $125,000 for the twelve months ended December 31, 2015 as compared to a $5,000 income tax benefit for the same period in the prior year.

The Bank was recognized, by our customers, as the Best Mortgage Lender (Gold) and Best Bank (Silver) in a local publication's Community Choice Awards.

KEY FOCUS

We have assembled a very experienced and talented team of professionals and believe they are the cornerstone to our future growth and success. As we continue to evolve into a high performing community bank, our drive, passion and commitment will continue as we focus on the following key objectives for the coming year:

- Expand our existing and develop new customer relationships through more active calling, on-boarding, utilizing relationship and pipeline reports, sales training and our retail personal banking service model.
- Originate commercial, mortgage and home equity loans while increasing our total loans outstanding.
- Maintain strong credit practices and comply with the growing number of consumer lending regulations.
- Roll-out our first time home buyer mortgage product coupled with a financial education program.
- Retain and grow core deposits by refreshing our product offering, providing promotional rates for new and incremental monies, cross selling loan-only customers, expanding municipal and school district relationships and rewarding long-time large balance customers.
- Continue to support our business and community development activities through a targeted advertising program.
- Implement a formalized email communication and social media marketing plan.
- Re-issue EMV chip debit cards to our customers in order to provide improved security.
- Design our next "branch of the future" at the existing Cranberry Office location.
- Continue to enhance our information security activities to protect our customers and reduce incidences of fraud.
- More aggressively manage our infrastructure and operating costs.
- Maintain our strong community commitment with a special focus on implementing a branded financial literacy program at our local high schools.

We demonstrated our unwavering commitment to the communities we serve through expanded employee volunteerism and strong financial support.

YEAR AHEAD

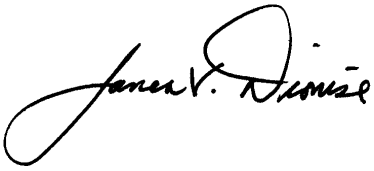
While our national and local economies continue to show some improvement, we anticipate very little change in the rate environment despite action taken by the Federal Reserve during December of 2015. With depressed commodity prices and a volatile stock market, we anticipate a flattening of the yield curve which will put even further downward pressure on earning asset yields. We also expect more competition in the market place, potentially leading to relaxed credit standards and possible further regulatory scrutiny of the financial services industry.

CLOSING

Despite these many external challenges, we believe there are still opportunities to grow our bank. With expanded customer relationships, momentum in our lending programs, outstanding credit quality and an experienced team, we are encouraged and expect modestly improving core earnings for 2016 and into the mid-term.

As we have consistently stated in the past, we continue to believe that future growth opportunities remain available to a strong, relationship focused and capable independent community bank. We thank our Board for their dedication and wisdom, our customers for their loyalty and trust, our employees for their passion and commitment and our communities for providing a wonderful environment in which to live and work. And as always, we thank you, our shareholders, for your ongoing support and confidence.

Sincerely,



James V. Dionise
President and Chief Executive Officer

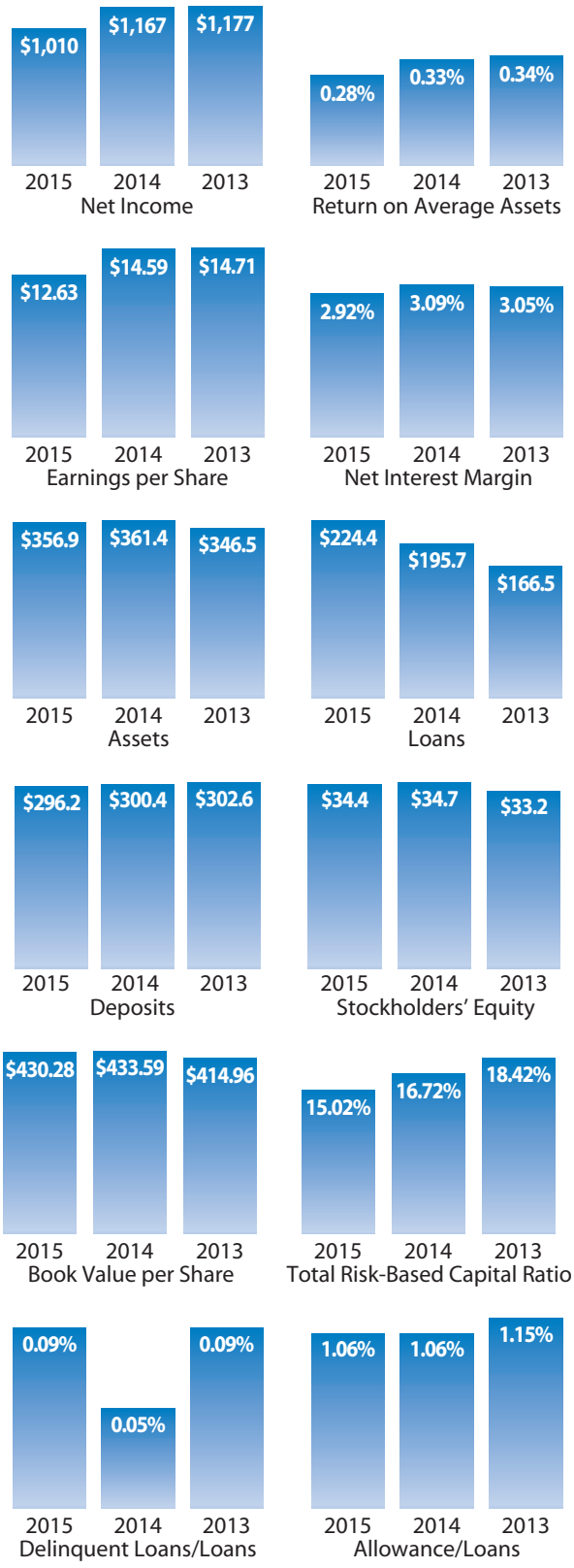


Dallas C. Hipple
Chairman of the Board

FINANCIAL HIGHLIGHTS

	2015	2014	Change
For the Year Ended December 31,			
(dollars in thousands, except per share data)			
EARNINGS			
Net interest income	**$ 9,653**	$ 9,662	-0.1%
Provision for loan losses	**167**	105	58.6%
Non-interest income	**2,594**	2,710	-4.3%
Non-interest expense	**10,945**	11,105	-1.4%
Income tax expense (benefit)	**125**	(5)	n/m
Net income	**1,010**	1,167	-13.5%
SHARE DATA			
Earnings per share	**$ 12.63**	$ 14.59	-13.4%
PERFORMANCE RATIOS			
Return on average assets	**0.28%**	0.33%	-5bps
Return on average equity	**2.89%**	3.43%	-54bps
Net interest margin	**2.92%**	3.09%	-17bps
Efficiency ratio	**89.37%**	89.76%	-39bps
At December 31			
(dollars in millions, except per share data)			
BALANCE SHEET			
Assets	**$ 356.9**	$ 361.4	-1.2%
Loans	**224.4**	195.7	14.6%
Deposits	**296.2**	300.4	-1.4%
Stockholders' equity	**34.4**	34.7	-0.8%
CAPITAL			
Book value per share	**$430.28**	$433.59	-0.8%
Total risk-based capital ratio	**15.02%**	16.72%	-170bps
CREDIT QUALITY			
Delinquent loans	**$ 0.2**	$ 0.2	-4.7%
Non-accrual loans	**1.9**	0.7	n/m
Delinquent loans/loans	**0.09%**	0.05%	4bps
Non-accrual loans/loans	**0.86%**	0.35%	51bps
Allowance for loan losses/loans	**1.06%**	1.06%	0bps

n/m - not meaningful



INDEPENDENT AUDITORS' REPORT

BAKER TILLY

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Board of Directors and Stockholders
Mars National Bancorp, Inc. and Subsidiaries

We have audited the accompanying consolidated financial statements of Mars National Bancorp, Inc. and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mars National Bancorp, Inc. and Subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Baker Tilly Virchow Krause, LLP

Pittsburgh, Pennsylvania
February 22, 2016

an independent member of
BAKER TILLY
INTERNATIONAL

An Affirmative Action Equal Opportunity Employer

Consolidated Balance Sheets

December 31,

	2015	2014
ASSETS		
Cash and due from banks	**$ 8,912,474**	$ 13,922,930
Interest-bearing deposits with banks	**1,035,801**	1,059,628
Cash and Cash Equivalents	**9,948,275**	14,982,558
Securities available for sale	**106,607,271**	137,315,746
Loans (net of unamortized cost of $84,656 in 2015 and $64,481 in 2014)	**224,390,136**	195,726,700
Less allowance for loan losses	**2,379,462**	2,073,815
Net Loans	**222,010,674**	193,652,885
Premises and equipment, net	**6,588,745**	4,740,092
Restricted investments in bank stock	**3,611,200**	2,805,700
Bank-owned life insurance	**5,411,696**	5,235,893
Accrued interest receivable and other assets	**2,756,376**	2,676,460
Total Assets	**$356,934,237**	$361,409,334
LIABILITIES		
Deposits:		
Non-interest-bearing demand	**$ 87,659,097**	$ 88,004,324
Interest-bearing demand	**41,933,383**	43,253,944
Savings	**80,029,476**	79,285,338
Money market	**56,215,839**	55,060,323
Time	**30,390,815**	34,810,347
Total Deposits	**296,228,610**	300,414,276
Borrowed funds	**24,938,466**	24,971,600
Accrued interest payable and other liabilities	**1,344,857**	1,336,306
Total Liabilities	**322,511,933**	326,722,182
STOCKHOLDERS' EQUITY		
Common stock, par value $.01 per share;		
1,000,000 shares authorized, 80,000 shares issued and outstanding	**800**	800
Capital surplus	**799,200**	799,200
Undivided profits	**34,018,724**	33,968,647
Accumulated other comprehensive loss	**(396,420)**	(81,495)
Total Stockholders' Equity	**34,422,304**	34,687,152
Total Liabilities and Stockholders' Equity	**$356,934,237**	$361,409,334

See notes to consolidated financial statements

Consolidated Statements of Income

Years Ended December 31,

	2015	2014
INTEREST INCOME		
Loans, including fees	**$ 7,893,250**	$ 7,173,907
Interest-bearing deposits with banks	**18,825**	21,544
Securities:		
Taxable	**1,702,111**	1,957,761
Exempt from federal income tax	**499,562**	976,795
Total Interest Income	**10,113,748**	10,130,007
INTEREST EXPENSE		
Deposits	**346,978**	422,015
Interest on borrowed funds	**114,279**	45,863
Total Interest Expense	**461,257**	467,878
Net Interest Income	**9,652,491**	9,662,129
Provision for Loan Losses	**166,500**	105,000
Net Interest Income after Provision for Loan Losses	**9,485,991**	9,557,129
NON-INTEREST INCOME		
Service charges on deposits	**195,376**	210,233
NSF fees	**136,473**	140,385
ATM processing fees	**431,689**	454,388
Investment services	**62,042**	263,284
Gain on sales of mortgages originated for sale	**435,480**	231,337
Net gain on sales of available for sale securities	**265,357**	283,820
Gain on sale of fixed assets	**69,500**	346,730
Other	**998,430**	780,290
Total Non-Interest Income	**2,594,347**	2,710,467
NON-INTEREST EXPENSE		
Salaries and employee benefits	**6,324,918**	6,371,462
Occupancy	**650,670**	664,321
Furniture and equipment	**785,230**	750,774
Pennsylvania shares tax	**334,547**	252,061
FDIC insurance	**215,071**	215,678
Professional fees	**301,299**	539,346
Other	**2,333,526**	2,311,713
Total Non-Interest Expense	**10,945,261**	11,105,355
Income before Income Taxes	**1,135,077**	1,162,241
Income Tax Expense (Benefit)	**125,000**	(4,947)
Net Income	**$ 1,010,077**	$ 1,167,188
Earnings per Share	**$ 12.63**	$ 14.59

See notes to consolidated financial statements

Consolidated Statements of Comprehensive Income

Years Ended December 31,

	2015	2014
Net Income	**$1,010,077**	$1,167,188
Other Comprehensive (Loss) Income, Net of Tax:		
Unrealized (loss) gains on securities:		
Unrealized holding (losses) gains arising during period (net of income (benefits) taxes of ($72,013) in 2015 and $757,336 in 2014)	**(139,789)**	1,470,121
Less: Reclassification adjustment for gains included in net income (net of income taxes of $90,221 in 2015 and $96,499 in 2014) (1)(2)	**(175,136)**	(187,321)
Other Comprehensive (Loss) Income	**(314,925)**	1,282,800
Comprehensive Income	**$ 695,152**	$2,449,988

(1) Gross amount included in net gain on sales of available for sale securities on consolidated statements of income 2015-$265,357, 2014-$283,820
(2) The income tax effect included in income tax expense (benefit) on consolidated statements of income

See notes to consolidated financial statements

Consolidated Statements of Stockholders' Equity

	COMMON STOCK	CAPITAL SURPLUS	UNDIVIDED PROFITS	ACCUMULATED OTHER COMPREHENSIVE LOSS	TOTAL
Balance at December 31, 2013	$ 400,000	$ 400,000	$ 33,761,459	$(1,364,295)	$ 33,197,164
Net income	-	-	1,167,188	-	1,167,188
Reorganization of Mars National Bank: Exchange of Common Stock	(399,200)	399,200	-	-	-
Other comprehensive income	-	-	-	1,282,800	1,282,800
Cash dividends declared on common stock at $12.00 per share	-	-	(960,000)	-	(960,000)
Balance at December 31, 2014	$ 800	$ 799,200	$ 33,968,647	$ (81,495)	$ 34,687,152
Net income	-	-	**1,010,077**	-	**1,010,077**
Other comprehensive loss	-	-	-	**(314,925)**	**(314,925)**
Cash dividends declared on common stock at $12.00 per share	-	-	**(960,000)**	-	**(960,000)**
Balance at December 31, 2015	**$ 800**	**$799,200**	**$34,018,724**	**$ (396,420)**	**$34,422,304**

See notes to consolidated financial statements

Consolidated Statements of Cash Flows

Years Ended December 31,

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	**$ 1,010,077**	$ 1,167,188
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	**166,500**	105,000
Provision for depreciation and amortization	**314,849**	302,062
Net amortization of securities premiums and discounts	**525,593**	678,993
Deferred income tax (benefit)/expense	**(40,729)**	113,114
Amortization/(accretion) of deferred loan fees and costs	**24,853**	(12,457)
Net realized gain on sale of securities available for sale	**(265,357)**	(283,820)
Proceeds from sales of mortgage loans originated for sale	**24,460,598**	13,346,680
Net gain on sale of mortgage loans originated for sale	**(435,480)**	(231,337)
Mortgage loans originated for sale	**(23,730,038)**	(13,089,043)
Net gain on disposal of premises and equipment	**(69,500)**	(346,221)
Earnings on investments in life insurance	**(175,803)**	(182,381)
Decrease in accrued interest receivable and other assets	**123,049**	255,352
Increase in accrued interest payable and other liabilities	**8,551**	363,548
Net Cash Provided by Operating Activities	**1,917,163**	2,186,678
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment securities available for sale:		
Purchases of securities	**(33,130,206)**	(20,972,906)
Proceeds from maturities, calls and principal repayments of securities	**35,996,093**	20,247,812
Proceeds from sales of securities	**27,105,191**	19,926,618
Net increase in loans receivable	**(28,844,222)**	(29,227,245)
Purchases of restricted bank stock	**(2,654,100)**	(1,628,700)
Redemptions of restricted bank stock	**1,848,600**	1,118,600
Proceeds from sale of bank premises and equipment	**69,500**	521,730
Purchases of premises and equipment	**(2,163,502)**	(264,838)
Net Cash Used in Investing Activities	**(1,772,646)**	(10,278,929)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net decrease in deposits	**(4,185,666)**	(2,224,739)
Net (decrease)/increase in other borrowings	**(33,134)**	15,284,100
Cash dividends paid	**(960,000)**	(960,000)
Net Cash (Used in) Provided by Financing Activities	**(5,178,800)**	12,099,361
Net Increase (Decrease) in Cash and Cash Equivalents	**(5,034,283)**	4,007,110
Cash and Cash Equivalents, Beginning of Year	**14,982,558**	10,975,448
Cash and Cash Equivalents, End of Year	**$ 9,948,275**	$ 14,982,558
SUPPLEMENTAL INFORMATION		
Interest paid	**$ 458,018**	$ 467,257
Income taxes paid	**$ 306,460**	$ -

See notes to consolidated financial statements

Notes to Consolidated Financial Statements

NOTE 1 - NATURE OF OPERATIONS AND BASIS OF PRESENTATION

The accompanying consolidated financial statements include the accounts of Mars National Bancorp, Inc. and its direct and indirect wholly-owned subsidiaries Mars National Bank ("the Bank") and Mars National Insurance Services, LLC. All material intercompany transactions have been eliminated.

As used in these notes to the consolidated financial statements, Mars National Bancorp, Inc. and its consolidated subsidiaries are collectively referred to as the "Company".

Effective July 1, 2014, and pursuant to the Plan and provisions of the National Bank Consolidation and Merger Act, the Bank reorganized to become a subsidiary of the parent holding company, Mars National Bancorp, Inc. Upon consummation of the Reorganization, each outstanding share of common stock of Mars National Bank was converted into one share of common stock of the Mars National Bancorp, Inc. Mars National Bancorp, Inc. owns all of the outstanding shares of common stock of the Bank. Accordingly, for presentation purposes, the accompanying financial statement information relating to periods prior to July 1, 2014 are reported under the name of Mars National Bancorp, Inc.

Mars National Bancorp, Inc. is incorporated under the laws of the Commonwealth of Pennsylvania and is under the regulatory jurisdiction of the Board of Governors of the Federal Reserve Bank. The Bank is subject to regulation and supervision by the Office of the Comptroller of the Currency ("OCC"). Mars National Bancorp, Inc.'s activity consists of owning and supervising its subsidiary Mars National Bank which is a national association located in Pennsylvania. The Bank derives its principal sources of revenue from its residential and commercial real estate portfolios, commercial, industrial and consumer loans, investment securities portfolio, as well as a variety of deposit services offered to its customers through five branch offices, which are located primarily in northern Allegheny and southern Butler counties. Mars National Insurance Services, LLC provides real estate settlement services and title insurance to the Bank's customers in connection with its residential and commercial real estate lending activities. Mars National Insurance Services, LLC is subject to review and conducts business under the jurisdiction of the OCC and the Pennsylvania Insurance Department ("PID").

In November 2014, the Bank exited a division which offered securities and advisory services, operating under the brand name of Mars National Advisors. There was no material financial statement impact resulting from this event.

The Company has evaluated events and transactions occurring subsequent to the balance sheet date of December 31, 2015 for items that should potentially be recognized or disclosed in the financial statements. The evaluation was conducted through February 22, 2016, the date these financial statements were available to be issued.

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES

A summary of significant accounting and reporting policies applied in the presentation of the accompanying consolidated financial statements follows:

Estimates
The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America ("GAAP"), requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, the potential impairment of restricted stock, the valuation of deferred tax assets and the determination of other-than-temporary impairment on securities.

Significant Concentrations of Credit Risk
Most of the Company's activities are with customers located within its local trade area. Note 3 discusses the types of securities in which the Company invests. Note 4 discusses the types of loans that the Company originates. The Company does not have any significant concentrations to any one industry or customer. Although the Company has a diversified loan portfolio, exposure to credit loss can be adversely impacted by downturns in local economic and employment conditions.

Securities
Currently, the Bank's investment securities portfolio is classified as available for sale. The portfolio serves principally as a source of liquidity and is carried at fair value, with unrealized gains and losses reported as increases or decreases to other comprehensive (loss) income, net of tax, until realized. Debt securities acquired with the intent to hold to maturity would be classified as held to maturity and carried at amortized cost. Premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Realized gains and losses on sales of securities available for sale are computed using the specific identification method. Interest and dividends on investment securities are recognized as income when earned.

Restricted Investments in Bank Stock
The Bank owns restricted stock investments in the Federal Home Loan Bank of Pittsburgh ("FHLB"), the Federal Reserve Bank ("FRB") and Atlantic Community Bankers Bank ("ACBB"). The investment in FHLB stock at December 31, 2015 and 2014 totaled $3,507,200 and $2,781,700, respectively. The FRB stock investment was $24,000 at December 31, 2015 and 2014. The Bank established a relationship in 2015 with ACBB which resulted in an original $80,000 investment in ACBB. At December 31, 2015, the ACBB investment remained $80,000. The investments are required by law according to predetermined formulas. These investments are carried at cost.

The FHLB pays a dividend to the Bank for its restricted stock investment in the FHLB. The Bank earned $216,593 and $98,202 in dividends in 2015 and 2014, respectively. In addition, the FHLB continues to repurchase excess capital stock consistent with its practice in past quarters. Repurchase of capital stock totaled $1,848,600 and $1,118,600 in 2015 and 2014, respectively.

Management evaluates the restricted stock for impairment in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 942-325-35, Accounting by Certain Entities (Including Entities With Trade Receivables) That Lend to or Finance the Activities of Others. Management's determination of whether these investments are impaired is based on its assessment of the ultimate recoverability of their cost, rather than by recognizing temporary declines in value. The determination of whether a decline affects the ultimate recoverability of their cost 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 restricted stock as of December 31, 2015 and 2014.

Other-Than-Temporary Impairment
The Company reviews its investment portfolio on a quarterly basis for indications of other-than-temporary impairment ("OTTI"). This review includes analyzing the length of time and the extent to which fair value has been lower than cost, the financial condition and near-term prospects of the issuer, including any specific events that may influence the operations of the issuer, and the Bank's intent and ability to hold the investment for a period of time sufficient to allow for any anticipated recovery in the market.

The Company recognizes credit-related OTTI on debt securities in earnings while noncredit-related OTTI on debt securities not expected to be sold is recognized in accumulated Other Comprehensive Income ("OCI"). The

Company assesses whether the credit loss existed by considering whether (1) the Company has the intent to sell the security, (2) it is more likely than not that the Company will be required to sell the security before recovery, or (3) the Company does not expect to recover the entire amortized cost basis of the security. The Company can bifurcate the OTTI on securities not expected to be sold or where the entire amortized cost of the security is not expected to be recovered into the components representing credit loss and the component representing loss related to other factors. The portion of the fair value decline attributable to credit loss is recognized through earnings.

Loans

Loans that the Company has the intent and ability to hold for the foreseeable future or until maturity or payoff are stated at their outstanding unpaid principal balances, net of an allowance for loan losses ("ALLL") and any deferred fees or costs. Interest income is accrued on the unpaid principal balance. The loans receivable portfolio is segmented into commercial and industrial, consumer and real estate loans. Real estate loans consist of the following classes: residential and commercial.

For all classes of loans, the accrual of interest is generally discontinued when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about further collectibility of principal or interest, even though the loan is currently performing. A loan may remain on accrual status if it is in the process of collection and is either guaranteed or well secured. When a loan is placed on non-accrual status, unpaid interest credited to income in the current year is reversed and unpaid interest accrued in prior years is charged against the allowance for loan losses. Interest received on non-accrual loans generally is either applied against principal or reported as interest income, according to management's judgment as to the collectibility of principal. Generally, loans are restored to accrual status when the obligation is brought current, has performed in accordance with the contractual terms for a reasonable period of time and the ultimate collectibility of the total contractual principal and interest is no longer in doubt. The past due status of all classes of loans receivable is determined based on contractual due dates for loan payments.

Loan Origination Fees and Costs

Loan origination fees and certain direct loan origination costs are being deferred. The net amount is amortized as an adjustment to the related loan's yield. Management is amortizing these amounts over the contractual life of the related loans. As of December 31, 2015 and December 31, 2014, net deferred costs totaled $78,594 and $57,203, respectively.

Commitment fees that are based on a percentage of a customer's unused lines of credit and fees related to standby letters of credit are recognized as income during the commitment period.

Mortgages Held for Sale

Mortgages originated and intended for sale in the secondary market are carried at the lower of cost or estimated fair value in the aggregate. Net unrealized losses, if any, are recognized through a valuation allowance by charges to income. Mortgages held for sale are sold with servicing rights released. Gains and losses on sales of mortgages are based on the difference between the selling price and the carrying value of the related mortgage sold.

Allowance for Credit Losses

The allowance for credit losses consists of the allowance for loan losses and the reserve for unfunded lending commitments. The allowance for loan losses represents management's estimate of losses inherent in the loan portfolio as of the balance sheet date and is recorded as a reduction to loans. The reserve for unfunded lending commitments represents management's estimate of losses inherent in its unfunded loan commitments and is recorded in other liabilities on the consolidated balance sheet. The allowance for loan losses is increased by the provision for loan losses, and decreased by charge-offs, net of recoveries. Loans deemed to be uncollectible are charged against the allowance for loan losses, and subsequent recoveries, if any, are credited to the allowance. All,

or part, of the principal balance of loans receivable are charged off to the allowance as soon as it is determined that the repayment of all, or part, of the principal balance is highly unlikely. No portion of the allowance for loan losses is restricted to any individual loan or groups of loans, and the entire allowance is available to absorb any and all loan losses.

The allowance for loan losses is maintained at a level considered adequate to absorb losses that can be reasonably anticipated. Management's periodic evaluation of the adequacy of the allowance is based on past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect a borrower's ability to repay, estimated value of any underlying collateral, composition of the loan portfolio, current economic conditions and other relevant factors. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of specific, general and inherent risk components. The specific component relates to loans that are classified as impaired. For loans that are classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers pools of loans by loan type including commercial and commercial real estate loans not considered impaired, as well as smaller balance homogeneous loans, such as residential real estate, home equity and other consumer loans and further segmented by risk ratings of pass, special mention, substandard, and doubtful.

An inherent risk component of the Company's allowance for loan losses is maintained to cover uncertainties that could affect management's estimate of probable losses. The inherent risk component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

Pass pools of loans are evaluated for loss exposure based upon historical loss rates for each of these categories of loans, adjusted for qualitative factors. These qualitative risk factors include:

- Changes in lending policies and procedures, including underwriting standards and collection, charge-off, and recovery practices;
- Changes in national and local economic and business conditions, including the condition of various market segments;
- Changes in the nature and volume of the portfolio;
- Changes in the experience, ability, and depth of lending management and staff;
- Changes in the volume and severity of past due and classified loans, and in the volume of non-accruals, troubled debt restructurings, and other loan modifications;
- Changes in the quality of the Company's loan review system and the degree of oversight by the Company's Board of Directors;
- Changes in the value of underlying collateral for collateral-dependent loans;
- The existence and effect of any concentrations of credit, and changes in the level of such concentrations;
- The effect of external factors, such as competition and legal and regulatory requirements, on the level of estimated credit losses in the Company's current portfolio.

Each factor is assigned a value to reflect improving, stable or declining conditions based on management's best judgment using relevant information available at the time of the evaluation. Adjustments to the factors are supported through documentation of changes in conditions in a narrative accompanying the allowance for loan loss calculation.

Included in the Company's loan assets are loans to business owners of many types. The Company makes commercial loans for real estate development and other business purposes required by the customer base.

The Company's credit policies determine advance rates against the different forms of collateral that can be pledged against commercial and industrial loans. Typically, the majority of loans will be limited to a percentage of their underlying collateral values such as real estate values, equipment, eligible accounts receivable and inventory. Individual loan advance rates may be higher or lower depending upon the financial strength of the borrower and/or term of the loan. The assets financed through commercial loans are used within the business for its ongoing operation. Repayment of these kinds of loans generally comes from the cash flow of the business or the ongoing conversions of assets. Commercial real estate loans include long-term loans financing commercial properties. Repayment of this kind of loan is dependent upon either the ongoing cash flow of the borrowing entity or the resale of or lease of the subject property. Commercial real estate loans typically require a loan to value ratio of not greater than 80% and vary in terms.

Residential mortgages and home equity loans are secured by the borrower's residential real estate in either a first or subordinate lien position. Residential mortgages and home equity loans have varying loan rates depending on the loan to value ratio. Residential mortgages have amortizations up to 30 years and home equity loans have maturities up to 20 years. Other consumer loans include student loans, installment loans, car loans, and overdraft lines of credit.

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

The estimated fair values of substantially all of the Company's impaired loans are measured based on the estimated fair value of the loan's collateral. For commercial loans secured by real estate, estimated fair values are determined primarily through third-party appraisals. When a real estate secured loan becomes impaired, a decision is made regarding whether an updated appraisal of the real estate is necessary. This decision is based on various considerations, including the age of the most recent appraisal, the loan-to-value ratio based on the original appraisal and the condition of the property. Appraised values are discounted by the estimated costs to sell the property to arrive at the estimated selling price of the collateral, which is considered to be the estimated fair value.

For commercial and industrial loans secured by non-real estate collateral, such as accounts receivable, inventory and equipment, estimated fair values are determined based on the borrower's financial statements, inventory reports, accounts receivable agings or equipment appraisals or invoices. Indications of value from these sources are generally discounted based on the age of the financial information or the quality of the assets.

Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Company does not separately identify individual residential mortgage loans, home equity loans and other consumer loans for impairment disclosures, unless such loans are the subject of a troubled debt restructuring agreement.

Loans whose terms are modified are classified as troubled debt restructurings if the Company grants such borrowers concessions that would not be granted to other customers and it is deemed that those borrowers are experiencing financial difficulty. Concessions granted under a troubled debt restructuring generally involve a temporary reduction in interest rate or an extension of a loan's stated maturity date. Non-accrual troubled debt restructurings are restored to accrual status if principal and interest payments, under the modified terms, are current for six consecutive months after modification. Loans classified as troubled debt restructurings are designated as impaired.

The allowance calculation methodology includes further segregation of loan classes into risk rating categories. The borrower's overall financial condition, repayment sources, guarantors and value of collateral, if appropriate, are evaluated annually for commercial loans or when credit deficiencies arise, such as delinquent loan payments, for commercial and consumer loans. Credit quality risk ratings include regulatory classifications of special mention, substandard, doubtful and loss. Loans classified special mention have potential weaknesses that deserve management's close attention. If uncorrected, the potential weaknesses may result in deterioration of the repayment prospects. Loans classified substandard have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They include loans that are inadequately protected by the current sound net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans classified doubtful have all the weaknesses inherent in loans classified substandard with the added characteristic that collection or liquidation in full, on the basis of current conditions and facts, is highly improbable. Loans classified as a loss are considered uncollectible and are charged to the allowance for loan losses. Loans not criticized or classified are rated pass.

In addition, Federal regulatory agencies, as an integral part of their examination process, periodically review the Company's allowance for loan losses and may require the Company to recognize additions to the allowance based on their judgments about information available to them at the time of their examination, which may not be currently available to management. Based on management's comprehensive analysis of the loan portfolio, management believes the current level of the allowance for loan losses is adequate.

Foreclosed Assets
Foreclosed assets are comprised of property acquired through a foreclosure proceeding or acceptance of a deed in lieu of foreclosure. Such properties are included in other assets. The Company did not have any foreclosed assets at December 31, 2015 and 2014.

Foreclosed assets initially are recorded at fair value, net of estimated selling costs, at the date of foreclosure establishing a new cost basis. After foreclosure, valuations are periodically performed by management and the assets are carried at the lower of cost or fair value minus estimated costs to sell. Revenues are included in other income and expenses from operations and changes in the valuation allowance are included in other expense.

Premises and Equipment
Premises and equipment are carried at cost less accumulated depreciation and amortization. Depreciation is computed using both the straight-line and accelerated methods over the estimated useful lives of the premises and equipment. Charges for maintenance and repairs are expensed as incurred.

Bank-Owned Life Insurance
The Company purchased insurance on the lives of certain key executive officers. The policies accumulate asset values to meet future liabilities, including the payment of employee benefits. Increases in the cash surrender value

and proceeds upon the death of a key employee are recorded as noninterest income in the Consolidated Statements of Income. The cash surrender value of bank-owned life insurance is recorded as an asset on the Consolidated Balance Sheets.

Advertising Costs
The Company follows the policy of charging the costs of advertising to expense as incurred. Total advertising expense for the years ended December 31, 2015 and 2014 was $333,636 and $339,781, respectively.

Income Taxes
Certain income and expense items are accounted for in different years for financial reporting purposes than for income tax purposes. Deferred taxes are provided to recognize these temporary differences. The principal items involved are investment securities, provision for loan losses and benefit plans. Income tax expense is not proportionate to earnings before taxes, principally because income from obligations of states and political subdivisions and increases in the cash surrender value of bank-owned life insurance is nontaxable. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more-likely-than-not that some portion of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

A tax position is recognized as a benefit at the largest amount that is more-likely-than-not to be sustained in a tax examination based solely on its merits. An uncertain tax position will not be recognized if it has less than 50% likelihood of being sustained. Under the threshold guidelines, the Company believes no significant uncertain tax positions exist, either individually or in the aggregate, that would result in recognition of a liability for unrecognized tax benefits as of December 31, 2015 and 2014.

Earnings per Share
The Company has a simple capital structure. Basic earnings per share represents income available to common stockholders divided by the weighted average number of common shares outstanding during each period. The average weighted shares outstanding were 80,000 for the years ended December 31, 2015 and 2014.

Cash and Cash Equivalents
The Company has defined cash and cash equivalents as those amounts included in the balance sheet captions cash and due from banks and interest-bearing deposits with banks.

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 and letters of credit. Such financial instruments are recorded in the balance sheet when they are funded.

Comprehensive Income
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 unrealized gains and losses on securities available for sale, are reported as a separate component in the equity section of the balance sheet, such items, along with net income, are components of comprehensive income. The only component of other comprehensive (loss) income for the years ended December 31, 2015 and 2014 is the net unrealized gain and loss on securities available for sale.

Reclassifications
Certain comparative amounts for the prior year have been reclassified to conform to current year classifications. Such reclassifications had no effect on net income or stockholders' equity.

Recent Accounting Standards

In January 2015, the FASB issued ASU 2015-01, "Income Statement—Extraordinary and Unusual Items". ASU 2015-01 simplified income statement presentation by eliminating from GAAP the concept of extraordinary items. The ASU is effective for reporting periods beginning after December 15, 2015, with early adoption permitted. A reporting entity may apply ASU 2015-01 prospectively or retrospectively to all prior periods presented in the financial statements. The adoption of this standard will not have an effect on the financial statements, results of operations, or liquidity of the Company, as the Company has not reported extraordinary items.

In August 2014, the FASB issued ASU No. 2014-14, "Receivables—Troubled Debt Restructurings by Creditors." ASU 2014-14 requires that a mortgage loan be derecognized and that a separate other receivable be recognized upon foreclosure if the following conditions are met: (1) the loan has a government guarantee that is not separable from the loan before foreclosure; (2) at the time of foreclosure, the creditor has the intent to convey the real estate property to the guarantor and make a claim on the guarantee, and the creditor has the ability to recover under that claim; and (3) at the time of foreclosure, any amount of the claim that is determined on the basis of the fair value of the real estate is fixed. Upon foreclosure, the separate other receivable should be measured based on the amount of the loan balance (principal and interest) expected to be recovered from the guarantor. An entity can adopt the amendments in this guidance using either a prospective transition method or a modified retrospective method. For prospective transition, an entity should apply the amendments in this update to foreclosures that occur after the date of adoption. For modified retrospective transition, an entity should apply the amendments in this update by means of a cumulative-effect adjustment as of the beginning of the annual period of adoption. Prior periods should not be adjusted. The requirements of ASU 2014-14 are effective for nonpublic entities for reporting periods beginning after December 15, 2015, with early adoption permitted. The adoption of this update is not expected to have a material effect on the financial statements, results of operations or liquidity of the Company.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers", which establishes a comprehensive revenue recognition standard for virtually all industries under U.S. GAAP, including those that previously followed industry-specific guidance such as the real estate, construction and software industries. ASU 2014-09 specifies that an entity shall recognize revenue when, or as, the entity satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when, or as, the customer obtains control of the asset. Entities are required to disclose qualitative and quantitative information on the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. In August 2015, the FASB issued ASU 2015-14 which deferred the effective date of ASU 2014-09 by one year. ASU 2014-09 is now effective for fiscal years, and interim periods within those years, beginning after December 15, 2017, with early adoption not permitted. The Company is evaluating the provisions of ASU 2014-09, but believes that its adoption will not have a material impact on the Company's financial condition or results of operations.

Notes to Consolidated Financial Statements

NOTE 3 - SECURITIES AVAILABLE FOR SALE

The amortized cost and estimated fair value of securities available for sale at December 31, 2015 and 2014 are summarized as follows:

	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
DECEMBER 31, 2015				
U.S. government agencies and corporations	**$ 75,155,777**	**$ 21,621**	**$(469,888)**	**$ 74,707,510**
Obligations of states and political subdivisions	**5,210,442**	**59,385**	**(220)**	**5,269,607**
Mortgage-backed securities	**26,841,688**	**119,972**	**(331,506)**	**26,630,154**
Total	**$107,207,907**	**$200,978**	**$(801,614)**	**$106,607,271**
DECEMBER 31, 2014				
U.S. government agencies and corporations	$ 63,769,567	$ 43,670	$ (674,057)	$ 63,139,180
Obligations of states and political subdivisions	24,040,692	309,764	(14,237)	24,336,219
Mortgage-backed securities	49,628,963	516,605	(305,221)	49,840,347
Total	$ 137,439,222	$ 870,039	$ (993,515)	$ 137,315,746

The majority of the mortgaged-backed securities ("MBS") represent residential mortgages as of December 31, 2015 and 2014. The remainder of the mortgaged-backed securities are comprised of Mortgage-Backed Delegated Underwriting and Servicing ("DUS") Bonds. At December 31, 2015 and 2014, the Company had a fair value of $6,523,658 and $9,037,773 in DUS Bonds, respectively. These MBS securities are issued by Fannie Mae ("FNMA") consisting of a single loan or a pool of loans backed by multifamily properties, which must be income producing and consist of at least five residential units. These bonds carry FNMA backing and an implied government guarantee. The bonds pay timely monthly principal and interest and are structured with 5,7,10,15,18 year fixed-rate balloon maturities and 25 or 30 year amortization schedules, depending on the life of the property. DUS loans include a prepayment deterrent fee, or yield maintenance contract, which mitigates prepayment risk on the securities. The yield maintenance period often encompasses the majority of the life of the loan. The bonds are typically structured with a 7 or 10-year balloon term, and a 6.5 or 9.5 yield maintenance period, respectively.

Notes to Consolidated Financial Statements

The amortized cost and estimated market value of securities available for sale at December 31, 2015, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	AMORTIZED COST	FAIR VALUE
Due in one year or less	$ -	$ -
Due after one year through five years	67,750,129	67,407,634
Due after five years through ten years	17,823,480	17,815,017
Due after ten years	21,634,298	21,384,620
Total	**$107,207,907**	**$106,607,271**

Investment securities available for sale with a fair value of $31,008,785 and $31,361,682 at December 31, 2015 and 2014, respectively, were pledged to secure public deposits as required by law.

Sales of securities generated proceeds of $27,105,191 and $19,926,618 in 2015 and 2014, respectively. The Company realized gross gains and losses on sales of these securities of $266,284 and $927 in 2015 and $313,197 and $29,377 in 2014.

The following tables show the Company's investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2015 and 2014:

	LESS THAN 12 MONTHS		12 MONTHS OR MORE		TOTAL	
	FAIR VALUE	UNREALIZED LOSSES	FAIR VALUE	UNREALIZED LOSSES	FAIR VALUE	UNREALIZED LOSSES
DECEMBER 31, 2015						
U.S. government agencies and corporations	**$46,751,558**	**$253,979**	**$16,959,724**	**$215,909**	**$63,711,282**	**$469,888**
Obligations of states and political subdivisions	**199,780**	**220**	-	-	**199,780**	**220**
Mortgage-backed securities	**10,772,022**	**114,138**	**10,933,684**	**217,368**	**21,705,706**	**331,506**
Total	**$57,723,360**	**$368,337**	**$27,893,408**	**$433,277**	**$85,616,768**	**$801,614**
DECEMBER 31, 2014						
U.S. government agencies and corporations	$ 10,077,196	$ 25,902	$ 40,331,095	$ 648,155	$ 50,408,291	$ 674,057
Obligations of states and political subdivisions	1,158,233	5,887	610,994	8,350	1,769,227	14,237
Mortgage-backed securities	1,203,123	277	25,211,231	304,944	26,414,354	305,221
Total	$ 12,438,552	$ 32,066	$ 66,153,320	$ 961,449	$ 78,591,872	$ 993,515

There has been an increase in the number and dollar amount from December 31, 2014 to December 31, 2015 of securities that have unrealized losses. At December 31, 2015, sixty-seven securities totaling $85.6 million were in an unrealized loss position compared to sixty-six securities totaling $78.6 million in an unrealized loss position at December 31, 2014. The individual losses ranged from $2 to $45,727 at December 31, 2015 as compared to losses that ranged from $236 to $103,018 at December 31, 2014 and the total unrealized loss decreased from $993,515 at December 31, 2014 to $801,614 at December 31, 2015. The primary driver behind the market value changes of these securities relate to various changes in interest rates. There was a decrease in the number and dollar amount of securities with unrealized losses more than 12 months. At December 31, 2015, twenty-three securities totaling $27.9 million were in an unrealized loss position more than twelve months compared to fifty-three securities totaling $66.2 million in an unrealized loss position at December 31, 2014. The main reason some of these bonds still have unrealized losses relates to their original purchase date and the interest rate/spreads that were in effect at that date. Furthermore, there has been no material negative change in credit issues in the portfolio. Sixty-six of the securities with amortized cost principal balances totaling $86.2 million have the explicit or implicit guarantee of the U.S. Government. The remaining one security relates to obligations of states and political subdivisions. The Company has performed an analysis of these securities as summarized in the "Other-Than-Temporary Impairment" accounting policy. Management believes that the unrealized losses are temporary in nature and are a result of the current interest rate environment and not a reflection of credit quality.

NOTE 4 - LOANS

The Company's loan portfolio is segmented to enable management to monitor risk and performance. The real estate loans are further classified into two classes. Residential mortgages include those secured by first and second lien residential properties while commercial mortgages are comprised of loans to commercial customers for self-use or income-producing commercial or residential real estate. The commercial and industrial segment consists of loans to finance the activities of commercial customers. The consumer segment consists primarily of student, auto loans and personal loans.

Residential mortgage loans are typically longer-term loans which generally entail greater interest rate risk than consumer and commercial loans. Under certain economic conditions, housing values may decline, which may increase the risk that the collateral values are insufficient. Commercial real estate loans generally present a higher level of risk than loans secured by residences. This greater risk is due to several factors including but not limited to concentration of principal in a limited number of loans and borrowers, the effect of general economic conditions on income producing properties and the increased difficulty in monitoring these types of loans. Furthermore, the repayment of commercial real estate loans is typically dependent upon successful operation of the related real estate project. If the cash flow from the project is reduced by such occurrences as leases not being obtained, renewed or not entirely fulfilled, the borrower's ability to repay the loan may be impaired. Commercial and industrial loans are primarily secured by business assets, inventories and accounts receivable which present collateral risk. Consumer loans generally have higher interest rates and shorter terms than residential mortgage loans, however, they have additional credit risk due to the type of collateral securing the loan.

Major classifications of loans receivable at December 31, 2015 and 2014 are summarized as follows:

	2015	2014
Real Estate:		
Residential	**$114,822,184**	$ 95,655,533
Commercial	**85,241,911**	68,499,360
Commercial and industrial	**21,745,060**	28,311,978
Consumer	**2,496,325**	3,195,348
Total	**224,305,480**	195,662,219
Less unamortized cost	**(84,656)**	(64,481)
	224,390,136	195,726,700
Less allowance for loan losses	**2,379,462**	2,073,815
Net Loans	**$222,010,674**	$193,652,885

In the normal course of business, loans are extended to directors, executive officers and their related interests and affiliates. In management's opinion, all of these loans are on substantially the same terms and conditions as loans to other individuals and businesses of comparable creditworthiness. The aggregate amount of credit extended to these directors and executive officers at December 31, 2015 and 2014 was $438,100 and $659,531, respectively. During 2015, $58,352 of new loans and principal advances were made and repayments totaled $279,783.

Mortgages held for sale totaled $181,720 and $476,800 as of December 31, 2015 and 2014, respectively, and are included in the residential real estate balances above.

NOTE 5 - ALLOWANCE FOR LOAN LOSSES

The following table presents the classes of the loan portfolio summarized by the aggregate pass rating and the classified ratings of special mention, substandard and doubtful within the Company's internal risk rating system as of December 31, 2015 and 2014:

	PASS	SPECIAL MENTION	SUBSTANDARD	DOUBTFUL	TOTAL
DECEMBER 31, 2015					
Real Estate:					
Residential	**$114,650,112**	**$ 28,859**	**$ 143,213**	**$ -**	**$114,822,184**
Commercial	**85,109,878**	**-**	**132,033**	**-**	**85,241,911**
Commercial and industrial	**19,496,748**	**599,406**	**1,648,906**	**-**	**21,745,060**
Consumer	**2,496,325**	**-**	**-**	**-**	**2,496,325**
Total	**$221,753,063**	**$628,265**	**$1,924,152**	**$ -**	**$224,305,480**
DECEMBER 31, 2014					
Real Estate:					
Residential	$ 95,434,560	$ 39,572	$ 181,401	$ -	$ 95,655,533
Commercial	67,894,670	19,946	584,744	-	68,499,360
Commercial and industrial	27,637,825	674,153	-	-	28,311,978
Consumer	3,195,348	-	-	-	3,195,348
Total	$ 194,162,403	$ 733,671	$ 766,145	$ -	$ 195,662,219

Notes to Consolidated Financial Statements

The performance and credit quality of the loan portfolio is also monitored by analyzing the age of the loans receivable as determined by the length of time a recorded payment is past due. The following table presents the classes of the loan portfolio summarized by the past due status as of December 31, 2015 and 2014:

	CURRENT	30-59 DAYS PAST DUE	60-89 DAYS PAST DUE	GREATER THAN 90 DAYS	TOTAL PAST DUE	TOTAL LOANS RECEIVABLE	NON-ACCRUAL LOANS	LOANS RECEIVABLE 90 DAYS PAST DUE AND ACCRUING
DECEMBER 31, 2015								
Real Estate:								
Residential	**$114,709,079**	**$ 50,015**	**$52,846**	**$ 10,244**	**$113,105**	**$114,822,184**	**$ 143,213**	**$ -**
Commercial	**85,235,596**	**6,315**	-	-	**6,315**	**85,241,911**	**132,032**	-
Commercial and industrial	**21,745,060**	-	-	-	-	**21,745,060**	**1,648,906**	-
Consumer	**2,397,277**	**87,536**	**1,648**	**9,864**	**99,048**	**2,496,325**	-	**9,864**
Total	**$224,087,012**	**$143,866**	**$54,494**	**$ 20,108**	**$218,468**	**$224,305,480**	**$1,924,151**	**$ 9,864**
DECEMBER 31, 2014								
Real Estate:								
Residential	$ 95,588,794	$ 51,113	$ -	$ 15,626	$ 66,739	$ 95,655,533	$ 103,891	$ -
Commercial	68,205,870	-	-	293,490	293,490	68,499,360	584,744	-
Commercial and industrial	28,311,978	-	-	-	-	28,311,978	-	-
Consumer	3,108,663	-	-	86,685	86,685	3,195,348	-	86,685
Total	$ 195,215,305	$ 51,113	$ -	$395,801	$ 446,914	$ 195,662,219	$ 688,635	$86,685

Notes to Consolidated Financial Statements

The following tables summarize information in regards to impaired loans by loan portfolio class as of December 31, 2015 and 2014:

	RECORDED INVESTMENT	RELATED ALLOWANCE	UNPAID PRINCIPAL BALANCE	AVERAGE RECORDED INVESTMENT	INTEREST INCOME RECOGNIZED
DECEMBER 31, 2015					
With no related allowance recorded:					
Real Estate:					
Residential	**$ 72,474**	**$ -**	**$ 73,440**	**$ 74,932**	**$ 1,735**
Commercial	**125,717**	**-**	**169,105**	**245,138**	**-**
Commercial and industrial	**-**	**-**	**-**	**-**	**-**
Total	**$ 198,191**	**$ -**	**$ 242,545**	**$ 320,070**	**$ 1,735**
With an allowance recorded:					
Real Estate:					
Commercial	**$ -**	**$ -**	**$ -**	**$ 163,775**	**$20,890**
Commercial and industrial	**1,648,906**	**597,201**	**1,648,906**	**1,719,666**	**-**
Total	**$1,648,906**	**$597,201**	**$1,648,906**	**$1,883,441**	**$20,890**
Total					
Real Estate:					
Residential	**$ 72,474**	**$ -**	**$ 73,440**	**$ 74,932**	**$ 1,735**
Commercial	**125,717**	**-**	**169,105**	**408,913**	**20,890**
Commercial and industrial	**1,648,906**	**597,201**	**1,648,906**	**1,719,666**	**-**
Total	**$1,847,097**	**$597,201**	**$1,891,451**	**$2,203,511**	**$22,625**

	RECORDED INVESTMENT	RELATED ALLOWANCE	UNPAID PRINCIPAL BALANCE	AVERAGE RECORDED INVESTMENT	INTEREST INCOME RECOGNIZED
DECEMBER 31, 2014					
With no related allowance recorded:					
Real Estate:					
Residential	$ 77,510	$ -	$ 77,510	$ 80,078	$ 3,142
Commercial	279,265	-	312,650	571,995	67,744
Commercial and industrial	-	-	-	161,797	10,580
Total	$356,775	$ -	$390,160	$ 813,870	$ 81,466
With an allowance recorded:					
Real Estate:					
Commercial	$293,490	$15,214	$343,551	$ 299,839	$ -
Commercial and industrial	-	-	-	114,506	78,027
Total	$293,490	$15,214	$343,551	$ 414,345	$ 78,027
Total					
Real Estate:					
Residential	$ 77,510	$ -	$ 77,510	$ 80,078	$ 3,142
Commercial	572,755	15,214	656,201	871,834	67,744
Commercial and industrial	-	-	-	276,303	88,607
Total	$650,265	$15,214	$733,711	$1,228,215	$159,493

Notes to Consolidated Financial Statements

The primary segments of the allowance for loan losses, segregated into the amount required for loans individually evaluated for impairment and the amount required for loans collectively evaluated for potential losses as of December 31, 2015 and 2014:

	BEGINNING BALANCE	CHARGE-OFFS	RECOVERIES	PROVISIONS	ENDING BALANCE	ENDING BALANCE: INDIVIDUALLY EVALUATED FOR IMPAIRMENT	ENDING BALANCE: COLLECTIVELY EVALUATED FOR IMPAIRMENT
DECEMBER 31, 2015							
Real Estate:							
Residential	**$ 815,443**	**$ -**	**$ -**	**$ 128,344**	**$ 943,787**	**$ -**	**$ 943,787**
Commercial	**634,356**	**-**	**139,147**	**(174,152)**	**599,351**	**-**	**599,351**
Commercial and industrial	**242,944**	**-**	**-**	**498,811**	**741,755**	**597,201**	**144,554**
Consumer	**3,290**	**-**	**-**	**(854)**	**2,436**	**-**	**2,436**
Inherent risk	**377,782**	**-**	**-**	**(285,649)**	**92,133**	**-**	**92,133**
Total	**$2,073,815**	**$ -**	**$139,147**	**$ 166,500**	**$2,379,462**	**$597,201**	**$1,782,261**

	BEGINNING BALANCE	CHARGE-OFFS	RECOVERIES	PROVISIONS	ENDING BALANCE	ENDING BALANCE: INDIVIDUALLY EVALUATED FOR IMPAIRMENT	ENDING BALANCE: COLLECTIVELY EVALUATED FOR IMPAIRMENT
DECEMBER 31, 2014							
Real Estate:							
Residential	$ 758,214	$ -	$ -	$ 57,229	$ 815,443	$ -	$ 815,443
Commercial	510,909	-	4,225	119,222	634,356	15,214	619,142
Commercial and industrial	339,059	(1,040)	52,106	(147,181)	242,944	-	242,944
Consumer	4,972	-	366	(2,048)	3,290	-	3,290
Inherent risk	300,004	-	-	77,778	377,782	-	377,782
Total	$1,913,158	$(1,040)	$56,697	$ 105,000	$2,073,815	$15,214	$2,058,601

The following table summarizes loans evaluated both individually and collectively for impairment as of December 31, 2015 and 2014:

	ENDING BALANCE	ENDING BALANCE: INDIVIDUALLY EVALUATED FOR IMPAIRMENT	ENDING BALANCE: COLLECTIVELY EVALUATED FOR IMPAIRMENT
DECEMBER 31, 2015			
Real Estate:			
Residential	**$114,822,184**	**$ 72,474**	**$114,749,710**
Commercial	**85,241,911**	**125,717**	**85,116,194**
Commercial and industrial	**21,745,060**	**1,648,906**	**20,096,154**
Consumer	**2,496,325**	**-**	**2,496,325**
Total	**$224,305,480**	**$1,847,097**	**$222,458,383**

	ENDING BALANCE	ENDING BALANCE: INDIVIDUALLY EVALUATED FOR IMPAIRMENT	ENDING BALANCE: COLLECTIVELY EVALUATED FOR IMPAIRMENT
DECEMBER 31, 2014			
Real Estate:			
Residential	$ 95,655,533	$ 77,510	$ 95,578,023
Commercial	68,499,360	572,755	67,926,605
Commercial and industrial	28,311,978	-	28,311,978
Consumer	3,195,348	-	3,195,348
Total	$ 195,662,219	$ 650,265	$ 195,011,954

The Company has not acquired any loans with deteriorated credit quality.

In the normal course of business, the Company modifies loan terms for various reasons. These reasons may include as a retention strategy to compete in the current interest rate environment, and to re-amortize or extend a loan term to better match the loan's payment stream with the borrower's cash flows. A modified loan is considered to be a troubled debt restructuring ("TDR") when the Company has determined that the borrower is troubled (i.e. experiencing financial difficulties) and a concession is made by the Company that would not otherwise be considered for a borrower or collateral with similar credit risk characteristics. The Company evaluates the probability that the borrower will be in payment default on any of its debt in the foreseeable future without modification. To make this determination, the Company performs a global financial review of the borrower and loan guarantors to assess their current ability to meet their financial obligations.

When the Company restructures a loan to a troubled borrower, the loan terms (i.e. interest rate, payment, amortization period and/or maturity date) are modified in such a way to enable the borrower to cover the modified debt service payments based on current financials and cash flow adequacy. If a borrower's hardship is thought to be temporary, then modified terms are only offered for that time period. Where possible, the Company obtains additional collateral and/or secondary payment sources at the time of the restructure in order to put the Company in the best possible position if the borrower is not able to meet the modified terms. To date, the Company has not forgiven any principal as a restructuring concession. The Company will not offer modified terms if it believes that modifying the loan terms will only delay an inevitable permanent default.

All loans designated as TDRs are considered impaired loans and may be in either accruing or non-accruing status. The Company's policy for recognizing interest income on impaired loans does not differ from its overall policy for interest recognition. Accordingly, the accrual of interest is discontinued when principal or interest is delinquent for 90 days or more unless the loan is well-secured and in the process of collection. If the loan was accruing at the time of the modification, then it continues to be in accruing status subsequent to the modification. Non-accrual TDRs may return to accruing status when there has been sufficient payment performance for a period of at least six months. TDRs are considered to be in payment default if, subsequent to modification, the loans are transferred to non-accrual status. Loans may be removed from TDR status in the calendar year following the modification if the interest rate at the time of modification was consistent with the interest rate for a loan with comparable credit risk and the loan has performed according to its modified terms for at least six months.

There was one loan totaling $72,474 and three loans totaling $371,000 that were classified as TDRs at December 31, 2015 and December 31, 2014, respectively. At December 31, 2015, the one TDR loan totaling $72,474 was classified as non-accrual. Two loans at December 31, 2014 totaling $293,490 were classified as non-accrual and the remaining loan totaling $77,510 was classified as an accrual loan. There were no modifications in 2015 and 2014.

If a loan was considered to be impaired prior to modification as a TDR, then there is no impact on the ALLL as a result of the modification because the loan was already being evaluated individually for impairment. If a loan was not impaired prior to modification as a TDR, then there could be an impact on the ALLL as a result of the modification because of the movement of the loan from the pools of loans being evaluated collectively for impairment to being evaluated individually for impairment. Since there were no new modifications in 2015 and 2014, there was no additional ALLL analysis needed. The volume and type of TDR activity are considered in the assessment of the local economic trends qualitative factor used in the determination of the ALLL for loans that are evaluated collectively for impairment.

The Company did not charge off any loan that was classified as a troubled debt restructuring at December 31, 2014 and December 31, 2013 in either 2015 or 2014, respectively. The one loan that was classified as a TDR and in an accrual status at December 31, 2014 for $77,510 was transferred to a non-accrual status in 2015 and therefore considered to be in payment default. There were no other troubled debt restructurings that subsequently defaulted during the years ended December 31, 2015 and 2014.

NOTE 6 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

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

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit written is represented by the contract or notional amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments. The following table identifies the contract or notional amount of those instruments at December 31, 2015 and 2014:

	2015	2014
Financial instruments whose contract amounts represent credit risk:		
Commitments to grant loans	**$10,905,903**	$20,230,114
Unfunded commitments under lines of credit	**26,506,052**	32,876,960
Standby letters of credit	**997,018**	524,312

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Some of the commitments are expected to expire without being drawn upon. The total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral held varies but may include accounts receivable, inventory, property, plant and equipment and income-producing commercial properties. At December 31, 2015 and 2014, the Company's fixed rate loan commitments totaled $209,400 and $4,069,714, respectively.

Outstanding letters of credit written are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. The majority of these standby letters of credit expire within the next twelve months. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending other loan commitments. The Company requires collateral supporting these letters of credit as deemed necessary. Management believes that the proceeds obtained through a liquidation of such collateral would be sufficient to cover the maximum potential amount of future payments required under the corresponding guarantees. The current amount of the liability as of December 31, 2015 and 2014 for guarantees under standby letters of credit issued is not material.

NOTE 7 - PREMISES AND EQUIPMENT

Major classifications of premises and equipment at December 31, 2015 and 2014 are summarized as follows:

	2015	2014
Land	**$ 2,105,339**	$ 2,105,339
Buildings and leasehold improvements	**7,762,318**	5,977,390
Furniture and fixtures	**4,000,837**	3,655,880
Computer software	**1,331,942**	1,298,325
	15,200,436	13,036,934
Accumulated depreciation and amortization	**(8,611,691)**	(8,296,842)
Total	**$ 6,588,745**	$ 4,740,092

Depreciation and amortization charged to operations was $314,849 and $302,062 in 2015 and 2014, respectively.

NOTE 8 - DEPOSITS

Time deposits include certificates of deposit in denominations of $100,000 or more. Such deposits aggregated $9,155,613 and $10,238,548 at December 31, 2015 and 2014, respectively.

The following schedule represents the maturity of time deposits at December 31, 2015:

2016	**$14,712,250**
2017	**6,257,471**
2018	**5,870,952**
2019	**2,064,166**
2020	**1,485,976**
Total	**$30,390,815**

Deposit overdrafts reclassified to loans receivable at December 31, 2015 and 2014 were $582 and $463, respectively.

NOTE 9 - BORROWED FUNDS AND AVAILABLE CREDIT ARRANGEMENTS

The Bank maintains a credit arrangement, which includes a revolving line of credit with the FHLB. Under this credit arrangement, the Bank has a borrowing limit of approximately $122.3 million at December 31, 2015 that is subject to annual renewal and typically incurs no service charges. Any loans generated with this credit facility are secured by a blanket security agreement on outstanding residential mortgage loans, other real estate related collateral and U.S. government agencies and mortgage-backed securities. As of December 31, 2015, FHLB borrowed funds totaled $24.9 million. The borrowings bear interest rates ranging from .50% to 1.59% and mature at dates ranging from January 29, 2016 to September 30, 2020. As of December 31, 2014, FHLB borrowed funds totaled $25.0 million. The borrowings had interest rates ranging from .31% to 1.14% and matured at dates ranging from January 16, 2015 to November 17, 2017. During 2015 and 2014, interest expense on FHLB borrowings totaled $114,279 and $45,863, respectively.

The Bank has borrowing access capabilities through the FRB discount window. This access allows the Bank to borrow money, usually on a short-term basis, to meet temporary liquidity needs. As of December 31, 2015, the Bank had a borrowing capacity of approximately $1.0 million. Discount window borrowings are fully secured through a pledge of mortgage-backed securities to the FRB of Cleveland. The Bank had no FRB discount window outstanding borrowings as of December 31, 2015 and 2014.

In addition, the Bank has an established $10,000,000 guidance line of credit with SunTrust Bank for repurchase and reverse repurchase transactions and a $4,000,000 guidance line of credit for the purchase of federal funds. The $4,000,000 guidance line of credit has no prescribed termination date and is not a committed facility, as SunTrust Bank reserves the right to cancel the line at any time at its sole discretion. The Bank also has an $8,800,000, $7,500,000 and $5,000,000 federal funds purchase line of credit with Zions First National Bank, Atlantic Community Bankers Bank ("ACBB") and PNC Bank, respectively, all of which has no prescribed termination date and is not a committed facility. Mars National Bancorp Inc. has a credit facility line of credit of $3,000,000 with ACBB. These facilities are intended to provide for short-term liquidity needs for the Bank and Mars National Bancorp Inc. For the years ended December 31, 2015 and 2014, there were no borrowings outstanding under these credit facilities.

Borrowed funds have scheduled payments as follows:

2016	**$18,000,000**
2017	**1,621,395**
2018	**1,763,146**
2019	**2,412,461**
2020	**1,141,464**
Total	**$24,938,466**

Notes to Consolidated Financial Statements

NOTE 10 - INCOME TAXES

The provision for federal income taxes for the years ended December 31, 2015 and 2014 is summarized as follows:

	2015	2014
Current	**$165,729**	$(118,061)
Deferred	**(40,729)**	113,114
Total Provision	**$125,000**	$ (4,947)

The components of the net deferred tax asset at December 31, 2015 and 2014 are as follows:

	2015	2014
Allowance for loan losses	**$ 623,171**	$ 566,561
Net unrealized loss on securities	**204,217**	41,981
Post-retirement benefit plan	**180,587**	123,073
Non-accrual loan interest	**62,200**	103,581
Alternative Minimum Tax credit carry forward	**293,688**	133,150
Net operating loss	**-**	141,017
Charitable Contributions	**94,710**	106,228
Depreciation	**50,859**	27,206
Other	**181**	183
Total Deferred Tax Assets	**1,509,613**	1,242,980
Deferred origination fees and costs	**26,722**	19,449
Investment securities accretion	**91,690**	83,931
Total Deferred Tax Liabilities	**118,412**	103,380
Valuation Allowance	**48,636**	-
Net Deferred Tax Asset	**$1,342,565**	$1,139,600

As of December 31, 2015, the Company had no unrecognized tax benefits as defined by FASB ASC 740-10-25, Accounting for Uncertainty in Income Taxes. The Company does not expect the total amount of unrecognized tax benefits to significantly increase within the next twelve months. As of December 31, 2015 and 2014, the Company has not incurred any interest or penalties associated with its tax position. Any amount, if applicable, would be included as part of other non-operating expense. The Company is subject to federal income tax as well as a capital-based state franchise tax.

The Company establishes a valuation allowance when it is more-likely-than-not that the Company will not be able to realize the benefit of the deferred tax assets or when future deductibility is uncertain. Periodically, the need for a valuation allowance is reviewed and adjusted based on management's assessment of realizable deferred tax assets.

As of December 31, 2015 and 2014, the Company had charitable contribution carry forward of $278,558 and $312,434, respectively. These carry forwards, if unused, expire in calendar years 2016 through 2019. A valuation allowance has been established for a portion of the charitable contribution carry forward because it is more-likely-than-not that the tax assets attributable to a portion of the charitable contributions will not be realized due to taxable income limitations.

The total tax provision for financial reporting purposes differed from the amount computed by applying the federal statutory income tax rate of 34% to income before income taxes. The differences are as follows:

	2015	2014
Tax at statutory rate	**$ 385,926**	$ 395,162
Effect of tax-exempt income	**(287,776)**	(439,237)
Other	**26,850**	39,128
Actual Tax Expense/(Benefit)	**$ 125,000**	$ (4,947)

NOTE 11 - CONTINGENCIES AND COMMITMENTS

There are no material legal proceedings to which the Company is party to except proceedings which arise in the normal course of business and, in the opinion of management, will not have any material effect on the consolidated financial position of the Company.

The Company leases one office facility with a term of three years with multiple renewal options. Annual rental amounts may be based on changes in the consumer price index. Minimum future lease payments, including renewal options, at December 31, 2015 are as follows:

2016	**$ 22,637**
2017	**23,316**
2018	**24,016**
2019	**24,736**
2020	**25,479**
Thereafter	**92,857**
Total	**$213,041**

In August 2013, the Company extended its Richland branch office lease by one year to December 31, 2015.

In April 2012, the Company entered into a lease agreement for its risk management department with an initial term of three years. The Company has three, three year renewal options related to this lease.

Total lease expense for building and equipment included in net occupancy expense was $84,854 in 2015 and $84,146 in 2014.

NOTE 12 - EMPLOYEE BENEFITS

Profit Sharing Plan

The Company has a non-contributory profit sharing and integrated contributory 401(k) plan in which eligible employees participate. The Company is required to make a "safe harbor" contribution to the plan of at least three percent of eligible employee compensation. This "safe harbor" contribution is fully vested and is referred to as a non-elective contribution. In addition, the Company makes discretionary contributions to the profit sharing plan as determined by the Board of Directors. The total plan contribution expense for the years ended 2015 and 2014 was $260,000. In addition, eligible employees' contribution to the 401(k) plan may be matched, subject to discretionary approval of the Board of Directors, up to a maximum of six percent of such employees' pre-tax compensation. The Company made no matching contributions in 2015 or 2014.

Post-Retirement Life Insurance Benefits
The Company provides term life insurance benefits for its retired employees. All employees may become eligible for these benefits, provided they do not retire prior to reaching age sixty-five.

The projected accumulated post-retirement benefit obligation, which is unfunded, totaled $148,633 and $141,759 as of December 31, 2015 and 2014, respectively. It is computed using various actuarially determined assumptions regarding participant mortality, withdrawal and retirement rates, salary scales, discount rates and disabled mortality rates. The Company has the right to amend or terminate these benefits.

The net periodic post-retirement benefit cost, which consists primarily of service costs and interest on the accumulated benefit obligation, totaled $9,716 and $17,271 in 2015 and 2014, respectively. For 2015 and 2014, interest cost was computed using a discount rate of 3.95% and 4.75%, respectively.

Supplemental Employee Retirement Plan
The Company also maintains a nonqualified Supplemental Employee Retirement Plan ("SERP"). The SERP was established to provide a full level of retirement benefit for certain executives who otherwise would have been bound by existing qualified plan limitations. As of December 31, 2015, the obligations of the SERP totaled $278,712. The obligations under the retirement benefit portion of the plan are unfunded; however, Company has purchased a life insurance policy on the covered executives which is actuarially designed to offset the annual expenses associated with the plan and will, given reasonable actuarial assumptions, offset all of the plan's costs during the life of the executives and provide a complete recovery of all plan costs at the executive's death. Company is the sole owner and beneficiary of all policies. Net periodic expense for the SERP for 2015 and 2014 included in noninterest expense was $142,140 and $136,572, respectively.

NOTE 13 - OTHER EXPENSES

The following is an analysis of other expenses for the years ended December 31, 2015 and 2014:

	2015	2014
Computer services	**$ 481,141**	$ 427,251
ATM processing expense	**361,936**	351,270
Advertising	**333,636**	339,781
Director fees	**190,800**	184,400
Corporate insurance	**133,177**	140,655
OCC assessments	**110,679**	106,726
Student loan servicing fees	**28,417**	37,720
Office supplies	**39,180**	51,210
Telecommunications	**119,333**	107,685
Charitable contributions	**29,521**	74,679
Other	**505,706**	490,336
Total	**$2,333,526**	$2,311,713

NOTE 14 - FAIR VALUE MEASUREMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Management uses its best judgment in estimating the fair value of the Company's financial instruments; however, there are inherent weaknesses in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates herein are not necessarily indicative of the amounts the Company could have realized in a sales transaction on the dates indicated. The estimated fair value amounts have been measured as of their respective year-ends and have not been re-evaluated or updated for purposes of these financial instruments subsequent to those respective dates. As such, the estimated fair values of these financial instruments subsequent to the respective reporting dates may be different than the amounts reported at each year-end.

Notes to Consolidated Financial Statements

FASB ASC 820, Fair Value Measurements and Disclosures, establishes a fair value hierarchy that prioritizes the inputs to valuation methods used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are as follows:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2: Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported with little or no market activity).

An asset's or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

For financial assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy used at December 31, 2015 and 2014 are as follows:

	2015	LEVEL 1	LEVEL 2	LEVEL 3
U.S. government agencies and corporations	**$ 74,707,510**	**$11,471,982**	**$ 63,235,528**	**$ -**
Obligations of states and political subdivisions	**5,269,607**	**-**	**5,269,607**	**-**
Mortgage-backed securities	**26,630,154**	**-**	**26,630,154**	**-**
Total	**$106,607,271**	**$11,471,982**	**$ 95,135,289**	**$ -**

	2014	LEVEL 1	LEVEL 2	LEVEL 3
U.S. government agencies and corporations	$ 63,139,180	$ 13,327,843	$ 49,811,337	$ -
Obligations of states and political subdivisions	24,336,219	-	24,336,219	-
Mortgage-backed securities	49,840,347	-	49,840,347	-
Total	$ 137,315,746	$ 13,327,843	$123,987,903	$ -

For financial assets measured at fair value on a non-recurring basis, the fair value measurements by level within the fair value hierarchy used at December 31, 2015 and 2014 are as follows:

	2015	LEVEL 1	LEVEL 2	LEVEL 3
Impaired loans	**$1,051,705**	**$ -**	**$ -**	**$1,051,705**

	2014	LEVEL 1	LEVEL 2	LEVEL 3
Impaired loans	$ 278,276	$ -	$ -	$ 278,276

For Level 3 assets measured at fair value on a recurring and non-recurring basis as of December 31, 2015 and 2014, the significant unobservable inputs used in the fair value measurements were as follows:

	Fair Value at December 31, 2015	Valuation Techniques	Significant Unobservable Inputs	Significant Unobservable Input Value
Non-recurring:				
Impaired Loans	**$ 1,051,705**	**Market Comparable Properties & Business Assets**	**Marketability Discount**	**38%**

	Fair Value at December 31, 2014	Valuation Techniques	Significant Unobservable Inputs	Significant Unobservable Input Value
Non-recurring:				
Impaired Loans	$ 278,276	Market Comparable Properties & Business Assets	Marketability Discount	5%

The following information should not be interpreted as an estimate of the fair value of the entire Company, since a fair value calculation is only provided for a limited portion of the Company's assets and liabilities. Due to a wide range of valuation techniques and the degree of subjectivity used in making the estimates, comparisons between the Company's disclosures and those of other companies may not be meaningful. The following methods and assumptions were used to estimate the fair values of the Company's financial instruments at December 31, 2015 and 2014:

Cash and Due from Banks and Interest-Bearing Deposits with Banks (Carried at Cost)
The carrying amount of cash and short-term instruments approximate their fair value.

Securities Available for Sale (Carried at Fair Value)
The fair value of securities available for sale is determined by obtaining quoted market prices in nationally recognized securities exchanges (Level 1), or matrix pricing (Level 2), which is a mathematical technique used widely in the industry to value debt securities without relying exclusively on quoted market prices for the specific securities, but rather by relying on the securities' relationship to other benchmark quoted prices. For certain securities which are not traded in active markets or are subject to transfer restrictions, valuations are adjusted to reflect illiquidity and/or non-transferability, and such adjustments are generally based on available market evidence (Level 3). In the absence of such evidence, management's best estimate is used. Management's best estimate consists of both internal and external support on certain Level 3 investments. The entire Company's available for sale securities used valuation methodologies associated with Level 1 and Level 2 techniques at December 31, 2015 and 2014.

Loans (Carried at Cost)
The fair value of loans, excluding impaired loans subject to specific loss allowances, is estimated using discounted cash flow analyses, using market rates at the balance sheet date that reflect the credit and interest rate-risk inherent in the loans. Projected future cash flows are calculated based upon contractual maturity or call dates, projected repayments and repayments of principal. Generally, for variable rate loans that reprice frequently and with no significant change in credit risk, the fair value is based on carrying value.

Mortgages Held for Sale (Carried at Lower of Cost or Fair Value)
The carrying amount of mortgages held for sale approximate their fair value.

Impaired Loans With Specific Loss Allowances (Carried at Fair Value)
The fair value of impaired loans with specific loss allowances is measured using the estimated fair market value of the collateral less the estimated costs to sell. Fair value of the collateral is typically determined by appraisal. Impaired loans are reviewed and evaluated on at least a quarterly basis for additional impairment and adjusted accordingly.

Foreclosed Real Estate (Net Realizable Value)
The fair value of foreclosed real estate is measured using the estimated fair value of the collateral less the estimated costs to sell. Fair value is typically determined by an appraisal. As of December 31, 2015 and 2014, the Company had no foreclosed real estate.

Restricted Investments in Bank Stock (Carried at Cost)
The carrying amount of restricted investments in bank stock approximates fair value and considers the limited marketability of such securities.

Accrued Interest Receivable and Payable (Carried at Cost)
The carrying amount of accrued interest receivable and accrued interest payable approximates their fair value.

Deposits (Carried at Cost)
The fair value disclosed for non-interest and interest-bearing checking, statement and passbook savings and money market accounts is, by definition, equal to the amount payable on demand at the reporting date (i.e., the carrying amounts). Fair value for fixed-rate certificates of deposit is estimated using a discounted cash flow calculation that applies interest rates currently being offered in the marketplace on similar certificates to a schedule of aggregated expected monthly maturities on time deposits.

Borrowed Funds (Carried at Cost)
The fair value for borrowings are estimated using discounted cash flow analyses using interest rates for instruments for similar terms.

Off-Balance Sheet Financial Instruments (Disclosed at Cost)
The fair value of the Company's off-balance sheet financial instruments (lending commitments and letters of credit) is based on fees currently charged in the market to enter similar agreements, taking into account the remaining term of the agreements and the counterparties' credit score standing.

Notes to Consolidated Financial Statements

The carrying amount and fair values of the Company's financial instruments were as follows at December 31, 2015 and 2014:

	2015				
			(LEVEL 1)	(LEVEL 2)	(LEVEL 3)
	CARRYING AMOUNT	FAIR VALUE	QUOTED PRICES IN ACTIVE MARKET FOR IDENTICAL ASSETS	SIGNIFICANT OTHER OBSERVABLE INPUTS	SIGNIFICANT UNOBERSERVABLE INPUTS
FINANCIAL ASSETS					
Cash and due from banks	**$ 8,912,474**	**$ 8,912,474**	**$ 8,912,474**	**$ -**	**$ -**
Interest-bearing deposits with banks	**1,035,801**	**1,035,801**	**1,035,801**	**-**	**-**
Securities available for sale	**106,607,271**	**106,607,271**	**11,471,982**	**95,135,289**	**-**
Net loans	**222,010,674**	**223,962,715**	**-**	**-**	**223,962,715**
Restricted investments in bank stock	**3,611,200**	**3,611,200**	**-**	**3,611,200**	**-**
Accrued interest receivable	**817,232**	**817,232**	**-**	**817,232**	**-**
FINANCIAL LIABILITIES					
Deposits	**$296,228,610**	**$296,375,438**	**$ -**	**$296,375,438**	**$ -**
Borrowed Funds	**24,938,466**	**24,914,128**	**-**	**24,914,128**	**-**
Accrued interest payable	**17,211**	**17,211**	**-**	**17,211**	**-**
OFF-BALANCE SHEET FINANCIAL INSTRUMENTS					
Commitments to extend credit	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Standby letters of credit	**-**	**-**	**-**	**-**	**-**

	2014				
			(LEVEL 1)	(LEVEL 2)	(LEVEL 3)
	CARRYING AMOUNT	FAIR VALUE	QUOTED PRICES IN ACTIVE MARKET FOR IDENTICAL ASSETS	SIGNIFICANT OTHER OBSERVABLE INPUTS	SIGNIFICANT UNOBERSERVABLE INPUTS
FINANCIAL ASSETS					
Cash and due from banks	$ 13,922,930	$ 13,922,930	$13,922,930	$ -	$ -
Interest-bearing deposits with banks	1,059,628	1,059,628	1,059,628	-	-
Securities available for sale	137,315,746	137,315,746	13,327,843	123,987,903	-
Net loans	193,652,885	195,493,165	-	-	195,493,165
Restricted investments in bank stock	2,805,700	2,805,700	-	2,805,700	-
Accrued interest receivable	1,037,706	1,037,706	-	1,037,706	-
FINANCIAL LIABILITIES					
Deposits	$300,414,276	$300,607,063	$ -	$300,607,063	$ -
Borrowed Funds	24,971,600	24,972,445	-	24,972,445	-
Accrued interest payable	13,972	13,972	-	13,972	-
OFF-BALANCE SHEET FINANCIAL INSTRUMENTS					
Commitments to extend credit	$ -	$ -	$ -	$ -	$ -
Standby letters of credit	-	-	-	-	-

Notes to Consolidated Financial Statements

NOTE 15 - REGULATORY MATTERS

Cash and Due from Banks
The Federal Reserve Board requires the Bank to maintain a reserve requirement against specified deposit liabilities. As of December 31, 2015 and 2014, the Bank's reserve requirement was $5,198,000 and $5,719,000, respectively. The Bank satisfied the reserve requirement with a combination of vault cash and a depository account held with the FRB of Cleveland.

Dividends
The Bank is subject to a dividend restriction, which generally limits the amount of dividends that can be paid by a national bank. Prior approval of the OCC is required if the total of all dividends declared by a national bank in any calendar year exceeds net profits, as defined for the year, combined with its retained net profits for the two preceding calendar years less any required transfers to surplus. Using this formula, the amount available for payment of dividends by the Bank as of December 31, 2015 without approval of the OCC totaled $230,737.

Capital Requirements
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 possibly 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 regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk-weightings and other factors.

Effective January 1, 2015, the Bank became subject to new capital requirements (Basel III) adopted by the OCC. These requirements create a new required ratio for common equity Tier 1 ("CET 1") risk-based capital, increase the Tier 1 capital ratio requirements, change the risk weight of certain assets for purposes of the risk-based capital ratios, create an additional capital conservation buffer over the required capital ratios and change what qualifies as capital for purposes of meeting these various capital requirements.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of Total and Tier 1 capital (as defined in the regulations) to risk-weighted assets, and of Tier 1 capital to average assets. Under the Basel III reporting requirements, CET 1 risk-based capital with a minimum capital requirement of 4.50% of risk weighted assets was established. Management believes, as of December 31, 2015, that the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2015 and 2014, the most recent notifications from the Federal Deposit Insurance Corporation ("FDIC") categorized the Bank 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 Bank's category.

Notes to Consolidated Financial Statements

The Bank's actual capital amounts and ratios and the minimum amounts and ratios required for capital adequacy purposes and to be well capitalized under the prompt corrective action provisions are as follows:

	ACTUAL		FOR CAPITAL ADEQUACY PURPOSES		TO BE WELL CAPITALIZED UNDER PROMPT CORRECTIVE ACTION PROVISIONS	
	AMOUNT	RATIO	AMOUNT	RATIO	AMOUNT	RATIO
DECEMBER 31, 2015						
Total risk-based capital to risk-weighted assets	**$36,918,000**	**15.02%**	**≥$19,662,800**	**≥ 8.00%**	**≥$24,578,500**	**≥ 10.00%**
Tier 1 capital to risk-weighted assets	**34,528,000**	**14.05%**	**≥ 14,747,100**	**≥ 6.00%**	**≥ 19,662,800**	**≥ 8.00%**
CET 1 risk-based capital	**34,528,000**	**14.05%**	**≥ 11,060,325**	**≥ 4.50%**	**≥ 15,976,025**	**≥ 6.50%**
Tier 1 capital to average assets	**34,528,000**	**9.59%**	**≥ 14,405,800**	**≥ 4.00%**	**≥ 18,007,250**	**≥ 5.00%**
DECEMBER 31, 2014						
Total risk-based capital to risk-weighted assets	$ 36,838,000	16.72%	≥ $17,621,040	≥ 8.00%	≥ $22,026,300	≥ 10.00%
Tier 1 capital to risk-weighted assets	34,754,000	15.78%	≥ 8,810,520	≥ 4.00%	≥ 13,215,780	≥ 6.00%
Tier 1 capital to average assets	34,754,000	9.69%	≥ 14,340,920	≥ 4.00%	≥ 17,926,150	≥ 5.00%

COMMUNITY REINVESTMENT ACT PROGRAM

Mars National Bank is committed to serving the credit needs of the communities in which we do business. It is our policy to respond to all creditworthy segments of our market. We believe that doing so is basic to good business practice, and to the Bank's own long-term vitality. This policy has been the basis of our success in the past and will remain a foundation on which we plan our future.

We recognize that this requires us to take a proactive, rather than a passive approach to determining and meeting community credit needs, including those of creditworthy low-income and moderate-income areas and individuals.

All Bank personnel are expected to support our CRA program through lending, investments and service to our local communities.

It is the policy of the Bank to make an active effort to determine the credit needs of our entire community, including those of low-income to moderate-income areas and individuals. The Bank will ensure that this is done by identifying people who can speak to these needs, such as community organizations, government officials, non-profit groups, businesses, trade associations and church and educational leaders.

The Bank will make an active effort to know the people in local organizations concerned with community development and the needs of low-income and moderate-income people. Our needs assessment contacts will be a regular vehicle for ensuring good communication with them.

The OCC performs a periodic evaluation of the performance of national banks under the CRA. Mars National Bank received a "Satisfactory" rating on our last CRA Performance Evaluation dated January 6, 2014. Copies of the Performance Evaluation are available from the Bank upon request or can be obtained through the OCC website at www.occ.treas.gov.

The Bank welcomes your CRA requests, comments or suggestions. Please send them in writing to:

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CRA Officer
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