

AMENDED
DEC 09 2017

FR Y-6
OMB Number 7100-0297
Approval expires September 30, 2018
Page 1 of 2

Board of Governors of the Federal Reserve System



Annual Report of Holding Companies—FR Y-6

Report at the close of business as of the end of fiscal year

This Report is required by law: Section 5(c)(1)(A) of the Bank Holding Company Act (12 U.S.C. § 1844(c)(1)(A)); sections 8(a) and 13(a) of the International Banking Act (12 U.S.C. §§ 3106(a) and 3108(a)); sections 11(a)(1), 25, and 25A of the Federal Reserve Act (12 U.S.C. §§ 248(a)(1), 602, and 611a); and sections 113, 165, 312, 618, and 809 of the Dodd-Frank Act (12 U.S.C. §§ 5361, 5365, 5412, 1850a(c)(1), and 5468(b)(1)). Return to the appropriate Federal Reserve Bank the original and the number of copies specified.

This report form is to be filed by all top-tier bank holding companies, top-tier savings and loan holding companies, and U.S. intermediate holding companies organized under U.S. law, and by any foreign banking organization that does not meet the requirements of and is not treated as a qualifying foreign banking organization under Section 211.23 of Regulation K (12 C.F.R. § 211.23). (See page one of the general instructions for more detail of who must file.) The Federal Reserve may not conduct or sponsor, and an organization (or a person) is not required to respond to, an information collection unless it displays a currently valid OMB control number.

NOTE: The Annual Report of Holding Companies must be signed by one director of the top-tier holding company. This individual should also be a senior official of the top-tier holding company. In the event that the top-tier holding company does not have an individual who is a senior official and is also a director, the chairman of the board must sign the report. If the holding company is an ESOP/ESOT formed as a corporation or is an LLC, see the General Instructions for the authorized individual who must sign the report.

Date of Report (top-tier holding company's fiscal year-end):

June 30, 2017

Month / Day / Year

NONE

Reporter's Legal Entity Identifier (LEI) (20-Character LEI Code)

Reporter's Name, Street, and Mailing Address

I, TROY LAMBDEN

Name of the Holding Company Director and Official

PRESIDENT/CEO

Title of the Holding Company Director and Official

attest that the Annual Report of Holding Companies (including the supporting attachments) for this report date has been prepared in conformance with the instructions issued by the Federal Reserve System and are true and correct to the best of my knowledge and belief.

GRAHAM SAVINGS FINANCIAL CORP

Legal Title of Holding Company

P. O. BOX 1490

(Mailing Address of the Holding Company) Street / P.O. Box

GRAHAM TX 76450

City State Zip Code

745 ELM STREET; GRAHAM, TX 76450

Physical Location (if different from mailing address)

With respect to information regarding individuals contained in this report, the Reporter certifies that it has the authority to provide this information to the Federal Reserve. The Reporter also certifies that it has the authority, on behalf of each individual, to consent or object to public release of information regarding that individual. The Federal Reserve may assume, in the absence of a request for confidential treatment submitted in accordance with the Board's "Rules Regarding Availability of Information," 12 C.F.R. Part 261, that the Reporter and individual consent to public release of all details in the report concerning that individual.

Person to whom questions about this report should be directed:

TROY LAMBDEN PRESIDENT/CEO

Name Title

940/549-2066

Area Code / Phone Number / Extension

940/549-0314

Area Code / FAX Number

troy.lambden@grahamsf.com

E-mail Address

NONE

Address (URL) for the Holding Company's web page

Signature of Holding Company Director and Official

09/26/2017

Date of Signature

For holding companies not registered with the SEC—
Indicate status of Annual Report to Shareholders:

- is included with the FR Y-6 report
- will be sent under separate cover
- is not prepared

For Federal Reserve Bank Use Only

RSSD ID

C.I.

Is confidential treatment requested for any portion of this report submission? Q=No 1=Yes 0

In accordance with the General Instructions for this report (check only one),

- 1. a letter justifying this request is being provided along with the report
- 2. a letter justifying this request has been provided separately

NOTE: Information for which confidential treatment is being requested must be provided separately and labeled as "confidential."

FORM FR Y-6
Graham Savings Financial Corp
Graham, Texas
Fiscal Year Ending June 30, 2017

Report Item

1: The savings and loan holding company prepares an annual report for its securities holders and is not registered with the SEC. As specified by the Federal Reserve Bank of Dallas, a copy has been enclosed.

2a: Organizational Chart

Graham savings Financial Corp, **LEI: NONE** (Holding Company & Parent) Graham, TX (Incorporated in Texas) owns 100% of

Graham Savings and Loan, SSB, **LEI: NONE** (State Savings Bank & Insured Subsidiary) Graham, TX (Incorporated in Texas)

2b: Domestic Branch Listing was previously reported with the FR Y-10.

Results: A list of branches for your depository institution: GRAHAM SAVINGS AND LOAN, SSB (ID_RSSD: 839974). This depository institution is held by GRAHAM SAVINGS FINANCIAL CORP (37959006) of GRAHAM, TX. The data are as of 06/30/2017. Data reflects information that was received and processed through 07/06/2017.

Reconciliation and Verification Steps

1. In the Data Action column of each branch row, enter one or more of the actions specified below
2. If required, enter the date in the Effective Date column

Actions

OK: If the branch information is correct, enter 'OK' in the Data Action column.
Change: If the branch information is incorrect or incomplete, revise the data, enter 'Change' in the Data Action column and the date when this information first became valid in the Effective Date column.
Close: If a branch listed was sold or closed, enter 'Close' in the Data Action column and the sale or closure date in the Effective Date column.
Delete: If a branch listed was never owned by this depository institution, enter 'Delete' in the Data Action column.
Add: If a reportable branch is missing, insert a row, add the branch data, and enter 'Add' in the Data Action column and the opening or acquisition date in the Effective Date column.

If printing this list, you may need to adjust your page setup in MS Excel. Try using landscape orientation, page scaling, and/or legal sized paper.

Submission Procedure

When you are finished, send a saved copy to your FRB contact. See the detailed instructions on this site for more information. If you are e-mailing this to your FRB contact, put your institution name, city and state in the subject line of the e-mail.

Note:

To satisfy the FR Y-10 reporting requirements, you must also submit FR Y-10 Domestic Branch Schedules for each branch with a Data Action of Change, Close, Delete, or Add. The FR Y-10 report may be submitted in a hardcopy format or via the FR Y-10 Online application - <https://y10online.federalreserve.gov>.

* FDIC UNINUM, Office Number, and ID_RSSD columns are for reference only. Verification of these values is not required.

Data Action	Effective Date	Branch Service Type	Branch ID_RSSD*	Popular Name	Street Address	City	State	Zip Code	County	Country	FDIC UNINUM*	Office Number*	Head Office	Head Office ID_RSSD*	Comments
OK		Full Service (Head Office)	839974	GRAHAM SAVINGS AND LOAN, SSB	745 ELM STREET	GRAHAM	TX	76450	YOUNG	UNITED STATES	Not Required	Not Required	GRAHAM SAVINGS AND LOAN, SSB	839974	
OK		Limited Service	4167255	BRECKENRIDGE BRANCH	1116 WEST WALKER STREET	BRECKENRIDGE	TX	76424	STEPHENS	UNITED STATES	Not Required	Not Required	GRAHAM SAVINGS AND LOAN, SSB	839974	
OK		Limited Service	4167264	POSSUM KINGDOM BRANCH	1301 PARK ROAD 36	GRAFORD	TX	76449	PALO PINTO	UNITED STATES	Not Required	Not Required	GRAHAM SAVINGS AND LOAN, SSB	839974	

Report Item 3: Securities Holders

(1)(a.) Name City, State, Country	(1)(b.) Country of Citizenship or Incorporation	(1)(c.) Number and Percentage of Each Class of Voting Securities	(1)(a.) Name City, State, Country	(1)(b.) Country of Citizenship or Incorporation	(1)(c.) Number and Percentage of Each Class of Voting Securities
ANGELA ALLISON PITCOCK ADAMS ALEDO, TX 76008	USA	13,653 - 5.388% Common Stock	JOHN ALLEN KNOX GRAHAM, TX 76450	USA	5,372 - 2.120% Common Stock
MEDORA JACQUELINE EUBANK FT WORTH, TX 76109	USA	13,653 - 5.388% Common Stock	KENNETH GENE KNOX GRAHAM, TX 76450	USA	5,388 - 2.126% Common Stock
MEDORA JACQUELINE PITCOCK EUGANK TRUSTEE FOR MELISSA PITCOCK TRUST FT WORTH, TX 76109	USA	13,653 - 5.388% Common Stock	LISA KNOX WINDLINGER DALLAS, TX 75248	USA	5,155 - 2.034% Common Stock
ROY T. PITCOCK, JR GRAHAM, TX 76450	USA	13,882 - 5.478% Common Stock	John, Kenneth & Lisa are Brothers & Sister Ken is a Director of the Holding Company		15,915 - 6.281% Common Stock
Angela, Medora, Melissa & Roy are Brother & Sisters Roy is a Director of the Holding Company *****		54,841 - 21.642% Common Stock	*****		
KEN ANDREWS GRAHAM, TX 76450	USA	14,540 - 5.738% Common Stock	JUNE LITTLEPAGE GRAHAM, TX 76450	USA	6,681 - 2.637% Common Stock
JENNIFER ANDREWS-COX GRAHAM, TX 76450	USA	2,672 - 1.054% Common Stock	ESTATE OF THOMAS G LITTLEPAGE GRAHAM, TX 76450	USA	6,680 - 2.636% Common Stock
KATHERINE ANDREWS CRANFORD AUSTIN, TX 78757	USA	2,672 - 1.054% Common Stock	June is the widow of Thomas		13,361 - 5.273% Common Stock
Jennifer Andrews-Cox is Ken Andrew's Daughter Katherine Andrews Cranford is Ken Andrew's Daughter Ken is a Director of the Holding Company		19,884 - 7.847% Common Stock	*****		
GEORGE ALTON HAWKINS GRAHAM, TX 76450	USA	17,132 - 6.761% Common Stock	THAN W MCCRACKEN GRAHAM, TX 76450	USA	7,374 - 2.910% Common Stock
RODNEY HAWKINS GRAHAM, TX 76450	USA	7,555 - 2.981% Common Stock	MATT MCCRACKEN GRAHAM, TX 76450	USA	7,173 - 2.831% Common Stock
KERESS STUCKEY GRAHAM, TX 76450	USA	549 - 0.217% Common Stock	MARLA MCCRACKEN COLEMAN GRAHAM, TX 76450	USA	7,174 - 2.831% Common Stock
George, Rodney & Keress are Father & Son & Daughter Rodney is a Director of the Holding Company		25,236 - 9.959% Common Stock	Than, Matt & Marla are Brothers & Sister Than is a Director of the Holding Company		21,721 - 8.572% Common Stock
SHANNON PLOWMAN GRAHAM, TX 76450	USA	33,340 - 13.157% Common Stock	DARRELL WEATHERBEE GRAHAM, TX 76450	USA	12,120 - 4.783% Common Stock
*****			E GLENN WEATHERBEE ABILENE, TX 79601	USA	1,875 - 0.740% Common Stock
			JANICE WEATHERBEE EVANS GRAHAM, TX 76450	USA	1,875 - 0.740% Common Stock
			REBA FOX MIDLAND, TX 79707	USA	1,875 - 0.740% Common Stock
			Darrell, E. Glenn & Janice are Brothers & Sister Darrell is a Director of the Holding Company		17,745 - 7.003% Common Stock

(2): Securities holders not listed in 3(1)(a) through 3(1)(c) that had ownership, control or holdings of 5% or more with power to vote during the fiscal year ending 06/30/2013 - NONE

Form FR Y-8
 Graham Savings Financial Corp
 Fiscal Year Ending June 30, 2017

Report Item 4: Insiders

(1) Name City, State Country	(2) Principal Occupation If Other Than With Holding Company	(3)(a.) Title & Position With Holding Company	(3)(b.) Title & Position With Subsidiary (Name)	(3)(c.) Title & Position With Other Businesses (Name)	(4)(a.) Percentage of Voting Shares in Holding Company	(4)(b.) Percentage of Voting Shares in Subsidiaries (Name) Each Class of Voting Securities	(4)(c.) List Names of Other Companies if Holding 25% of Voting Shares
ROY T. PITCOCK, JR GRAHAM, TX 78450 USA	Oil & Gas Production	Director	Director (Graham Savings and Loan, SSB Pitcock Investments)	Vice-President (Pitcock Investments)	5.478% Common Stock (Graham Savings and Loan, SSB)	5.478% Common Stock (Graham Savings and Loan, SSB)	N/A
ANGELA ALLISON PITCOCK ADAMS ALEDO, TX 78008 USA	Housewife	Shareholder	None	None	5.388% Common Stock (Graham Savings and Loan, SSB)	5.388% Common Stock (Graham Savings and Loan, SSB)	N/A
MEDORA JACQUELINE EUBANK FT WORTH, TX 78109 USA	Housewife	Shareholder	None	None	10.776% Common Stock	10.776% Common Stock (Graham Savings and Loan, SSB)	N/A
Angela, Medora, Melissa & Roy are Brother & Sisters Roy is a Director of the Holding Company							
KEN ANDREWS GRAHAM, TX 78450 USA	Attorney	Chairman of the Board	Director (Graham Savings and Loan, SSB)	N/A	21.642% Common Stock	21.642% Common Stock (Graham Savings and Loan, SSB)	N/A
RODNEY HAWKINS GRAHAM, TX 78450 USA	Oil & Gas Production	Director	Director (Graham Savings and Loan, SSB)	President (Hawkins Pump & Supply; Hawkins Family, LP; GA Hawkins Oil & Gas LTD; GA Hawkins Operating; GAH Inc.)	2.981% Common Stock	2.981% Common Stock (Graham Savings and Loan, SSB)	N/A
SHANNON FLOWRIAN GRAHAM, TX 78450 USA	Oil & Gas Production	Director	Director (Graham Savings and Loan, SSB)	N/A	13.157% Common Stock	13.157% Common Stock (Graham Savings and Loan, SSB)	N/A
KENNETH GENE KNOX GRAHAM, TX 78450 USA	Oil & Gas Production	Director	Director (Graham Savings and Loan, SSB)	Partner (Five K Partnership)	2.126% Common Stock	2.126% Common Stock (Graham Savings and Loan, SSB)	N/A
THAN MCCracken GRAHAM, TX 78450 USA	Title Company Owner	Director	Director (Graham Savings and Loan, SSB)	Owner (Guaranty Abstract Co. - Title Company)	2.910% Common Stock	2.910% Common Stock (Graham Savings and Loan, SSB)	N/A
DARRELL WEATHERBEE GRAHAM, TX 78450 USA	Real Estate Constructio Director	Director	Director (Graham Savings and Loan, SSB)	Owner (Weatherbee Real Estate & Construction; Weatherbee Appraisal Service)	4.783% Common Stock	4.783% Common Stock (Graham Savings and Loan, SSB)	N/A
TROY LAUBDEN GRAHAM, TX USA	Bank President	President/CEO/Director	President/CEO/Director (Graham Savings and Loan, SSB)	N/A	1.147% Common Stock	1.147% Common Stock (Graham Savings and Loan, SSB)	N/A

** Graham Savings Financial (parent) owns 100% of Graham Savings and Loan, SSB (subsidiary). These totals reflect ownership should parent be dissolved.

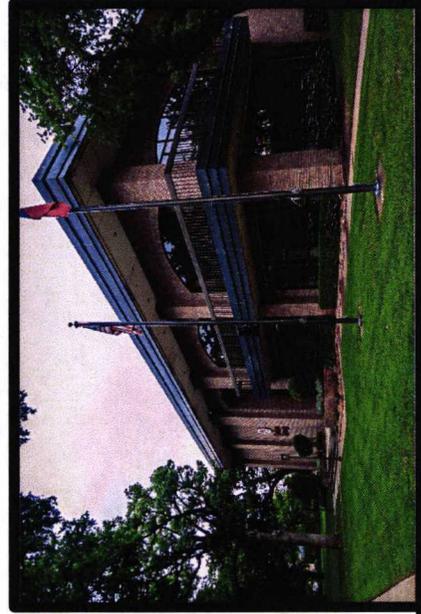
Graham Savings



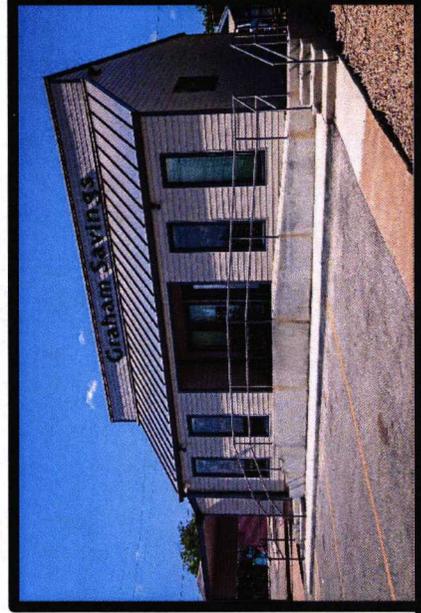
Graham Savings and Loan, SSB
Stockholders Report
June 30, 2017



Possum Kingdom



Graham



Breckenridge

AGENDA

Prayer: Rodney Hawkins

Welcome: Ken Andrews

Minutes from 2016 meeting

Financial statements: Troy Lambden

Election of directors: Ken Andrews

Indemnification of directors and officers: Shannon Plowman

Ratification of accountants: Roy Pitcock, Jr.

Adjourn





Graham Savings

Troy L. Lambden, CPA
President/CEO
NMLS LO #1140845
Institution Identifier No. 412436

To Our Stockholders:

Graham Savings Financial Corporation and its subsidiary, Graham Savings and Loan, SSB, and the Bank's service corporation, Oak Tree, Incorporated are represented in the audit report for the fiscal years ending June 30, 2017 and 2016. Graham Savings and Loan, SSB is the principal asset of Graham Savings Financial Corporation and will therefore be the primary focus of this report.

Graham Savings and Loan, SSB continued to encounter some of the economic headwinds of the recession that we had hoped we could avoid. However, all things considered, we experienced a relatively successful year, but we certainly have room for improvement. Total assets increased from \$121,486,688 at the close of 2016 to \$122,842,318 at year-end. Total capital at June 30, 2017 was \$15,026,362 or 12.232% of total assets, which compares with \$14,800,910 or 12.183% of total assets last year. Our net income for the year was \$1,306,652 compared to \$1,582,655 last year.

The net loan portfolio increased about 2.240% from \$84,167,036 at the end of the 2016 fiscal year to \$86,052,515 this past year-end. The majority of this increase occurred during the last few months of the fiscal year and did not have time to have much of an impact on our bottom line. While this is substantially better than the 0.319% decline we experienced last fiscal year, we originated almost \$20 million in loans during the year. This correlates to a continued large volume of pay-downs and pay-offs. Loan demand did trend upward throughout the year as it has been throughout the country. We continue to see many individuals pay their loans off with their excess liquidity. Also, with the increase in real estate transactions we see loans being paid off through sale of the collateral. In many cases we are just swapping pockets from one borrower to the next. The extended low-rate environment left few low-risk investment opportunities and liquidation of debt is a popular use for the excess cash. The Federal Reserve Open Market Committee held their target Fed Funds Rate at historical lows throughout the year hoping to spur more borrowing. We did see three 0.25% increases in the Fed Funds Rate that led to the prime interest rate increasing from 3.50% effective December 17, 2015 to 4.25% effective June 15, 2017. The historically low long-term interest rate environment during the fiscal year did help continue the national trend toward higher real estate prices in some areas of the country. Fortunately, our lending territory continues to experience stable real estate prices with little downward trends in property values. No Provision for Loan Loss was necessary during the year. Our Allowance for Loan and Lease Loss ("ALLL") level was \$984,245 at year-end and we remain within acceptable reserve levels. During the year we did not experience a loss on the sale of the one piece of repossessed real estate we acquired. At year-end we held two pieces of REO properties. While we concentrate on originating adjustable rate and short-term, fixed-rate mortgage loans to retain in our loan portfolio, we have recently implemented a program to offer longer-term, fixed-rate mortgages.

Our deposit base increased 1.800% from \$102,773,020 in 2016 to \$104,622,447 at year-end. We saw no unusual variance of deposits in any one account type. We have seen customers moving funds to

Graham Savings and Loan, SSB *

Corner of Elm and First • P.O. Box 1490 • Graham, Texas 76450 • 940-549-2066 • WWW.GRAHAMSL.COM

* Not qualified to register with the Texas Board of Public Accountancy to practice public accountancy in Texas



create jumbo CDs and some movement into MMDA accounts. We continue to see purchases of big-tickets items, such as real estate, automobiles and business equipment, which previously were being financed. Others continue distributing money to their heirs to avoid taxes and legal expenses. While some are needing to use the money to cover daily living expenses. We introduced new checking products last year that incorporate some of the seemingly ever-changing technology available. Our checking customers can now take advantage of our “Person-To-Person” and “Remote Deposit Capture” products. These have been well-received and the usage is increasing. We continually evaluate our deposit gathering function and have introduced new product offerings as well as product packaging and promotion.

As of June 30, 2017, Graham's capital levels compared with well-capitalized institution requirements were as follows (dollars in thousands):

	ACTUAL		WELL-CAPITALIZED	
	AMOUNT	RATIO	AMOUNT	RATIO
Common Equity Tier 1 Capital Ratio (CET1)	\$15,026	22.84%	\$4,275	6.500%
Tier 1 Capital Ratio	\$15,026	22.84%	\$5,262	8.000%
Total Capital Ratio	\$15,850	24.10%	\$6,578	10.000%
Tier 1 Leverage Ratio	\$15,026	12.23%	\$6,143	5.000%

Short-term interest rates held to unimaginable lows during the year under report. As discussed earlier, the Federal Reserve’s Governors did implement three rate increases during our fiscal year. During the year they continued to systematically increase the Fed’s role, powers and tools attempting to support the economy. Recently, the Fed announced they will start unwinding many of the programs they put in place to lift the economy out of the recession. Real estate prices saw a stabilization and increases in values in some areas of the country.

The importance of this discussion to the Bank is the Fed’s discount/Fed Funds target rates determine prime rate and short-term deposit rates. Most of our loan re-pricing is tied to prime. However, most of our introductory mortgage rates are tied to the mid-term Treasury market. The Bank’s deposit pricing is tied more closely to the short-term Treasury market. Throughout the fiscal year the Treasury Yield Curve trended toward a flattening with long-term rates falling and short-term rates increasing. The market feels that significantly higher interest rates will not be prevalent in the future. This means short-term rates (deposit pricing rates) are expected to increase by small increments over the next few years and longer-term rates (mortgage loan pricing rates) will probably stay about the same as they are in today’s environment. Under these conditions our cost of funds averaged 0.786%, which is higher than the 2016 level of 0.724%. During the same period the average return on earning assets was 4.208%, down from 4.369% in 2016. This average positive spread on interest of 3.422% (down from 3.646% last year) produced net interest income of \$4,175,137 compared to a figure of \$4,272,080 last year. However, in recent months we are seeing rates on our adjustable rate products finally repricing off of their floors and increasing our rate of return.

We have experienced minimal fallout from the national/global economic situation due in large part to our internal banking philosophy and geographic location. Our underwriting standards have not been relaxed over the years and we feel this is partially the reason our delinquencies are well below our peer group. Also, we do not purchase loans originated by other financial entities - private label mortgage-backed securities. The job market in this area has remained rather resilient and customers have not been forced to sell their homes at fire-sale prices and contribute to the downward spiral of real estate prices witnessed in other areas of the country. The slow-down in real estate transactions as well as the number of cash purchases are the two areas having the largest impact on our operations. Also, we have not dodged the slow-down bullet entirely. We have had to repossess four properties in recent months. Each of these will probably be sold at a price lower than the loan balance resulting in losses. Our most troubling concern was that this crisis would affect the FHLB Dallas and its ability to continue providing us the liquidity to fund our day-to-day operations. Fortunately this never became an issue.

Today our most troubling concerns remain to be the United States Congress and the Consumer Financial Protection Bureau. They continue to be a great enemy of community banks with the laws passed and the regulations implemented. The "Wall Street Reform" act has had a greater impact on Main Street than Wall Street. Much of the punitive items in the legislation have a deeper impact on small banks than the "Too-Big-To-Fail" banks and financial conglomerates that created the problems to begin with. Thousands of pages of regulations have been written and issued and some still have to be ironed out so it will be a while before the impact can be fully recognized. We did implement all of the new real estate lending requirements, but these came with a very steep price tag.

The Financial Accounting Standards Board has finalized its revision of the acceptable method to evaluate our Allowance for Loan and Lease Loss adequacy. The pronouncement is called Current Expected Credit Loss (CECL). It has the potential to greatly increase our allowance requirement. The good news is we do not have to implement it until 2021 and we can utilize excess capital to fund the increase as opposed to taking it from earnings. Something else to look forward to.

The Board, management and staff have worked diligently to improve your shareholder value in Graham Savings and Loan, SSB. This could have only been achieved through the support of the stockholders. As for 2018, Graham Savings will continue its dedication to providing the **BEST** in quality customer service and financial products. More challenges and uncertainties lie ahead in the financial services industry than in any other time since the Great Depression. We will continue to monitor the rapidly changing financial services landscape. We are optimistic about the future and in the years to come we expect to report to you as an even larger and stronger institution. We thank you, our employees and our customers for your continuing loyalty and support.

Best regards,



Troy Lambden
President/CEO

Graham Savings Financial Corp
Annual Stockholders Meeting
September 28, 2016

The annual meeting of Graham Savings Financial Corporation was held on September 28, 2016 at the Graham Country Club with the following present:

Ken Andrews	Ken Knox
Katherine Andrews Cranford	Troy Lambden
Lindy Eubank	Than McCracken
Janice Evans	Roy Pitcock, Jr
Gina Grimes	Shannon Plowman
Norma Grimes	Darrell Weatherbee
Rodney Hawkins	

Also attending were Gerald Reid and Rhonda Johnson with Davis, Kinard & Co., P. C. The meeting was called to order by Chairman Ken Andrews and opened with prayer by Rodney Hawkins. Andrews welcomed the stockholders and introduced the auditors. A motion was made by Shannon Plowman, with a second by Ken Knox, that the minutes from the September 23, 2015 Annual Stockholders Meeting be approved. Motion carried with all stockholders voting yea. The meeting was turned over to President Lambden.

Lambden stated it was a successful year although it was not where we want to be. The profitability percentages are not as much as three years prior but we are well ahead of our peer group in this region. The State and Federal Regulators are very complimentary of our efforts and the outcome. We showed a decline in total assets, total loans and total deposits. Our loans are similar to last year. We have loans paying off with cash because people have no other place to put their money. Investment opportunities that are relatively safe are limited. People would rather do something that they know will pay off like reducing debts. We see activity at title companies and there are lots of cash transactions. In the last few months there has been a big pickup in activity. We have many loans in process for residential and commercial so we feel good about the future. There was a drop in deposits. It is the same as last year, people are using cash to pay off debt. There are more people buying big ticket items like cars or commercial equipment with cash. There is a lot of estate planning and people are making distributions to their heirs prior to having to set up an estate. We have a seasoned customer base and many of their children no longer live in Graham. More of the parents are moving to where their children live and moving their money with them. We are getting more requests to finance equipment and land. Our income has turned up and that is a good sign. We are in real good shape with capital. We are still profitable and there were no charge offs to speak of. There is a new accounting standard called CECL that we are watching. It will change how to calculate loan loss and could impact reserves as much as 50%. In our case it could be \$750,000. When it is first implemented we can take it out of capital instead of earnings. The excess capital we have is a buffer in case we have to implement this. We will also need capital to support the growth from loans. We feel we are in good shape in capital now and for the future.

We have been under the Dodd Frank Act since 2010. They are still coming up with new regulations. They changed mortgage loan disclosures this year. Now it is a five page disclosure.

With that there is a lot of computer programming to produce the new disclosures. On the deposit side we have added new products. Person2Person was added to allow customers to transfer money to other individuals through a mobile device. Mobile deposit allows a customer to deposit a check with a mobile device. Both products are a convenience to the customer and entice younger people. There are more products on the drawing board that we are waiting to implement. We are happy with how things are progressing. We have a full audit report that reflects the numbers in the stockholder report. Lambden can provide the audit report at the stockholders request. Gerald Reid suggested Lambden mention when CECL is effective. Lambden said we fall in the last implementation of it. We should not have to implement it until July 1, 2021. Reba Fox asked if the new mobile products are in place. He said they were. Willis said they can be found under the menu on our mobile app. They seem to be working smoothly.

The floor was opened for questions for Davis Kinard. Rhonda Johnson said she prepares the tax return. The bank files a return as an S-Corp on a calendar year basis. If you look at last year the June 30th taxable income was relatively the same as this year. Taxable income was about 1 million less than that. They had 1.3 million taxable income compared to our 1.5 million net book income. Lambden does a good job with investing. The last time she visited with us there were big changes in franchise taxes. Lambden has saved the bank over 7 figures in franchise taxes.

Johnson said many people have family limited for estate planning. S-Corp stock cannot be converted but land and other items can. The IRS is working on changing those regulations, probably next year. She advised that if you have them, go to your attorney and CPA to get them setup before year end. Reid said they are going to eliminate so that you cannot set these up in the future. Hawkins asked if the tax planners are still suggesting you include a small minority owner such as a church. Johnson said by doing so it allows you to maintain control. She said normally what they see is they will gift \$14,000 per year to a family or heir. The IRS is challenging value of tangible things like name recognition value. She recently read an article about top mistakes in estate planning. One was not having a will, two was not having a current will, three was not planning for taxes and four was not mentioning personal property in the will.

Andrews presented the following Directors for Graham Savings Financial Corp for the 2016-2017 year:

Ken Andrews	Roy T. Pitcock, Jr.
Rodney Hawkins	Shannon Plowman
Ken Knox	Darrell Weatherbee
Troy Lambden	Than McCracken

A motion was made by Darrell Weatherbee, with a second by Roy Pitcock, that the directors for the 2016-2017 year be elected as presented. Motion carried with all stockholders voting yea.

A motion was made by Darrell Weatherbee, with a second by Troy Lambden, that the actions and business of the officers and directors of Graham Savings Financial Corp for the past 12 months be approved, ratified, and affirmed. Motion carried with all stockholders voting yea.

A motion was made by Darrell Weatherbee, with a second by Shannon Plowman, that the appointment of Davis, Kinard & Co., P. C. as independent public accountants for Graham Savings and Loan, SSB be approved, ratified, and affirmed. Motion carried with all stockholders voting yea.

Andrews asked if there was any other business to come before the stockholders. There was none. A motion was made by Shannon Plowman, with a second by Roy Pitcock, that the meeting be adjourned. Motion carried with all directors voting yea.



COMPARATIVE STATEMENT OF CONDITION

2017

2016

ASSETS

CASH AND CASH EQUIVALENTS

CASH AND DUE FROM BANKS	6,964,287	5,567,326
INTEREST-BEARING DEPOSITS IN OTHER BANKS	<u>2,977,569</u>	<u>997,048</u>
TOTAL CASH AND CASH EQUIVALENTS	9,941,856	6,564,374

TIME AND CERTIFICATES OF DEPOSIT

SECURITIES HELD TO MATURITY	14,239,000	19,367,000
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LOANS RECEIVABLE, NET OF ALLOWANCE FOR LOAN LOSS

ACCRUED INTEREST RECEIVABLE	10,540,280	9,254,394
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PREMISES AND EQUIPMENT, NET

FORECLOSED ASSETS	86,052,515	84,167,036
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RESTRICTED INVESTMENT CARRIED AT COST

INVESTMENT IN OAK TREE, INC.	355,670	510,750
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OTHER ASSETS

	1,297,798	1,396,817
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TOTAL ASSETS

	209,619	0
	188,400	185,900
	233	233
	<u>16,947</u>	<u>40,184</u>
	122,842,318	121,486,688



COMPARATIVE STATEMENT OF CONDITION

(CONTINUED)

2016

2017

LIABILITIES AND SHAREHOLDERS' EQUITY

TOTAL DEPOSITS	104,622,447	102,773,020
ADVANCES FROM FHLB	1,543,041	2,525,224
ACCRUED INTEREST PAYABLE	4,698	4,670
ADVANCES FROM BORROWERS FOR TAXES AND INSURANCE	1,424,624	1,165,455
ACCRUED EXPENSES AND OTHER LIABILITIES	<u>221,146</u>	<u>217,409</u>

TOTAL LIABILITIES

107,815,956

106,685,778

STOCKHOLDERS' EQUITY

COMMON STOCK	254,400	254,400
CAPITAL SURPLUS	1,938,624	1,938,624
RETAINED EARNINGS ACCUMULATED	<u>12,833,338</u>	<u>12,607,886</u>

TOTAL STOCKHOLDERS' EQUITY

15,026,362

14,800,910

TOTAL LIABILITIES & SHAREHOLDERS' EQUITY

122,842,318

121,486,688



COMPARATIVE STATEMENT OF OPERATIONS

INTEREST INCOME:

2017

2016

LOANS, INCLUDING FEES	4,587,896	4,657,359
INTEREST-BEARING DEPOSITS IN OTHER BANKS	52,265	18,297
DEBT SECURITIES	177,693	185,783
TIME & CERTIFICATES OF DEPOSIT IN OTHER BANKS	<u>187,172</u>	<u>194,290</u>
TOTAL INTEREST INCOME	5,005,026	5,055,729

INTEREST EXPENSE:

INTEREST-BEARING CHECKING ACCOUNTS	76,417	68,484
PASSBOOK ACCOUNTS	29,885	30,386
CERTIFICATES OF DEPOSIT	618,530	557,954
ADVANCES FROM FHLB	<u>105,057</u>	<u>126,825</u>

TOTAL INTEREST EXPENSE

829,889 783,649

NET INTEREST INCOME

4,175,137 4,272,080

PROVISION FOR LOAN LOSSES

0 0

NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES

4,175,137 4,272,080



COMPARATIVE STATEMENT OF OPERATIONS

(CONTINUED)

2016

2017

NONINTEREST INCOME

OTHER SERVICE CHARGES AND FEES	254,548	246,223
OTHER INCOME	<u>1,021</u>	<u>1,631</u>

TOTAL NONINTEREST INCOME

	255,569	247,854
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NONINTEREST EXPENSES

SALARIES AND EMPLOYEE BENEFITS	1,879,256	1,710,272
OCCUPANCY AND EQUIPMENT	319,589	344,479
ADVERTISING	47,290	57,798
DATA PROCESSING	379,871	265,076
FEDERAL INSURANCE PREMIUMS	37,647	59,911
OFFICE SUPPLIES, TELEPHONE, & POSTAGE	61,885	71,794
OTHER EXPENSE	<u>398,516</u>	<u>486,613</u>

TOTAL NONINTEREST EXPENSES

	<u>3,124,054</u>	<u>2,995,943</u>
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INCOME BEFORE EQUITY IN EARNINGS OF SUBSIDIARY

	1,306,652	1,523,991
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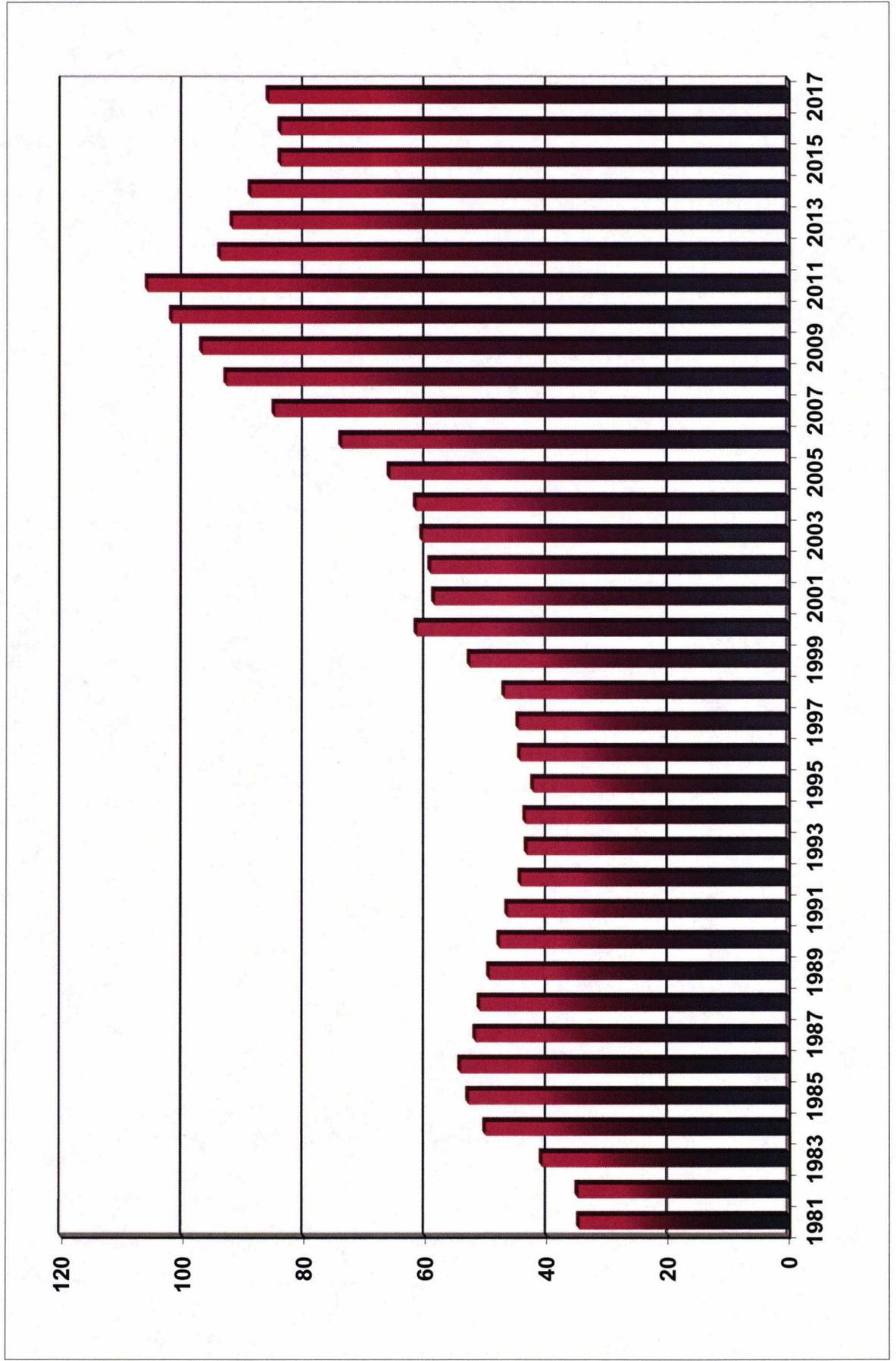
EQUITY IN EARNINGS OF SUBSIDIARY

	<u>0</u>	<u>0</u>
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NET INCOME

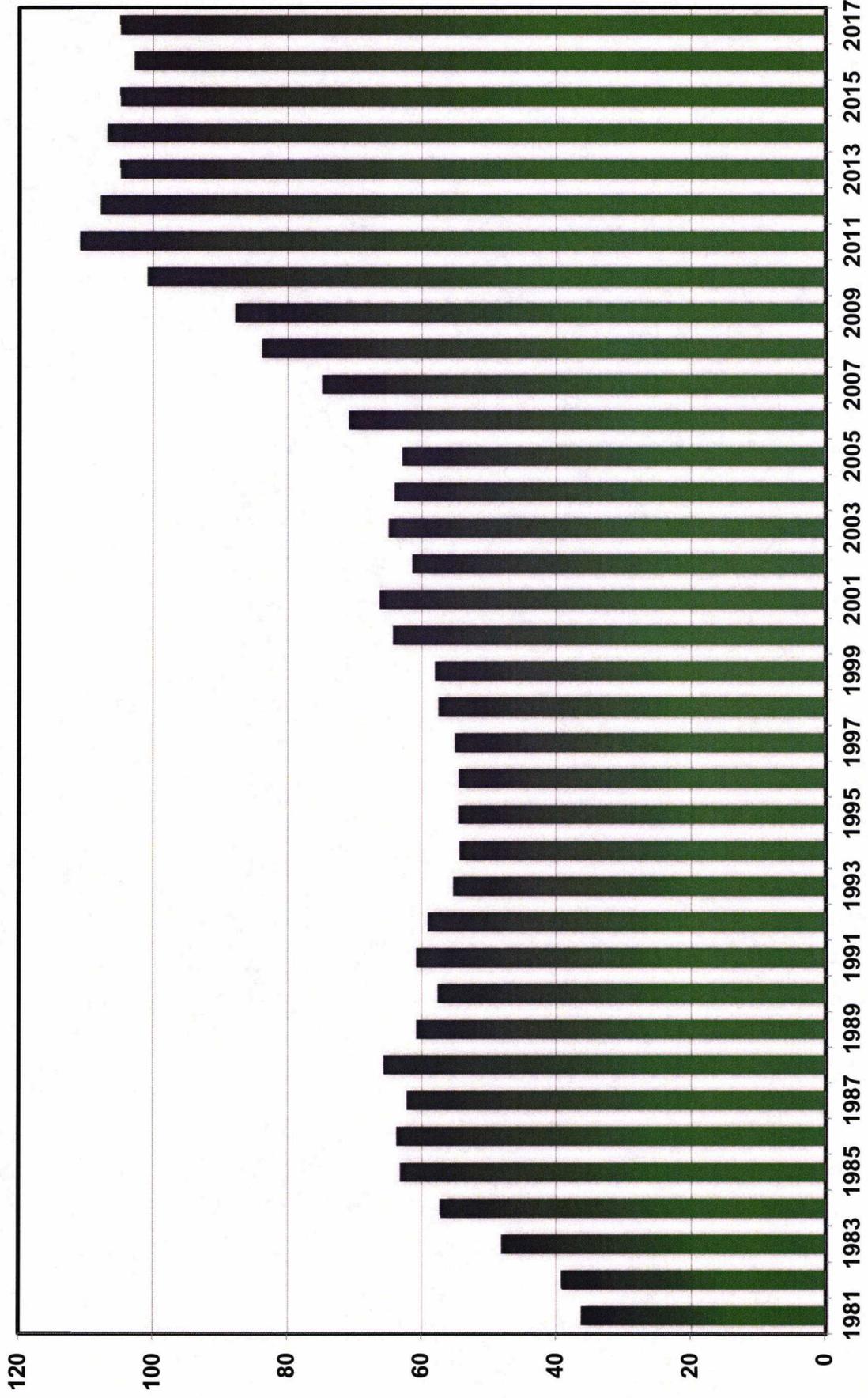
	<u>1,306,652</u>	<u>1,523,991</u>
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TOTAL LOANS IN MILLIONS



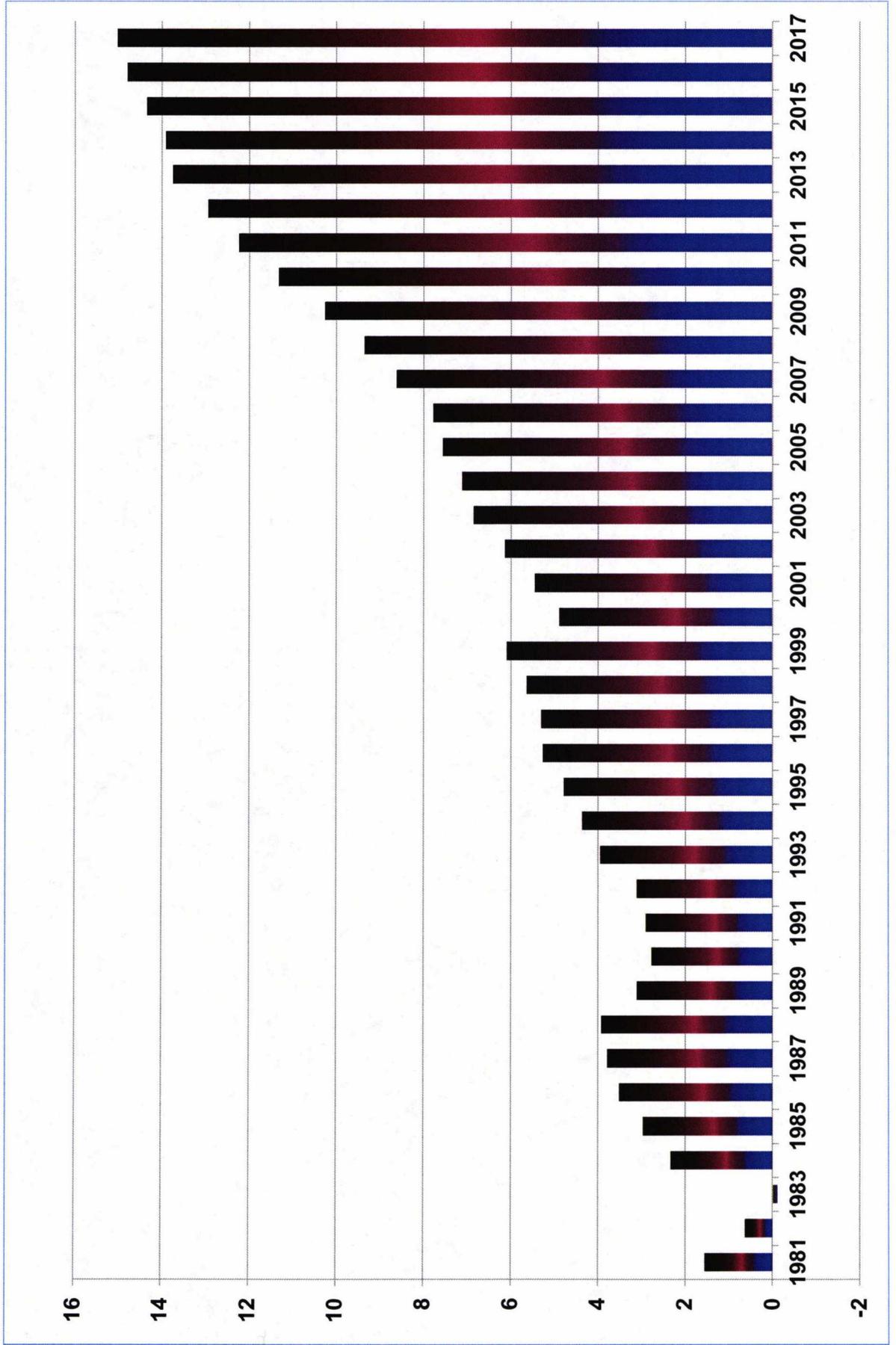
TOTAL DEPOSITS

IN MILLIONS



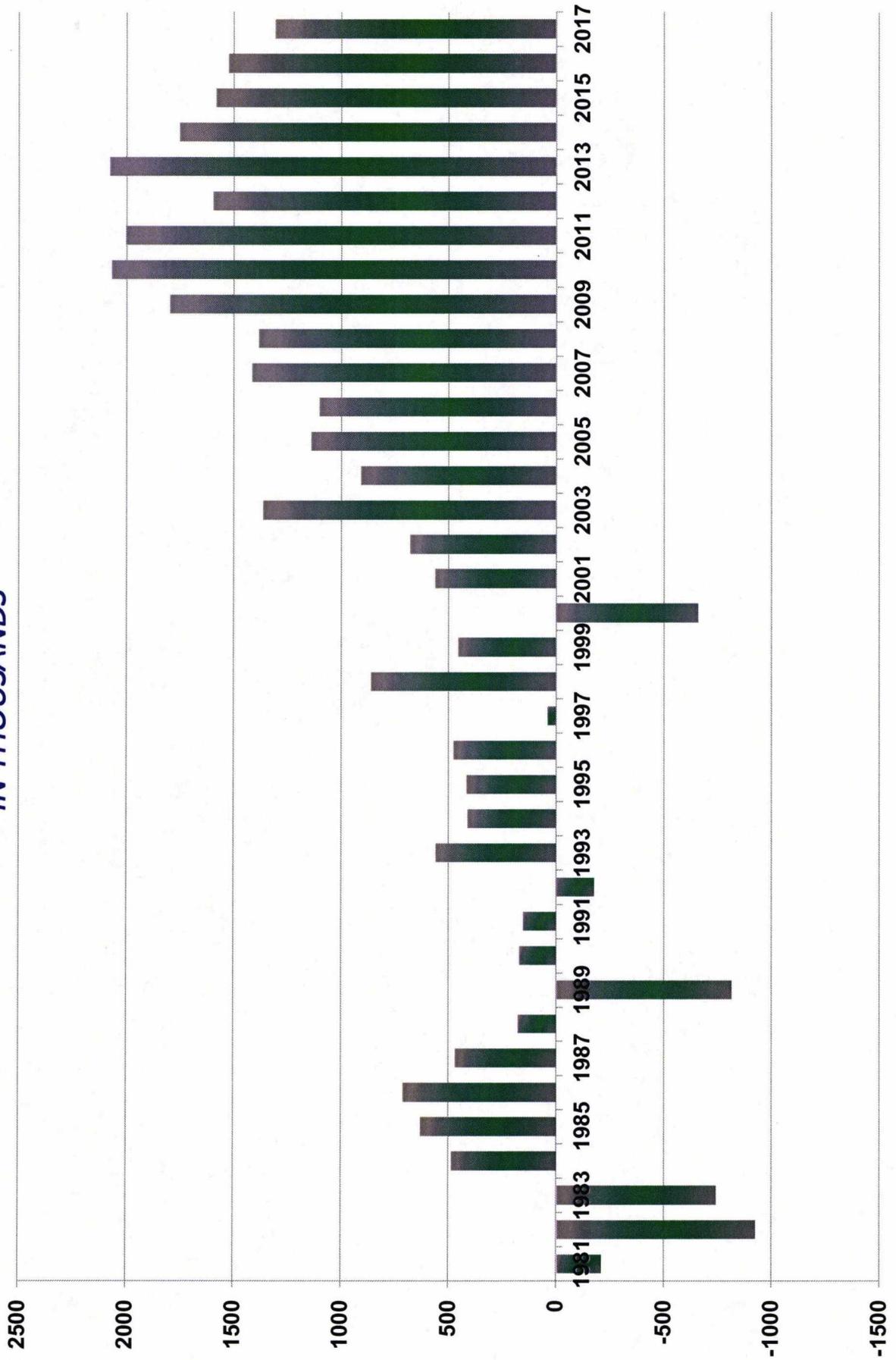
NET WORTH

IN THOUSANDS



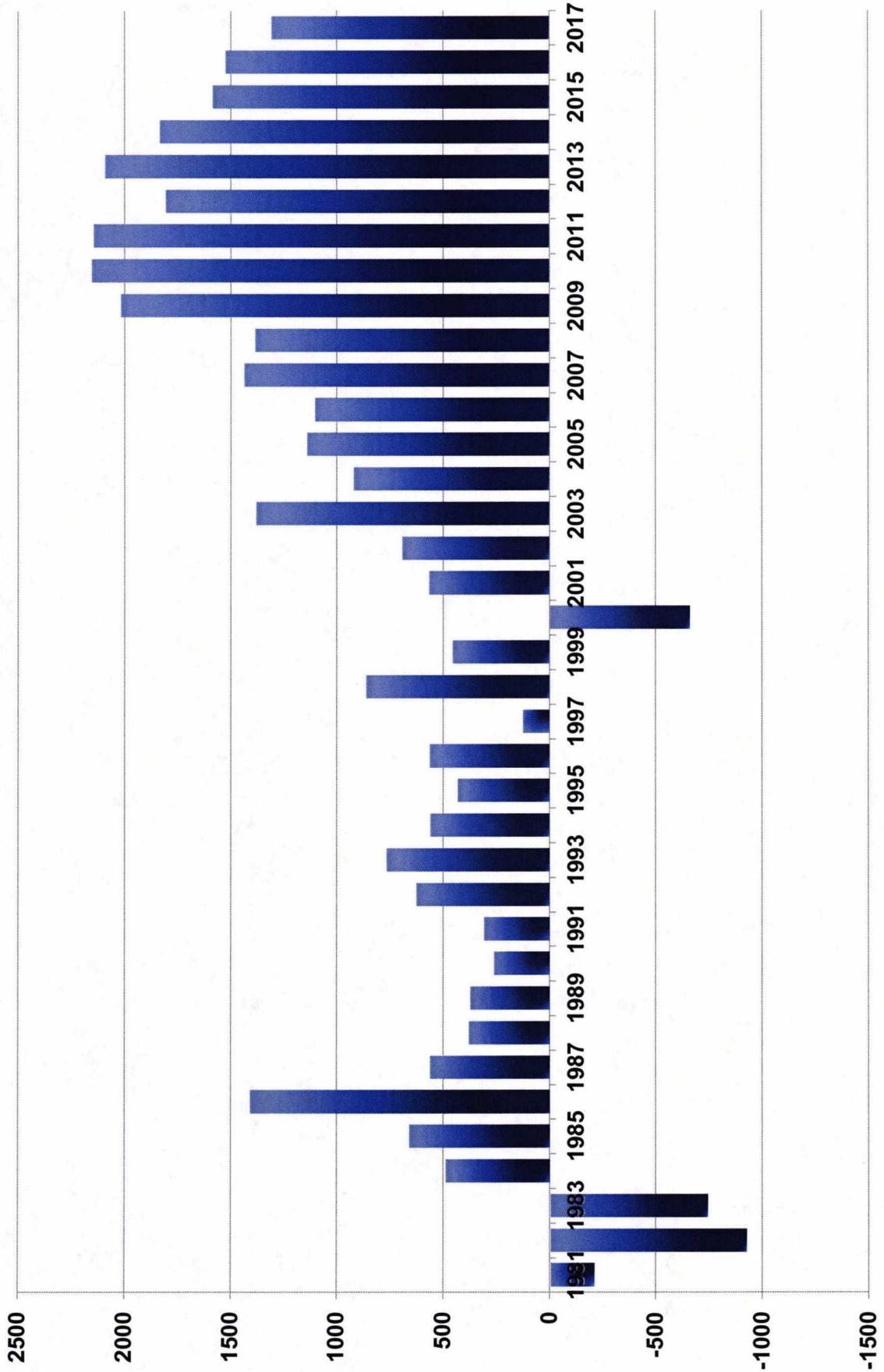
NET INCOME

IN THOUSANDS



NET OPERATING INCOME

IN THOUSANDS



NET INTEREST MARGIN

IN THOUSANDS

