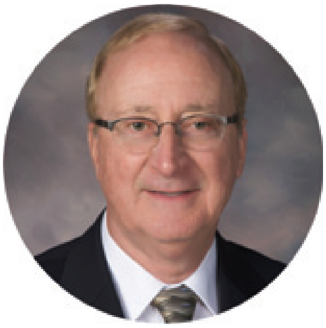
Since 1883

GREENVILLE FEDERAL FINANCIAL CORPORATION

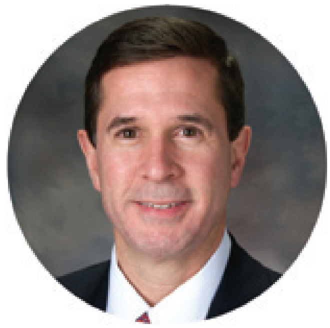
ANNUAL REPORT

2018

Board Of Directors

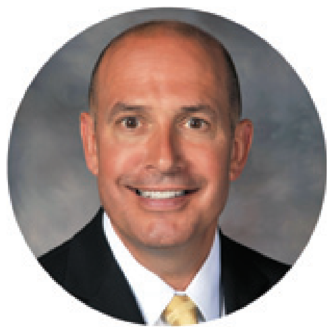


Jim Ward
Board Chairman



Jeff Kniese
President & CEO

Pat Custenborder



Joe Dickerson

Ryan Dynes

George Luce

Richard O'Brien

Julie Strait

Officers

Jeff Kniese
President & CEO

Susan Barker
Senior Vice President & CFO

Annette Ryan-Baker
VP, Commercial Loan Manager

Nicki Gillespie
AVP, Controller

Betty Hartzell
AVP, Cash Management

Holly Hildebrand
AVP, Retail Lending Sales Manager

Tina Jones
AVP, Chief Credit Officer

Linda Pittenger
AVP, Treasury Management

Linda Searls
AVP, Loan Operations Manager

Robyn Studabaker
AVP, Human Resources

Russ Thayer
AVP, Branch Administrator

Brian Beam
Marketing & IT Manager

Corey Eagle
Collections Manager

Nick Good
Commercial Loan Originator

GREENVILLE FEDERAL FINANCIAL CORPORATION
Greenville, Ohio

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018 and 2017

CONTENTS

Letter from the President and Chief Executive Officer

Dear Fellow Stockholders and Friends:

2018 was a year of growth and another milestone celebration for our Company. Loans and deposits both experienced strong increases, as did other areas of the bank such as Cash Management and Treasury Management Services, as we celebrated 135 years as a true independent community bank. We also grew our team with key personnel additions and began the process of evaluating certain new products and services that will enhance our line-up of market-leading financial products for the good people in the communities we so proudly serve. We capped off 2018 with the grand opening of our newest full-service banking center in Tipp City, Ohio. This exciting addition to our growing presence in Miami County was a natural fit as it will complement the office we opened in 2016 in Troy, Ohio. We are growing in a prudent and strategic way according to the plan we implemented a few years ago and now look forward to offering superior products and service to the Tipp City community.

We did it again! In 2018, we once again achieved the coveted 5 star rating from independent bank rating agency Bauer Financial. This is their highest rating possible and our eighth year in a row being recognized as a top performing financial institution. A big “thank you” to my teammates who day in and day out work very hard to achieve superior results thus allowing us to be named a 5 star bank in 2018.

As we continue to focus on the customer experience here at Greenville Federal, we also proactively look for ways to improve the communities we serve. By being a major sponsor of local community events such as the Holiday Horse Parade in Greenville or the Strawberry Festival in Troy or the Tipp City Mum Festival, we are equally proud to be a major supporter of our local schools. Recently we introduced our GF School Spirit Card program which was developed from many hours of research and development by several GF teammates throughout 2018. With this unique product, we are the only bank to offer this level of support to our local schools and another way to support our local communities. Speaking of support, we also set another record for giving to United Way in 2018 for both Darke County and Miami County thanks to our great group of GF bank professionals. On a per employee basis, we rank as one of the top companies supporting our local non-profit organizations, which we are very proud of. We continue to be a market leader in providing the latest in banking products and services and supporting local events and will do our best to keep this tradition going for years to come.

In banking, most offer a similar line of products and services so our advantage over our competition is our team. We continue to assemble a strong group of banking professionals and in 2018 we had several key additions and promotions at Greenville Federal. Each play a critical role in carrying out our strategic growth plan and I have all the confidence in the world they will deliver in a very positive way. To be able to put in place a plan to grow the company requires a lot of planning and execution, plus our board of director’s support. Our board is not only very supportive of our growth initiative, they are active in assisting with the implementation of our plan. 2018 was a solid year of growth for Greenville Federal and our company is well positioned to continue to grow in a positive way for many years to come. We appreciate our stockholder’s investment in our company and appreciate your continued support.

Sincerely,

Jeff D. Kniese, President & CEO

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Greenville Federal Financial Corporation
Greenville, Ohio

Report of the Financial Statements

We have audited the accompanying consolidated financial statements of Greenville Federal Financial Corporation, which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the related consolidated statements of income, stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

(Continued)

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Greenville Federal Financial Corporation as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Crowe LLP

Crowe LLP

April 11, 2019
Cleveland, Ohio

GREENVILLE FEDERAL FINANCIAL CORPORATION
CONSOLIDATED BALANCE SHEETS
December 31, 2018 and 2017
(In thousands, except share data)

	2018	2017
Assets		
Cash and due from banks	$ 3,803	$ 4,005
Overnight deposits	5,500	5,000
Interest-bearing deposits in other financial institutions	1,094	1,770
Cash and cash equivalents	10,397	10,775
Interest-bearing time deposits in other financial institutions	498	498
Securities held-to-maturity, at amortized cost (fair value of $1,859 and $2,275 at December 31, 2018 and 2017, respectively)	1,970	2,376
Loans receivable, net of allowance for loan losses of $924 and $888 at December 31, 2018 and 2017, respectively	157,171	150,694
Office properties and equipment, net	3,168	2,317
Stock in Federal Home Loan Bank	703	703
Cash surrender value of life insurance	5,507	5,363
Accrued interest receivable	682	603
Prepaid expenses and other assets	1,290	736
Total assets	$ 181,386	$ 174,065
Liabilities and stockholders' equity		
Noninterest-bearing deposits	$ 26,888	$ 22,463
Interest-bearing deposits	122,492	118,764
Total deposits	149,380	141,227
Advances from the Federal Home Loan Bank	8,061	9,224
Advances by borrowers for taxes and insurance	959	944
Other liabilities	1,187	1,598
Total liabilities	159,587	152,993
Common stock – authorized 8,000,000 shares, $.01 par value; 2,298,411 shares issued (2,182,654 and 2,158,157 shares outstanding at December 31, 2018 and 2017)	23	23
Additional paid-in capital	9,192	9,231
Treasury stock, at cost (115,757 and 140,254 shares at December 31, 2018 and 2017)	(861)	(1,032)
Retained earnings	14,065	13,547
Unearned Employee Stock Ownership Plan (ESOP) shares	(620)	(697)
Total stockholders' equity	21,799	21,072
Total liabilities and stockholders' equity	$ 181,386	$ 174,065

See accompanying notes.

GREENVILLE FEDERAL FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
Years ended December 31, 2018 and 2017
(In thousands, except share data)

	2018	2017
Interest income		
Loans	$ 6,719	$ 6,049
Taxable securities	20	33
Tax-exempt securities	25	4
Interest-bearing deposits and other	174	106
Total interest income	6,938	6,192
Interest expense		
Deposits	1,170	773
Borrowings	180	178
Total interest expense	1,350	951
Net interest income	5,588	5,241
Provision for loan losses	95	235
Net interest income after provision for loan losses	5,493	5,006
Noninterest income		
Customer service charges	659	644
Gain on sale of mortgage loans	126	129
Other	288	336
Total noninterest income	1,073	1,109
Noninterest expense		
Employee compensation and benefits	2,976	2,805
Occupancy and equipment	704	660
Franchise taxes	177	174
Data processing	706	750
Other	1,023	864
Total noninterest expense	5,586	5,253
Income before federal income taxes	980	862
Federal income taxes		
Current	89	139
Deferred	44	6
Total federal income taxes	133	145
Net income	$ 847	$ 717
Earnings per share, basic	$ 0.40	$ 0.35
Earnings per share, diluted	$ 0.40	$ 0.34

See accompanying notes.

GREENVILLE FEDERAL FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Years ended December 31, 2018 and 2017
(In thousands, except share data)

	Common Stock	Treasury Shares	Additional Paid-in Capital	Retained Earnings	Unearned ESOP Shares	Accumulated Other Comprehensive Income, Net	Total
Balance, January 1, 2017	$ 23	$ (1,674)	$ 9,083	$ 13,055	$ –	$ –	$ 20,487
Issuance of 90,000 shares to ESOP plan	–	665	109	–	(774)	–	–
Repurchase of 1,582 allocated ESOP shares in employee ESOP diversification	–	(15)	–	–	–	–	(15)
Repurchase of 1,275 common shares from stockholders	–	(11)	–	–	–	–	(11)
Exercise of 459 stock options	–	3	1	–	–	–	4
Net income	–	–	–	717	–	–	717
Cash dividends paid of $.28 per share	–	–	–	(225)	–	–	(225)
Allocation of ESOP shares	–	–	5	–	77	–	82
Stock-based compensation expense	–	–	33	–	–	–	33
Balance, December 31, 2017	23	(1,032)	9,231	13,547	(697)	–	21,072
Repurchase of 2,003 common shares from stockholders	–	(24)	–	–	–	–	(24)
Exercise of 26,500 stock options	–	195	(87)	–	–	–	108
Net income	–	–	–	847	–	–	847
Cash dividends paid of $.28 per share	–	–	–	(329)	–	–	(329)
Allocation of ESOP shares	–	–	12	–	77	–	89
Stock-based compensation expense	–	–	36	–	–	–	36
Balance, December 31, 2018	$ 23	$ (861)	$ 9,192	$ 14,065	$ (620)	$ –	$ 21,799

See accompanying notes.

GREENVILLE FEDERAL FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2018 and 2017
(In thousands)

	2018	2017
Cash flows from operating activities		
Net income	$ 847	$ 717
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of premiums and discounts on investment and mortgage-backed securities, net	25	25
Accretion of deferred loan origination fees	(88)	(88)
Proceeds from sale of loans	10,222	7,253
Origination of loans held for sale	(10,176)	(7,181)
Depreciation and amortization	216	229
Amortization of mortgage servicing rights	29	22
Amortization of ESOP expense	89	82
Gain on sale of loans	(126)	(129)
Provision for loan losses	95	235
Changes in fair value of mortgage servicing rights	(94)	(70)
Gain on sale of real estate acquired through foreclosure	(1)	(60)
Deferred tax expense	44	6
Amortization of expense related to stock benefit plans	36	33
Increase in cash surrender value of life insurance	(144)	(145)
Increase (decrease) in cash due to changes in:		
Accrued interest receivable	(79)	(81)
Prepaid expenses and other assets	(439)	(9)
Accrued interest payable	48	10
Other liabilities	(503)	642
Net cash provided by operating activities	1	1,491
Cash flows used in investing activities		
Proceeds from repayment of mortgage-backed securities	309	417
Purchase of municipal obligations designated as held-to-maturity	–	(812)
Proceeds from repayment of municipal obligation designated as as held-to-maturity	72	–
Net change in interest-bearing time deposits in other financial institutions	–	747
Loan principal repayments	33,774	36,080
Loan disbursements	(40,258)	(52,096)
Purchase of office premises and equipment	(1,067)	(379)
Redemption of FHLB Stock	–	100
Proceeds from sale of real estate acquired through foreclosure	31	258
Net cash used in investing activities	(7,139)	(15,685)

(Continued)

(In thousands)

	2018	2017
Cash flows provided by financing activities		
Net increase in deposit accounts	8,153	15,763
Proceeds from Federal Home Loan Bank advances	–	3,000
Repayment of Federal Home Loan Bank advances	(1,163)	(6,305)
Advances by borrowers for taxes and insurance	15	42
Proceeds from exercise of stock options	108	4
Purchase of treasury stock	(24)	(26)
Dividends paid on common stock	(329)	(225)
Net cash provided by financing activities	6,760	12,253
Decrease in cash and cash equivalents	(378)	(1,941)
Cash and cash equivalents at beginning of year	10,775	12,716
Cash and cash equivalents at end of year	$ 10,397	$ 10,775
Supplemental disclosure of cash flow information		
Cash paid during the period for:		
Interest on deposits and borrowings	1,302	941
Federal income taxes	358	140
Supplemental disclosure of noncash activities		
Transfers from loans to real estate acquired through foreclosure	–	289
Capitalization of mortgage servicing rights	80	57
Re-issuance of treasury stock for ESOP Plan	–	774

See accompanying notes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The consolidated financial statements include Greenville Federal Financial Corporation ("GFFC") and its wholly owned subsidiary, Greenville Federal, together referred to as "the Corporation." Intercompany transactions and balances are eliminated in consolidation. Greenville Federal MHC, a federally chartered mutual holding company, owns 57.9% of GFFC's outstanding stock.

Nature of Operations: Greenville Federal provides financial services through its main and branch offices in Greenville, Ohio and branch offices in Troy, Ohio and Tipp City, Ohio. Its primary deposit products are checking, savings, and term certificate accounts, and its primary lending products are residential mortgage, commercial, commercial real estate and consumer loans. Substantially all loans are secured by specific items of collateral including business assets, consumer assets, and commercial and residential real estate. Commercial loans are expected to be repaid from cash flow from operations of businesses. There are no significant concentrations of loans to any one industry or customer. However, the customers' ability to repay their loans is dependent on the real estate and general economic conditions in the area.

Subsequent Events: The Corporation has evaluated subsequent events for recognition and disclosure through April 11, 2019, which is the date the financial statements were available to be issued.

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

Cash Flows: Cash and cash equivalents include cash and due from banks and interest-bearing deposits in other financial institutions (including the FHLB and the Federal Reserve Bank) with original terms to maturity of less than ninety days. Net cash flows are reported for interest-bearing time deposits, customer deposit transactions and borrowings with original maturities of less than ninety days.

Interest-Bearing Time Deposits in Other Financial Institutions: Interest-bearing time deposits in other financial institutions mature within one year and are carried at cost.

Securities: Available-for-sale debt securities, which include any security for which the Corporation has no immediate plan to sell but which may be sold in the future, are carried at fair value. Unrealized gains and losses are recorded, net of related income tax effects, in other comprehensive income.

Held-to-maturity securities, which include any security for which the Corporation has the positive intent and ability to hold until maturity, are carried at historical cost adjusted for amortization of premiums and accretion of discounts.

On January 1, 2018, the Corporation adopted the new accounting standard for Financial Instruments, which requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. The adoption of this guidance resulted in no changes to the Corporation's financial statements.

Amortization of premiums and accretion of discounts are recorded as interest income from securities. Realized gains and losses are recorded as net security gains (losses). Gains and losses on sales of securities are determined on the specific-identification method.

Other-than-temporary impairment on securities: Management evaluates securities for other-than-temporary impairment ("OTTI") at least on a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. For securities in an unrealized loss position, Management considers the extent and duration of the unrealized loss, and the financial condition and near-term prospects of the issuer. Management also assesses whether it intends to sell, or it is more likely than not that it will be

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

required to sell, a security in an unrealized loss position before recovery of its amortized cost basis. If either of these criteria is met, the entire difference between amortized cost and fair value is recognized as impairment through earnings. For debt securities that do not meet the aforementioned criteria, the amount of impairment is split into two components as follows: 1) OTTI related to credit loss, which must be recognized in the income statement, and 2) OTTI related to other factors, which is recognized in other comprehensive income. The credit loss is defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis.

Loans: Loans held in the portfolio are stated at the principal balance outstanding, adjusted for deferred loan origination fees and costs and the allowance for loan losses. Interest is accrued as earned unless the collectability of the loan is in doubt. Interest on loans that are contractually past due is charged off, or an allowance is established based on management's periodic evaluation. The allowance is established by a charge to interest income equal to all interest previously accrued, and income is subsequently recognized only to the extent that cash payments are received until, in management's judgment, the borrower's ability to make periodic interest and principal payments has returned to normal, in which case the loan is returned to accrual status.

All loan origination fees received, net of certain direct origination costs, are deferred on a loan-by-loan basis and amortized to interest income using the interest method, giving effect to actual loan prepayments. Loan origination costs represent the direct costs attributable to originating a loan, i.e., principally actual personnel costs.

The Corporation's lending efforts have historically focused on one- to four-family and multi-family residential real estate loans. In recent years, commercial real estate and commercial lending has become more significant. The preponderance of real estate loans have been underwritten on the basis of no more than an 80% loan-to-value ratio, which has historically provided the Corporation with adequate collateral coverage in the event of default. Nevertheless, the Corporation, as with any lending institution, is subject to the risk that real estate values could deteriorate in its primary lending area of west central Ohio, thereby impairing collateral values.

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

Loans Held for Sale: Loans held for sale are carried at the lower of cost or fair value, determined in the aggregate. In computing cost, deferred loan origination fees are deducted from the principal balances of the related loans.

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

Allowance for Loan Losses: It is the Corporation's policy to provide valuation allowances for probable incurred losses on loans based upon past loss experience, trends in the level of delinquent and specific problem loans, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral and current and anticipated economic conditions in the primary market area. Major loans and major lending areas are reviewed periodically to determine potential problems at an early date.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The allowance for loan losses is increased by charges to earnings and decreased by charge-offs (net of recoveries).

The allowance consists of specific and general components. The specific component relates to loans that are individually classified as impaired. A loan is defined as impaired when, based on current information and events, it is probable that the Corporation will be unable to collect all amounts due according to the contractual terms of the loan agreement. Impaired loans are measured based upon the present value of expected future cash flows discounted at the loan's effective interest rate or, as an alternative, at the loan's observable market price or fair value of the collateral. It is the Corporation's policy to charge off loans when uncollectibility of a loan is confirmed. Unsecured loans are charged off if they are more than 120 days delinquent. Similarly, collateral dependent loans which are more than ninety days delinquent are considered to constitute more than a minimum delay in repayment and are evaluated for impairment at that time.

If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral.

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

The general component of the allowance covers loans that are collectively evaluated for impairment and loans not individually identified as impaired. The general allowance is based on historical loss experience adjusted for current factors. The historical loss experience is determined by portfolio segment and is based on the actual loss history experienced by the Corporation over the most recent 3 years. This actual loss experience is supplemented with other economic factors based on the risks present for each portfolio segment. These economic factors include consideration of the following: levels of and trends in delinquencies and impaired loans; levels of and trends in charge-offs and recoveries; trends in volume and terms of loans; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures, and practices; experience, ability, and depth of lending management and other relevant staff; national and local economic trends and conditions; industry conditions; and effects of changes in credit concentrations. The following portfolio segments have been identified:

Construction Real Estate Loans: Construction real estate loans represent loans for the construction of a residence or commerical property. The risks are similar to residential real estate and commercial loans but include additional risk should construction costs exceed budget. Construction progress is monitored through periodic inspections to ensure construction draws are consistent with the percentage of completion.

Residential Real Estate Loans: Residential real estate loans represent loans to consumers for the purchase, refinance, or improvement of a residence. These loans also include variable rate home equity lines of credit. Real estate market values at the time of origination directly affect the amount of credit extended and, in the event of default, subsequent changes in these values may impact the severity of losses. Factors considered by management include unemployment levels and residential real estate values in the Corporation's market area.

Commercial Real Estate Loans: Commercial real estate loans are subject to underwriting standards and processes similar to commercial loans. These loans are viewed primarily as cash flow loans and the repayment of these loans is largely dependent on the successful operation of the property. Loan performance may be adversely affected by factors impacting the general economy or conditions specific to

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

the real estate market such as geographic location and property types. Management specifically considers vacancy rates in its market area, as well as real estate values and, to a lesser extent, unemployment and energy prices.

Land Loans: Land loans include loans to develop vacant or raw land and are made to various builders and developers with whom the Corporation has had long-standing relationships. All such loans are secured by land zoned for residential or commerical developments and located within the Corporation's market area.

The Corporation also makes loans to individuals who purchase and hold land for various reasons, such as the future construction of a residence. Land lending is considered to involve a higher level of credit risk due to the fact that funds are advanced upon the security of the land, which is of uncertain value prior to its development.

Commercial Loans: Commercial credit is extended to commercial customers for use in normal business operations to finance working capital needs, equipment purchases, or other projects. The majority of these borrowers are customers doing business in the Corporation's primary market area. These loans are generally underwritten individually and secured with the assets of the company and the personal guarantee of the business owners. Commercial loans are made based primarily on the basis of the borrower's ability to make repayment from the historical and projected cash flow of the borrower's business and the underlying collateral provided by the borrower. Management specifically considers unemployment, energy prices and, to a lesser extent, real estate values and vacancies in the Corporation's market area.

Consumer Loans: Consumer loans are primarily comprised of secured loans including automobile loans, loans on savings deposits and home improvement loans, and to a lesser extent unsecured personal loans. These loans are underwritten based on several factors including debt to income, type of collateral and loan to collateral value, credit history and relationship with the borrower. Unemployment rates and energy prices are specifically considered by management.

<u>Servicing Assets</u>: Servicing rights are recognized separately when they are acquired through sales of loans. When mortgage loans are sold, servicing rights are intitally recorded at fair value with the income statement effect recorded in gains on sales of loans. Fair value is based on market prices for comparable mortgage servicing contracts, when available, or alternatively is based on a valuation model that calculates the present of estimated future net servicing income.

Under the fair value measurement method, the Company measures servicing rights at fair value at each reporting date and reports changes in fair value of servicing assets in earnings in the period in which the changes occur, and are included with other noninterest expense on the income statement. The fair values of servicing rights are subject to significant fluctuations as a result of changes in estimated and actual prepayment speeds and default rates and losses.

Servicing fee income, which is reported on the income statement as other noninterest income, is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal; or a fixed amount per loan and are recorded as income when earned.

<u>Foreclosed Assets</u>: Real estate acquired through foreclosure is transfered at fair value less estimated selling expenses at the date of acquisition. Physical possession of residential real estate property collateralizing a consumer mortgage loan occurs when legal title is obtained upon completion of foreclosure or when the borrower conveys all interest in the property to satisfy the loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. Real estate loss provisions are recorded if the properties' fair value subsequently declines below the value determined at the transfer date. In determining the fair value at acquisition, costs relating to development and improvement of property are considered. Costs relating to holding real estate acquired through foreclosure, net of rental income, are charged against earnings as incurred.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Premises and Equipment: Office premises and equipment are carried at cost less accumulated depreciation and include expenditures which extend the useful lives of existing assets. Maintenance, repairs and minor renewals are expensed as incurred. For financial reporting, depreciation and amortization are provided on the straight-line method over the useful lives of the assets, estimated to be forty years for buildings, three to ten years for furniture and equipment, the lesser of the useful life or lease term for leasehold improvements, and five years for automobiles. Improvements are depreciated over their individual useful lives.

Investment in Federal Home Loan Bank Stock: Greenville Federal is required, as a condition of membership in the Federal Home Loan Bank of Cincinnati ("FHLB"), to maintain an investment in FHLB common stock. The stock is redeemable at par and, therefore, its cost is equivalent to its redemption value. Greenville Federal's ability to redeem FHLB shares is dependent on the redemption practices of the FHLB.

At December 31, 2018, the FHLB placed no restrictions on redemption of shares in excess of a member's required investment in the stock.

Company Owned Life Insurance: The Corporation has purchased life insurance policies on certain key executives. Company owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement.

Stock-Based Compensation: Compensation cost is recognized for stock options and restricted stock awards issued to employees and directors, based on fair value of these awards at the date of grant. A Black-Scholes model is utilized to estimate the fair value of stock options, while the market price of the Corporation's common stock at the date of grant is used for restricted stock awards.

Compensation cost is recognized over the required service period, generally defined as the vesting period. For awards with graded vesting, compensation cost is recognized on a straight-line basis over the requisite service period for the entire award.

Income Taxes: Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and tax basis of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized.

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

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

Retirement Plans: Employee 401(k) expense is the amount of matching contributions.

Employee Stock Ownership Plan: The cost of shares issued to the Employee Stock Ownership Plan ("ESOP"), but not yet allocated to participants, is shown as a reduction of stockholders' equity. Compensation expense is based on the fair value of shares as they are committed to be released to participant accounts. Dividends on allocated ESOP shares reduce retained earnings; dividends on unearned ESOP shares reduce debt and accrued interest. Participants may exercise a put option and require the Corporation to repurchase their ESOP shares upon termination of employment.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Earnings Per Common Share: Basic earnings per common share is computed based upon the weighted-average number of common shares outstanding during the period, less shares in the Corporation's ESOP that are unallocated and not committed to be released and unearned restricted stock awards. Diluted earnings per share includes the dilutive effect of potential common shares issuable under stock options.

For the fiscal year ended December 31, 2018, weighted-average shares outstanding were computed as follows: (1) 2,184,258 average shares were outstanding for the period from January 1, 2018 through December 31, 2018, (2) 76,500 weighted-average shares in the ESOP that were unallocated and not committed to be released were not considered outstanding for the fiscal year ended December 31, 2018, and (3) 48 weighted-average shares acquired for the 2006 Equity Plan that were not awarded were treated as treasury shares and not considered outstanding, and (4) average unearned restricted stock awards of 8,916. Weighted-average shares outstanding totaled 2,098,794 for the fiscal year ended December 31, 2018. Diluted earnings per common share include the dilutive effect of all additional potential common shares issuable. Weighted-average shares outstanding for purposes of computing diluted earnings per share which included 1,862 additional shares related to stock options and 966 additional shares related to restricted stock awards, totaled 2,101,622 for the fiscal year ended December 31, 2018. 8,150 outstanding stock options were not considered in computing diluted earnings per share because they were antidilutive.

For the fiscal year ended December 31, 2017, weighted-average shares outstanding were computed as follows: (1) 2,152,160 average shares were outstanding for the period from January 1, 2017 through December 31, 2017, (2) 78,375 weighted-average shares in the ESOP that were unallocated and not committed to be released were not considered outstanding for the fiscal year ended December 31, 2017, and (3) 48 weighted-average shares acquired for the 2006 Equity Plan that were not awarded were treated as treasury shares and not considered outstanding, and (4) average unearned restricted stock awards of 8,873. Weighted-average shares outstanding totaled 2,064,864 for the fiscal year ended December 31, 2017. Diluted earnings per common share include the dilutive effect of all additional potential common shares issuable. 25,770 options were not considered in computing diluted earnings per common share for 2017, because they were antidilutive. Weighted-average shares outstanding for purposes of computing diluted earnings per share which included 14,804 additional shares related to stock options and 432 additional shares related to restricted stock awards, totaled 2,080,100 for the fiscal year ended December 31, 2017.

Comprehensive Income: Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on securities available for sale which are also recognized as separate components of equity. The Corporation had no other comprehensive income during 2018 and 2017.

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

Restrictions on Cash: Cash on hand or deposit with the Federal Reserve Bank was required to meet regulatory reserve and clearing requirements. These balances do not earn interest.

Dividend Restricton: Banking regulations require maintaining certain capital levels and may limit the dividends paid by the bank to the holding company or by the holding company to stockholders.

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications: Reclassification of certain amounts in the prior years consolidated financial statements have been made to conform to the current presentation. Reclassifications had no effect on prior year net income or stockholders' equity.

Adoption of New Accounting Standards: On January 1, 2018, the Corporation adopted ASU 2014-09 *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, "ASC 606"), which (i) creates a single framework for recognizing revenue from contracts with customers that fall within its scope and (ii) revises when it is appropriate to recognize a gain (loss) from the transfer of nonfinancial assets, such as OREO. The majority of the Corporation's revenues come from interest income and other sources, including loans and securities, that are outside the scope of ASC 606. The Corporation's services that fall within the scope of ASC 606 include service charges on deposits, interchange income, and the sale of OREO. Adoption of ASU 2014-09 did not change the timing and pattern of the Corporation's revenue recognition related to scoped-in noninterest income. No cumulative effect adjustment to opening retained earnings was necessary. Refer to Note 13 *Revenue from Contracts with Customers* for further discussion on the Corporation's accounting policies for revenue sources within the scope of ASC 606.

NOTE 2 –SECURITIES

The amortized cost, gross unrecognized gains, gross unrecognized losses and estimated fair value of securities held to maturity at December 31, 2018 and 2017 were as follows (in thousands):

	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
December 31, 2018				
Federal Home Loan Mortgage Corporation participation certificates	$ 338	$ –	$ 43	$ 295
Federal National Mortgage Association participation certificates	579	4	67	516
Government National Mortgage Association participation certificates	36	–	–	36
Municipal obligations	1,017	–	5	1,012
	$ 1,970	$ 4	$ 115	$ 1,859
December 31, 2017				
Federal Home Loan Mortgage Corporation participation certificates	$ 446	$ –	$ 41	$ 405
Federal National Mortgage Association participation certificates	792	6	65	733
Government National Mortgage Association participation certificates	43	2	–	45
Municipal obligations	1,095	–	3	1,092
	$ 2,376	$ 8	$ 109	$ 2,275

(Continued)

NOTE 2 –SECURITIES (Continued)

The amortized cost and estimated fair values of securities held to maturity at December 31, 2018, by contractual term to maturity, are shown below (in thousands). Actual maturities will differ from contractual maturities because borrowers may generally prepay obligations without prepayment penalties.

	Amortized Cost	Fair Value
Due in one year or less	$ 75	$ 75
Due after one year through five years	509	485
Due after five years through ten years	977	932
Due after ten years	409	367
	$ 1,970	$ 1,859

The tables below indicate the length of time individual securities have been in a continuous unrecognized loss position at December 31, 2018 and 2017, respectively (in thousands):

Held-to-Maturity	Less than 12 Months		12 Months or More		Total	
December 31, 2018	Fair Value	Unrecognized Loss	Fair Value	Unrecognized Loss	Fair Value	Unrecognized Loss
Federal Home Loan Mortgage Corporation participation certificates	$ 1	$ –	$ 292	$ 43	$ 293	$ 43
Federal National Mortgage Association participation certificates	–	–	466	67	466	67
Government National Mortgage Association participation certificates	34	–	2	–	36	–
Municipal obligations	–	–	272	5	272	5
Total held-to-maturity	$ 35	$ –	$ 1,032	$ 115	$ 1,067	$ 115

Held-to-Maturity	Less than 12 Months		12 Months or More		Total	
December 31, 2017	Fair Value	Unrecognized Loss	Fair Value	Unrecognized Loss	Fair Value	Unrecognized Loss
Federal Home Loan Mortgage Corporation participation certificates	$ –	$ –	$ 400	$ 41	$ 400	$ 41
Federal National Mortgage Association participation certificates	–	–	666	65	666	65
Municipal obligations	–	–	280	3	280	3
Total held-to-maturity	$ –	$ –	$ 1,346	$ 109	$ 1,346	$ 109

The Corporation's investments are generally limited to issuances of U.S. Government, government agencies, government sponsored entities, municipalities and other high quality debt instruments. At December 31, 2018, based on evaluation of available evidence, including changes in market interest rates, credit rating information and information obtained from regulatory filings, management believed the declines

(Continued)

NOTE 2 –SECURITIES (Continued)

in fair value for these securities were temporary. As such, unrealized losses on securities have not been recognized into income because the issuers bonds are of high credit quality (rated AA or higher), management does not intend to sell and it is likely that management will not be required to sell the securities prior to their anticipated recovery, and the decline in fair value is largely due to changes in interest rates and other market conditions since the time of purchase. The issuers continue to make timely principal and interest payments on the bonds. The fair value is expected to recover as the bonds approach maturity.

There were no securities sold during 2018 or 2017.

There were no securities pledged at December 31, 2018 and 2017. Securities eligible to be pledged at December 31, 2018 and 2017 had a carrying amount of $1,970,000 and $2,376,000, respectively.

NOTE 3 – LOANS

The composition of the loan portfolio at December 31, 2018 and 2017 was as follows (in thousands):

	2018	2017
Construction real estate	$ 15,643	$ 14,872
Residential real estate	106,842	105,801
Commercial real estate	25,774	24,393
Land	1,693	2,225
Commercial	15,007	10,411
Consumer	1,481	1,275
Total loans	166,440	158,977
Less:		
Deferred loan origination fees, net	258	253
Allowance for loan losses	924	888
Undisbursed portion of loans in process	8,087	7,142
Net loans	$ 157,171	$ 150,694

(Continued)

NOTE 3 – LOANS (Continued)

Mortgage loans serviced for others are not reported as assets. The principal balance of these loans at December 31, 2018 and 2017 was approximately $52.4 million and $46.1 million, respectively. Servicing rights, included in prepaid expenses and other assets, associated with the serviced loans totaled $647,000 and $502,000 at December 31, 2018 and 2017, respectively.

The following table presents the activity in the allowance for loan losses by portfolio segment for the years ending December 31, 2018 and 2017 (in thousands):

December 31, 2018	Construction Real Estate	Residential Real Estate	Commercial Real Estate	Land	Commercial	Consumer	Unallocated	Total
Allowance for loan losses:								
Beginning balance	$ 51	$ 608	$ 130	$ 13	$ 58	$ 28	$ –	$ 888
Provision for loan losses	(3)	33	11	(3)	56	1	–	95
Loans charged-off	–	(47)	–	–	(29)	(20)	–	(96)
Recoveries	–	28	–	–	–	9	–	37
Total ending allowance balance	$ 48	$ 622	$ 141	$ 10	$ 85	$ 18	$ –	$ 924

December 31, 2017	Construction Real Estate	Residential Real Estate	Commercial Real Estate	Land	Commercial	Consumer	Unallocated	Total
Allowance for loan losses:								
Beginning balance	$ 34	$ 572	$ 130	$ 3	$ 39	$ 32	$ –	$ 810
Provision for loan losses	17	182	–	10	19	7	–	235
Loans charged-off	–	(147)	–	–	–	(21)	–	(168)
Recoveries	–	1	–	–	–	10	–	11
Total ending allowance balance	$ 51	$ 608	$ 130	$ 13	$ 58	$ 28	$ –	$ 888

(Continued)

NOTE 3 – LOANS (Continued)

The following table presents the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and based on impairment method as of December 31, 2018 and 2017 (in thousands). It was not practical to add accrued interest or unamortized deferred loan fees for the portfolio segments.

December 31, 2018	Construction Real Estate	Residential Real Estate	Commercial Real Estate	Land	Commercial	Consumer	Total
Allowance for loan losses:							
Ending allowance balance attributable to loans:							
Individually evaluated for impairment	$ –	$ 17	$ –	$ –	$ –	$ 5	$ 22
Collectively evaluated for impairment	48	605	141	10	85	13	902
Total ending allowance balance	$ 48	$ 622	$ 141	$ 10	$ 85	$ 18	$ 924
Loans:							
Loans individually evaluated for impairment	$ –	$ 411	$ –	$ –	$ –	$ 5	$ 416
Loans collectively evaluated for impairment	8,455	106,431	24,875	1,693	15,007	1,476	157,937
Total ending loan balance	$ 8,455	$ 106,842	$ 24,875	$ 1,693	$ 15,007	$ 1,481	$ 158,353
December 31, 2017							
Allowance for loan losses:							
Ending allowance balance attributable to loans:							
Individually evaluated for impairment	$ –	$ 14	$ –	$ –	$ –	$ 10	$ 24
Collectively evaluated for impairment	51	594	130	13	58	18	864
Total ending allowance balance	$ 51	$ 608	$ 130	$ 13	$ 58	$ 28	$ 888
Loans:							
Loans individually evaluated for impairment	$ –	$ 704	$ 19	$ –	$ –	$ 10	$ 733
Loans collectively evaluated for impairment	8,999	105,097	23,105	2,225	10,411	1,265	151,102
Total ending loan balance	$ 8,999	$ 105,801	$ 23,124	$ 2,225	$ 10,411	$ 1,275	$ 151,835

(Continued)

NOTE 3 – LOANS (Continued)

The following table presents information related to impaired loans by class of loans as of and for the years ended December 31, 2018 and 2017 (in thousands):

	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated	Average Recorded Investment	Interest Income Recognized	Cash Basis Interest Recognized
December 31, 2018						
With no related allowance recorded:						
Residential real estate:						
1-4 family residential	$ 320	$ 320	$ –	$ 387	$ 45	$ 39
Commercial real estate	–	–	–	15	–	–
Subtotal	320	320	–	402	45	39
With an allowance recorded:						
Residential real estate:						
1-4 family residential	$ 91	$ 91	$ 17	$ 93	$ 6	$ 6
Consumer Other	5	5	5	7	1	–
Subtotal	96	96	22	100	7	6
Total	$ 416	$ 416	$ 22	$ 502	$ 52	$ 45
December 31, 2017						
Residential real estate:						
1-4 family residential	$ 591	$ 591	$ –	$ 728	$ 39	$ 39
Home-equity line of credit	57	57	–	58	3	1
Commercial real estate	19	19	–	41	1	–
Subtotal	667	667	–	827	43	40
With an allowance recorded:						
Residential real estate:						
1-4 family residential	$ 56	$ 56	$ 14	$ 57	$ 2	$ 2
Consumer Other	10	10	10	12	1	1
Subtotal	66	66	24	69	3	3
Total	$ 733	$ 733	$ 24	$ 896	$ 46	$ 45

The recorded investment excludes accrued interest receivable and unearned loan origination fees due to immateriality.

NOTE 3 – LOANS (Continued)

The following table presents the recorded investment in nonaccrual and loans past due over 90 days still on accrual by class of loans as of December 31, 2018 and 2017 (in thousands):

	Nonaccrual		Loans Past Due Over 90 Days Still Accruing	
	2018	2017	2018	2017
Residential real estate:				
1-4 family residential	$ 69	$ 501	$ –	$ –
Home equity line of credit	–	57	–	–
Commercial real estate	–	19	–	–
Land	–	–	–	–
Commercial	–	–	–	–
Consumer				
Auto	–	–	–	–
Other	5	10	–	–
Total	$ 74	$ 587	$ –	$ –

The following table presents the aging of the recorded investment in past due loans as of December 31, 2018 and 2017 by class of loans (in thousands):

December 31, 2018	30 - 59 Days Past Due	60 - 89 Days Past Due	90 Days or More Past Due	Total Past Due	Loans Not Past Due	Total
Construction real estate	$ –	$ –	$ –	$ –	$ 8,455	$ 8,455
Residential real estate:						
1-4 family residential	312	101	69	482	101,304	101,786
Home equity line of credit	–	–	–	–	5,056	5,056
Commercial real estate:						
Commercial real estate	36	–	–	36	21,428	21,464
Multi-family residential	–	–	–	–	3,411	3,411
Land	–	–	–	–	1,693	1,693
Commercial	–	–	–	–	15,007	15,007
Consumer:						
Auto	–	–	–	–	880	880
Other	–	–	5	5	596	601
Total	$ 348	$ 101	$ 74	$ 523	$ 157,830	$ 158,353
December 31, 2017						
Construction real estate	$ –	$ –	$ –	$ –	$ 8,999	$ 8,999
Residential real estate:						
1-4 family residential	339	69	282	690	100,540	101,230
Home equity line of credit	–	–	57	57	4,514	4,571
Commercial real estate:						
Commercial real estate	–	–	19	19	19,481	19,500
Multi-family residential	–	–	–	–	3,624	3,624
Land	–	–	–	–	2,225	2,225
Commercial	29	–	–	29	10,382	10,411
Consumer:						
Auto	–	–	–	–	807	807
Other	–	–	10	10	458	468
Total	$ 368	$ 69	$ 368	$ 805	$ 151,030	$ 151,835

(Continued)

NOTE 3 – LOANS (Continued)

Troubled Debt Restructurings:

As of December 31, 2018 and 2017, the Corporation has a recorded investment in troubled debt restructurings of $193,000 and $217,000. The Corporation had $14,000 in specific reserves allocated to customers whose loan terms had been modified in troubled debt restructurings as of December 31, 2018. The Corporation did not have any specific reserves allocated to customers whose loan terms had been modified in troubled debt restructurings as of December 31, 2017. The Corporation has not committed to lend additional amounts as of December 31, 2018 and 2017 to customers with outstanding loans that are classified as troubled debt restructurings; however, they have committed to refinancing one of the loans currently classified as a troubled debt restructured loan.

There were not any loans that were modified as troubled debt restructurings during the years ended December 31, 2018 or December 31, 2017. During these same years there were no material troubled debt restructurings for which there was a payment default within twelve months following the modification.

A loan is considered to be in payment default once it is 30 days contractually past due under the modified terms.

In order to determine whether a borrower is experiencing financial difficulty, an evaluation is performed of the probability that the borrower will be in payment default on any of its debt in the foreseeable future without the modification. This evaluation is performed under the company's internal underwriting policy.

Credit Quality Indicators:

The Corporation categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Corporation analyzes loans individually by classifying the loans as to credit risk. This analysis includes loan relationships greater than $250,000 and non-homogenous loans, such as commercial and commercial real estate loans. This analysis is performed on an annual basis. The Corporation uses the following definitions for risk ratings:

Special Mention. Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

Substandard. Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful. Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loss. Loans or a portion thereof classified as losses considered uncollectible and of such little value that its continuance as an asset, without establishment of a specific valuation allowance or charge-off, is not warranted. This classification does not necessarily mean that an asset has absolutely no recovery or salvage value; but rather, it is not practical or desirable to defer writing off a basically worthless asset (or portion) even though partial recovery may be affected in the future.

(Continued)

NOTE 3 – LOANS (Continued)

Loans not meeting the above criteria that are analyzed individually as part of the above described process are considered to be pass rated loans.

Loans listed as not rated are performing or are included in groups of homogeneous loans. As of December 31, 2018 and 2017, and based on the most recent analysis performed, the risk category of loans by class of loans is as follows (in thousands):

December 31, 2018	Pass	Special Mention	Substandard	Doubtful	Loss	Not Rated
Construction real estate	$ 5,985	$ –	$ –	$ –	$ –	$ 2,470
Residential real estate:						
1-4 family real estate	11,336	410	362	–	–	89,678
Home equity line of credit	478	–	–	–	–	4,578
Commercial real estate:						
Commercial real estate	15,838	1,119	–	–	–	4,507
Multi-family residential	2,207	–	–	–	–	1,204
Land	502	–	–	–	–	1,191
Commercial	12,372	208	–	–	–	2,427
Consumer:						
Auto	7	–	–	–	–	873
Other	165	–	5	–	–	431
Total	$ 48,890	$ 1,737	$ 367	$ –	$ –	$ 107,359
December 31, 2017						
Construction real estate	$ 3,092	$ –	$ –	$ –	$ –	$ 5,907
Residential real estate:						
1-4 family real estate	8,018	340	448	–	–	92,424
Home equity line of credit	336	–	57	–	–	4,178
Commercial real estate:						
Commercial real estate	15,029	–	19	–	–	4,452
Multi-family residential	3,168	–	–	–	–	456
Land	113	1,263	–	–	–	849
Commercial	7,319	29	–	–	–	3,063
Consumer:						
Auto	7	–	–	–	–	800
Other	79	–	11	–	–	378
Total	$ 37,161	$ 1,632	$ 535	$ –	$ –	$ 112,507

The Corporation also evaluates the credit quality of homogenous loans by delinquency status, which has been previously disclosed.

Loans to executive officers, directors and companies with which they are affiliated totaled $753,000 and $1,032,000 at December 31, 2018 and 2017.

NOTE 4 – OFFICE PROPERTIES AND EQUIPMENT

Office properties and equipment at December 31, 2018 and 2017 was as follows (in thousands):

	2018	2017
Land	$ 714	$ 714
Leasehold improvements	547	547
Buildings and improvements	2,671	2,132
Furniture and equipment	2,206	1,747
Vehicles	44	44
	6,182	5,184
Less accumulated depreciation and amortization	(3,014)	(2,867)
Net office properties and equipment	$ 3,168	$ 2,317

The Corporation conducts a portion of its operations in two different leased facilities under noncancelable operating leases. The leases in the Greenville Kroger and the Troy Kroger are scheduled to expire in 2023. The Corporation has an option to renew the Troy lease for two additional five year renewal periods. Total rental expense for the year ended December 31, 2018 and 2017 was $150,500 and $148,300, respectively. The minimum rental commitment under operating leases was as follows, before considering the renewal option:

Year ending December 31,	(in thousands)
2019	153
2020	155
2021	160
2022	162
2023	60
Total	$ 690

NOTE 5 – FEDERAL INCOME TAXES

On December 22, 2017, H.R. 1, commonly known as the Tax Cuts and Jobs Act (the "Act") was signed into law. The Act reduces the corporate federal tax rate from 34% to 21% effective January 1, 2018. As a result, the Corporation was required to remeasure its deferred tax assets and liabilities using the enacted rate at which they are expected to be recovered or settled. For 2017, the remeasurement of the net deferred tax asset resulted in additional income tax expense of $77,000, after consideration of the valuation allowance against the capital loss carryover.

(Continued)

NOTE 5 – FEDERAL INCOME TAXES (Continued)

The provision for federal income taxes differs from that computed at the statutory corporate rate (21% for 2018 and 34% for 2017) for the years ended December 31, 2018 and 2017 as follows (in thousands):

	2018	2017
Federal income taxes computed at 21% and 34% statutory rate for 2018 and 2017 respectively	$ 206	$ 293
Increase (decrease) in taxes resulting from:		
Increase in cash surrender value of life insurance	(30)	(49)
Change in valuation allowance on deferred tax assets	–	(122)
Expiration of capital loss carryforwards	–	92
Effect of federal tax law change	–	77
Other	(43)	(146)
Federal income taxes	$ 133	$ 145
Effective rate of tax	13.6%	16.9%

The composition of the Corporation's net deferred tax asset (liability) at December 31 was as follows (in thousands):

	2018	2017
Taxes (payable) refundable on temporary differences at statutory rate:		
Deferred tax liabilities		
Federal Home Loan Bank stock dividends	$ (60)	$ (60)
Difference between book and tax depreciation	(64)	(24)
Mortgage servicing rights	(136)	(105)
Total deferred tax liabilities	(260)	(189)
Deferred tax assets		
General loan loss allowance	189	181
Deferred loan origination fees	51	46
Capital loss carry-forward	175	175
Nonaccrual loan interest	1	3
Accrued compensation	41	38
Equity based compensation	17	16
Other	20	8
Gross deferred tax assets	494	467
Less: valuation allowance	(153)	(153)
Total deferred tax assets, net	341	314
Net deferred tax asset	$ 81	$ 125

The valuation allowance relates to realized capital losses from sales of securities which only may be used to offset capital gains. At December 31, 2018, the Corporation had $834,293 of capital loss carryforwards available, which may be carried forward for up to five years. These capital loss carryforwards expire at December 31, 2019.

(Continued)

NOTE 5 – FEDERAL INCOME TAXES (Continued)

Prior to 1997, the Corporation was allowed a special bad debt deduction generally limited to 8% of otherwise taxable income and subject to certain limitations based on aggregate loans and deposit account balances at the end of the year. If the amounts that previously qualified as deductions for federal income taxes are later used for purposes other than bad debt losses, including distributions in liquidation, such distributions will be subject to federal income taxes at the then current corporate income tax rate. Retained earnings at December 31, 2018, include approximately $1.8 million for which federal income taxes have not been provided. The amount of unrecognized deferred tax liability relating to the cumulative bad debt deduction was approximately $378,000 at December 31, 2018. Management believes that it is more likely than not that the results of future operations, as integrated with the reversal of deferred tax benefits, will generate sufficient taxable income to realize reported deferred tax assets.

At December 31, 2018 and 2017 the Corporation had no unrecognized tax benefits. The Corporation does not expect the amount of unrecognized tax benefits to increase substantially in the next twelve months. There were no amounts recognized for penalties or interest in the income statement for the years ended December 31, 2018 and 2017 nor any amounts accrued for interest and penalties at December 31, 2018 and 2017.

The Corporation and its subsidiary are subject to U.S. federal income tax. The Corporation is no longer subject to examination by federal taxing authorities for tax years prior to 2015. The years 2015-2017 remain open to examination by U.S. taxing authorities.

NOTE 6 – DEPOSITS

The Corporation had certificate of deposit accounts with balances in excess of $250,000 totaling approximately $39.1 million and $36.1 million at December 31, 2018 and 2017, respectively. Deposits in excess of $250,000 are not insured by the FDIC. Related party deposits were $796,000 and $1,018,000 at December 31, 2018 and 2017.

Maturities of certificate of deposit accounts as of December 31 were as follows (in thousands):

2019	$ 50,072
2020	7,012
2021	6,036
2022	3,009
2023	4,175
Thereafter	4,709
	$ 75,013

The Corporation had public deposits of $36.8 million, deposits through listing services of $6.4 million, and reciprocal deposits of $701,000 at December 31, 2018. The Corporation had public deposits of $33.0 million, deposits through listing services of $5.8 million, and no reciprocal deposits at December 31, 2017.

NOTE 7 – BORROWED FUNDS

Advances from the Federal Home Loan Bank at December 31, 2018 and 2017 were as follows (in thousands):

	2018	2017
Fixed rate advances with rates ranging from 2.07% to 2.59%, maturities ranging from August 2020 to September 2022 for December 2018 and 2017	$ 5,000	$ 5,000
Select pay mortgage-matched advances with rates ranging from 0.99% to 3.10%, maturities ranging from January 2019 to February 2029 for December 2018 and 2017	3,061	4,224
Balance at end of year	$ 8,061	$ 9,224

Fixed rate advances are payable at the maturity date and subject to prepayment penalties. The select pay mortgage-matched advances require monthly principal and interest payments and annual additional principal payments. The constant monthly payment amortizing advance requires constant monthly principal and interest payments to fully amortize the advance at maturity.

Maturities of FHLB advances at December 31, 2018 for the next five years and thereafter were as follows (in thousands):

2019	778
2020	2,560
2021	472
2022	3,396
2023	275
Thereafter	580
	$ 8,061

Advances under the borrowing agreements were collateralized by the Corporation's FHLB stock owned and a blanket pledge of qualifying mortgage loans at year-end 2018. Based upon this collateral and the Corporation's holdings of FHLB stock, the Corporation can borrow an additional $16.6 million at December 31, 2018.

The Corporation has a line of credit with the FHLB of $40,000,000 that can be used to guarantee public deposits over the FDIC insurance limit of $250,000. At December 31, 2018 and 2017, the Corporation had letters of credit outstanding for $39,825,000 and $37,325,000 to guarantee such deposits. There are no rates associated with these letters of credit.

NOTE 8 – BENEFIT PLANS

The Corporation has a contributory 401(k) plan which covers substantially all employees. Eligible participants of the plan may make voluntary contributions up to 25% of annual compensation. Employer contributions to the plan are required in an amount equal to 100% of the employees' contributions, not to exceed 6% of the employees' eligible salary level. The expense for this plan totaled approximately $88,000 and $91,000 for the years ended December 31, 2018 and 2017, respectively.

(Continued)

NOTE 8 – BENEFIT PLANS (Continued)

The Corporation has an employee stock ownership plan ("ESOP") which provides retirement benefits for substantially all full-time employees who are credited with at least 1,000 hours of service on the last day of the 12-month period beginning on their employment commencement date or, to the extent necessary, the last day of any plan year thereafter beginning with the plan year that includes the first anniversary of the employee's commencement date. The plan year runs from January 1 through December 31. In conjunction with the reorganization of Greenville Federal into a mutual holding company structure in 2006, the ESOP acquired 90,098 shares of Corporation common stock at $10.00 per share with funds provided by a loan from the Corporation. The final allocation of these shares occurred in 2015. During the fiscal year ended December 31, 2017, the ESOP borrowed $774,000 from the Corporation and purchased 90,000 shares from the Corporation's treasury stock at $8.60 per share. Shares are released to participants' accounts proportionately as the loan is repaid. Dividends on allocated shares are recorded as dividends and charged to retained earnings. Dividends on unallocated shares used to repay the ESOP note reduce debt and accrued interest. The Corporation recognizes compensation expense equal to the fair value of ESOP shares allocated to participants during the fiscal year. Allocation of shares to the ESOP participants are contingent upon the repayment of a loan to the Corporation totaling $640,000 and $707,000 at December 31, 2018 and 2017, which is eliminated in consolidation. The Corporation recorded expense for the ESOP of approximately $89,000 and $82,000 for the years ended December 31, 2018 and 2017. Contributions to the ESOP during the plan years ending December 31, 2018 and 2017 which includes dividends on unallocated shares totaled $94,000 each year.

	2018	2017
Allocated shares	77,995	68,995
Unallocated shares	72,000	81,000
Total ESOP shares	149,995	149,995
Fair value of unallocated shares (in thousands)	$ 720	$ 725

The Corporation is obligated at the option of each beneficiary to repurchase shares of the ESOP upon the beneficiary's termination or after retirement. During the year ended December 31, 2018, no ESOP shares were repurchased. During the year ended December 31, 2017, 1,582 shares were repurchased from current employees in an ESOP diversification transaction. At December 31, 2018, the fair value of the 77,995 allocated shares held by the ESOP was approximately $780,000. At December 31, 2017, the fair value of the 68,995 allocated shares held by the ESOP was approximately $618,000. These amounts represent the repurchase obligation of the Corporation.

NOTE 9 – STOCK-BASED COMPENSATON PLANS

The 2006 Equity Plan, which was approved by stockholders on October 31, 2006, permitted the grant of up to 112,622 options to purchase shares of the Corporation's common stock and up to 45,048 shares of stock awards to its directors and employees. Option awards were granted with an exercise price equal to the market price of the Corporation's stock at the date of grant with those option awards generally vesting based on five years of continuous service and ten-year contractual terms. Restricted stock awards were granted based upon the fair value of the Corporation's stock on the date of grant with those awards generally vesting over five years. The 2006 Equity Plan expired on October 31, 2016 and no further awards can be made under this plan.

(Continued)

NOTE 9 – STOCK-BASED COMPENSATON PLANS (Continued)

Stockholders of the Corporation approved a new Equity Incentive Plan on May 30, 2017 (“2017 Equity Incentive Plan”) which reserved a total of 135,000 shares of common stock. A maximum of 85,000 options to purchase shares of the Corporation’s common stock and a maximum of 50,000 stock awards may be granted. Option awards are granted with an exercise price equal to the market price of the Corporation’s stock at the date of grant with those option awards generally vesting based on five years of continuous service and ten-year contractual terms. Restricted stock awards are granted based upon the fair value of the Corporation’s stock on the date of grant with those awards generally vesting over five years. The 2017 Equity Incentive Plan expires May 30, 2027.

Stock Option Plan

The fair value of each option award is estimated on the date of grant using a closed form option valuation (Black-Scholes) model based upon the following assumptions. Expected volatilities are based on historical volatilities of the Corporation’s common stock. The Corporation uses historical data to estimate option exercise and post-vesting termination behavior. The expected term of options granted is based on historical data and represents the period of time that options granted are expected to be outstanding, which takes into account that the options are not transferable. The risk-free interest rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of the grant.

The fair value of options granted was determined using the following weighted average assumptions as of the grant date.

	2018	2017
Risk-free interest rate	2.70%	–
Expected term	7 years	–
Expected stock price volatility	16.00%	–
Dividend yield	3.11%	–
Weighted average fair value of options granted	$ 1.12	–

A summary of the activity in the stock option plan for 2018 follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at beginning of year	61,811	$ 6.76	5.08 years	$ 135,270
Granted	8,150	9.00		
Exercised	(26,500)	4.13		
Forfeited or expired	(1,000)	8.95		
Outstanding at end of year	42,461	$ 8.78	7.33 years	$ 51,717
Fully vested and expected to vest	42,461	$ 8.78	7.33 years	$ 51,717
Exercisable at end of year	15,849	$ 8.67	6.78 years	$ 21,061

(Continued)

NOTE 9 – STOCK-BASED COMPENSATON PLANS (Continued)

As of December 31, 2018, 76,850 options to purchase shares of stock remain available for grant under the 2017 Equity Incentive Plan. Information related to the stock option exercises during each year follows (in thousands):

	2018	2017
Intrinsic value of options exercised	$ 120	$ 1
Cash received from option exercises	108	4
Tax benefit from option exercises	–	–

Unrecognized compensation cost related to nonvested stock options granted under the Plan will be recognized as follows:

2019	$ 10,000
2020	8,000
2021	3,000
2022	2,000
2023	500
Total	$ 23,500

Compensation expense for the awards totaled approximately $9,500 and $9,400 for the years ended December 31, 2018 and 2017.

The shares of the stock to be delivered under the Plan may consist, in whole or in part, of treasury stock or authorized but unissued shares not reserved for any other purpose; provided, however, that the use of shares purchased in the secondary market will be limited to such repurchases as are permitted by applicable regulations of the Office of the Comptroller of the Currency.

Restricted Stock Award Plan

Compensation expense is recognized over the vesting period of the awards based upon the fair value of the stock at issue date. Restricted stock awards vest ratably over 5 years. Total shares issuable under the 2017 Equity Incentive Plan at December 31, 2018 total 46,000. Compensation expense for the awards totaled approximately $26,100 and $23,500 for the years ended December 31, 2018 and 2017.

A summary of changes in the Corporation's nonvested shares for the year follows:

	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at beginning of year	8,756	$ 6.76
Granted	4,000	9.00
Vested	(2,472)	8.60
Forfeited	(210)	8.67
Nonvested at end of year	10,074	$ 8.80

(Continued)

NOTE 9 – STOCK-BASED COMPENSATON PLANS (Continued)

Unrecognized compensation cost related to nonvested restricted stock awards granted under the Plan will be recognized as follows:

2019	$ 28,500
2020	20,100
2021	9,700
2022	7,200
2023	1,800
Total	$ 67,300

The total fair value of shares vested during the years ending December 31, 2018 and 2017 was $22,200 and $24,200.

NOTE 10 – REGULATORY CAPITAL MATTERS

Banks are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and prompt corrective action regulations involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgements by regulators. Failure to meet capital requirements can initiate regulatory action. The final rules implementing Basel Committee on Banking Supervision's capital guidelines for U.S. banks (Basel III rules) became effective for the Corporation on January 1, 2015 with full compliance with all of the requirements being phased in over a multi-year schedule, and fully phased in by January 1, 2019. Under the Basel III rules, the Bank must hold a capital conservation buffer above the adequately capitalized risk-based capital ratios. The capital conservation buffer is being phased in from 0.00% for 2015 to 2.50% by 2019. The capital conservation buffer for 2018 was 1.875% and for 2017 was 1.25%. The capital conservation buffer is excluded from the adequately capitalized risk-based capital ratios. Management believes as of December 31, 2018, the Bank meets all capital adequacy requirements to which they are subject.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. As of December 31, 2018 and 2017, the most recent regulatory notifications categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since notification that management believes have changed the institution's category.

NOTE 10 – REGULATORY CAPITAL MATTERS (Continued)

Actual and required capital amounts (in thousands) and ratios are presented below at year-end.

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2018						
Tier 1 (core) capital to average weighted assets	$ 19,961	11.1%	$ 7,214	4.0%	$ 9,017	5.0%
Common Tier 1- (CETI)	19,961	15.1	5,958	4.5	8,606	6.5
Tier 1 (core) capital to risk-weighted assets	19,961	15.1	7,944	6.0	10,592	8.0
Total capital to risk-weighted assets	20,886	15.8	10,592	8.0	13,239	10.0
December 31, 2017						
Tier 1 (core) capital to average weighted assets	$ 18,892	11.1%	$ 6,803	4.0%	$ 8,504	5.0%
Common Tier 1- (CETI)	18,892	15.0	5,658	4.5	8,173	6.5
Tier 1 (core) capital to risk-weighted assets	18,892	15.0	7,544	6.0	10,059	8.0
Total capital to risk-weighted assets	19,780	15.7	10,059	8.0	12,573	10.0

Greenville Federal is subject to regulations imposed by the OCC regarding the amount of capital distributions payable to the Corporation. Generally, Greenville Federal's payment of dividends is limited, without prior OCC approval, to net earnings for the current calendar year plus the two preceding calendar years, less capital distributions paid over the comparable time period. Insured institutions are required to file an application with the OCC for capital distributions in excess of this limitation. During the years ended December 31, 2018 and 2017, no capital distributions were made to the Corporation.

Regulations governing mutual holding companies permit Greenville Federal MHC to waive the receipt by it of any common stock dividend declared by GFFC or Greenville Federal, provided the FRB does not object to such waiver. During the years ended December 31, 2018 and 2017, Greenville Federal received approval for such waiver from the FRB and waived $265,000 and $354,000 in dividends, respectively.

NOTE 11 – OFF-BALANCE-SHEET ACTIVITIES

The Corporation 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, including commitments to extend credit. Such commitments involve, to varying degrees, elements of credit and interest-rate risk in excess of the amount recognized in the statement of financial condition. The contract or notional amounts of the commitments reflect the extent of the Corporation's involvement in such financial instruments.

The Corporation's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual notional amount of those instruments. The Corporation uses the same credit policies in making commitments and conditional obligations, including receipt of collateral, as those utilized for on-balance-sheet instruments.

(Continued)

NOTE 11 – OFF-BALANCE-SHEET ACTIVITIES (Continued)

The contractual amount of financial instruments with off-balance-sheet risk was as follows (in thousands):

	2018	2017
Fixed rate commitments	$ 3,098	$ 6,231
Variable rate commitments	21,120	17,943
	$ 24,218	$ 24,174

The interest rate on fixed-rate commitments ranged from 2.875% to 6.75% at December 31, 2018 and 3.375% to 6.25% at December 31, 2017. Commitments to make loans are generally made for a period of 30 days or less.

NOTE 12 – DISCLOSURES ABOUT FAIR VALUE

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair value.

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant, unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The following is a description of the Corporation's valuation methodologies used to measure and disclose the fair values of its financial assets and liabilities on a recurring or nonrecurring basis:

Mortgage Servicing Rights: Fair value is determined at the tranche level, based on market prices for comparable mortgage servicing contracts (Level 2), when available, or alternatively based on a valuation model that calculates the present value of estimated future net servicing income. The valuation model utilizes interest rate, prepayment speed, and default rate assumptions that market participants would use in estimating future net servicing income and that can be validated against available market data.

Impaired Loans: The fair value of impaired loans with specific allocations of the allowance for loan losses is generally based on recent real estate valuations for property securing the loans, since such loans are usually collateral dependent. These valuations use a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the valuation process by the evaluators to adjust for differences between the comparable sales and income data available. Such adjustments are typically significant and result in a Level 3 classification of the inputs for determining fair value.

(Continued)

NOTE 12 – DISCLOSURES ABOUT FAIR VALUE (Continued)

Assets measured at fair value on a recurring basis as of December 31, 2018 and 2017 are summarized below (in thousands).

	Fair Value Measurements Using: Significant Other Observable Inputs (Level 2)
December 31, 2018	
Mortgage Servicing Rights	$ 647
December 31, 2017	
Mortgage Servicing Rights	$ 502

Assets measured at fair value on a non-recurring basis as of December 31, 2018 and 2017 are summarized below (in thousands).

	Fair Value Measurements Using: Significant Unobservable Inputs (Level 3)
December 31, 2018	
Impaired Loans:	
Residential Real Estate:	
1-4 family residential	$ 74
December 31, 2017	
Impaired Loans:	
Residential Real Estate:	
1-4 family residential	$ 67

Impaired loans, which are usually measured for impairment using the fair value of the collateral, had a principal balance of approximately $91,000, with a specific valuation allowance of $17,000, resulting in $3,000 of additional provision for loan losses for the fiscal year ended December 31, 2018.

Impaired loans, which are usually measured for impairment using the fair value of the collateral, had a principal balance of approximately $81,000, with a specific valuation allowance of $14,000, resulting in $14,000 of additional provision for loan losses for the fiscal year ended December 31, 2017.

(Continued)

NOTE 12 – DISCLOSURES ABOUT FAIR VALUE (Continued)

The following table presents quantitative information about level 3 fair value measurements for financial instruments measured at fair value on a non-recurring basis at December 31, 2018 and 2017:

2018	Fair value	Valuation Technique(s)	Unobservable Input(s)	Range (Weighted Average)
Impaired Loans - 1-4 family residential	$ 74,000	Sales comparison approach	Adjustment for differences between the comparable sales	-10.29% to 9.20% (5.00%)

2017	Fair value	Valuation Technique(s)	Unobservable Input(s)	Range (Weighted Average)
Impaired Loans - 1-4 family residential	$ 67,000	Sales comparison approach	Adjustment for differences between the comparable sales	-13.50% to 22.80% (5.00%)

The carrying amounts and estimated fair values of financial instruments, at December 31, 2018 and December 31, 2017 are as follows (in thousands):

	Carrying Value	Fair Value Measurements at December 31, 2018 Using: Level 1	Level 2	Level 3	Total
Financial assets					
Cash and cash equivalents	$ 10,397	$ 10,397	$ –	$ –	$ 10,397
Interest-bearing time deposits in other financial institutions	498	–	498	–	498
Securities held to maturity	1,970	–	1,859	–	1,859
Loans receivable, net	157,171	–	–	154,004	154,004
Federal Home Loan Bank stock	703	N/A	N/A	N/A	N/A
Accrued interest receivable	682	–	682	–	682
Financial liabilities					
Deposits	$ 149,380	$ 74,367	$ 75,176	$ –	$ 149,543
Advances from the Federal Home Loan Bank	8,061	–	7,745	–	7,745
Advances by borrowers for taxes and insurance	959	959	–	–	959
Accrued interest payable	101	–	101	–	101

NOTE 12 – DISCLOSURES ABOUT FAIR VALUE (Continued)

	Carrying Value	Fair Value Measurements at December 31, 2017 Using: Level 1	Level 2	Level 3	Total
Financial assets					
Cash and cash equivalents	$ 10,775	$ 10,775	$ –	$ –	$ 10,775
Interest-bearing time deposits in other financial institutions	498	–	498	–	498
Securities held to maturity	2,376	–	2,275	–	2,275
Loans receivable, net	150,694	–	–	150,901	150,901
Federal Home Loan Bank stock	703	N/A	N/A	N/A	N/A
Accrued interest receivable	603	–	603	–	603
Financial liabilities					
Deposits	$ 141,227	$ 67,880	$ 74,077	$ –	$ 141,957
Advances from the Federal Home Loan Bank	9,224	–	8,979	–	8,979
Advances by borrowers for taxes and insurance	944	944	–	–	944
Accrued interest payable	53	–	53	–	53

In accordance with our adoption of ASU 2016-01 on January 1, 2018, the methods utilized to measure the fair value of financial instruments at December 31, 2018, represent exit prices. The methods utilized to estimate the fair value of financial instruments at December 31, 2017 did not necessarily represent an exit price.

While these estimates are based on management's judgment of the appropriate valuation factors, no assurance exists that, were the Company to have liquidated such items, the estimated fair values would necessarily have been realized. The estimated fair values should not be considered to apply to subsequent dates.

(Continued)

NOTE 13 – REVENUE FROM CONTRACTS WITH CUSTOMERS

All of the Corporation's revenue from contracts with customers in the scope of ASC 606 is recognized within Noninterest Income. The following table presents the Corporation's sources of Noninterest Income for the twelve months ended December 31, 2018 and 2017 (in thousands). Items outside the scope of ASC 606 are noted as such.

	2018	2017
Noninterest Income		
Customer Service Charges		
Service charges on deposits	$ 293	$ 314
Interchange income	255	217
Other[(a)]	111	113
Gain on sale of mortgage loans[(b)]	126	129
Other		
Net gains on sales of OREO	1	60
Earnings on Company Owned Life Insurance[(b)]	144	145
Loan servicing income[(b)]	93	85
Other[(b)]	50	46
Total Noninterest Income	$ 1,073	$ 1,109

(a) The Other category includes ATM fee income from foreign cardholders totaling $61,000 for the year ending December 31, 2018 and $60,000 for the year ending December 31, 2017. Also included is Safe Deposit Box income totaling $6,000 for the year ending December 31, 2018 and $7,000 for the year ending December 31, 2017. Both are within scope of ASC 606.

(b) Not within the scope of ASC 606.

A description of the Corporation's revenue streams accounted for under ASC 606 follows:

Service Charges on Deposit Accounts: The Corporation earns fees from its deposit customers for transaction-based, account maintenance, and overdraft services. Transaction-based fees, which include services such as ATM use fees, stop payment charges, statement rendering, wire transfer, check issuance, and ACH fees, are recognized at the time the transaction is executed as that is the point in time the Corporation fulfills the customer's request. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of the month, representing the period over which the Corporation satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposits are withdrawn from the customer's account balance.

Interchange Income: The Corporation earns interchange fees from debit cardholder transactions conducted through the Visa payment network. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services provided to the cardholder.

Gains/Losses on Sales of OREO: The Corporation records a gain or loss on the sale of OREO when control of the property transfers to the buyer, which generally occurs at the time of an executed deed. When the Corporation finances the sale of OREO to the buyer, the Corporation assesses whether the buyer is committed to perform their obligations under the contract and whether collectability of the transaction price is probable. Once these criteria are met, the OREO asset is derecognized and the gain or loss on sale is recorded upon the transfer of control of the property to the buyer. In determining the gain or loss on the

NOTE 13 – REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

sale, the Corporation adjusts the transaction price and related gain (loss) on sale if a significant financing component is present.

Other Income: The Corporation earns fees from foreign cardholders for the use of its ATMs. These transaction-based fees are recognized at the time the transaction is executed as that is the point in time the Corporation fulfills the request. The Corporation also earns income from the rental of Safe Deposit Boxes. The income is recognized over the time of the performance obligation.

ANNUAL MEETING

The Annual Meeting of Stockholders will be held at 3:00 p.m., on May 28, 2019 at the main office of Greenville Federal, 690 Wagner Ave., Greenville, Ohio. Further information with regard to the meeting can be found in the proxy statement.

STOCK LISTING

Greenville Federal Financial Corporation common stock is traded on the OTC Bulletin Board under the symbol “GVFF.”

STOCKHOLDER AND GENERAL INQUIRIES

Greenville Federal Financial Corporation
690 Wagner Avenue
Greenville, Ohio 45331
(937) 548-4158
Attn: Jeff Kniese or Susan Barker

TRANSFER AGENT

American Stock Transfer & Trust Company, LLC
6201 15th Avenue
Brooklyn, NY 11219

OFFICE LOCATIONS

Main Office: 690 Wagner Avenue
Greenville, Ohio 45331
(937) 548-4158

Branch Offices:

Greenville Kroger Banking Center
200 Lease Avenue
Greenville, OH 45331
(937) 548-4158

Troy Kroger Banking Center
731 W. Market St.
Troy, OH 45373
(937) 332-0010

Tipp City Banking Center
500 W. Main St.
Tipp City, OH 45371
(937) 667-4000

Internet Banking: www.greenvillefederal.com

BOARD OF DIRECTORS

Jeff D. Kniese
President and Chief Executive Officer of
Greenville Federal Financial Corporation and Greenville Federal

Patrick R. Custenborder
Vice President of Phelan Insurance Agency

Joe W. Dickerson
President of Koverman Staley Dickerson Insurance

Ryan C. Dynes
Attorney for Dynes & Dynes, LLC

George S. Luce, Jr.
Salesperson for Best Equipment Company, Inc.

Richard J. O'Brien
Manager of Greenville Union Cemetery

Julie F. Strait
Accountant for Fry and Company
Entrepreneur

James W. Ward (Chairman of the Board)
Certified Public Accountant for Fry and Company

EXECUTIVE OFFICERS OF THE CORPORATION

Jeff D. Kniese, President & CEO
Susan J. Barker, Chief Financial Officer, Treasurer, Senior Vice President, & Secretary

SPECIAL COUNSEL

Luse Gorman, PC
5335 Wisconsin Ave., N.W.
Suite 780
Washington, D.C., 20015
(202) 274-2000

INDEPENDENT AUDITORS

Crowe LLP
600 Superior Avenue East
Suite 902
Cleveland, Ohio 44114
(216) 623-7500

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

Tipp City Banking Center

Our expansion into Miami County has been nothing short of spectacular. As we celebrate three years in the new Troy Kroger Marketplace store, we are very pleased with the community response and couldn't be more excited to bring our style of customer-focused banking now to the people of Tipp City. There is a difference in banks and we are confident the community of Tipp City will enjoy the GF option for all their banking needs.

Bringing all of our customers the latest in technology, new products and services, great loan and deposit rates and low fees, is what we do day in and day out at Greenville Federal. We are a proud Ohio bank serving our communities since 1883 and looking forward to serving you! We invite you to stop by our Tipp City Banking Center located at 500 W. Main Street.

Since 1883

Greenville Federal

The Smart Way to Bank

www.greenvillefederal.com