CBC HOLDING COMPANY
AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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Deemer Dana LLP

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
CBC Holding Company and Subsidiary

We have audited the accompanying consolidated financial statements of CBC Holding Company and Subsidiary, which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of changes in shareholders' equity, income, comprehensive income, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CBC Holding Company and Subsidiary as of December 31, 2016 and 2015, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

TJS Deemer Dana LLP

March 15, 2017
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CBC HOLDING COMPANY AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

	As of December 31,	
Assets	**2016**	**2015**
Cash and due from banks	$ 7,051,568	$ 7,661,757
Federal funds sold	7,160,000	11,942,000
Total cash and cash equivalents	14,211,568	19,603,757
Interest-bearing deposits in other banks	7,471,000	6,700,000
Securities available for sale, at fair value	10,663,018	9,777,017
Securities held to maturity, at cost	6,157,468	6,924,032
Federal Home Loan Bank stock, restricted, at cost	122,200	118,800
Loans, net of unearned income	90,811,875	86,113,435
Less - allowance for loan losses	(1,835,242)	(1,770,740)
Loans, net	88,976,633	84,342,695
Bank premises and equipment, net	1,578,812	1,654,566
Intangible assets, net of amortization	1,668,127	1,668,127
Other real estate and repossessed assets	14,071	16,018
Accrued interest receivable	658,630	597,986
Cash surrender value of life insurance	3,531,704	3,433,898
Other assets	372,889	638,930
Total Assets	$ 135,426,120	$ 135,475,826
Liabilities and Shareholders' Equity		
Deposits:		
Non-interest bearing	$ 18,084,417	$ 18,085,146
Interest bearing	97,795,940	98,152,492
Total deposits	115,880,357	116,237,638
Accrued interest payable	22,988	22,969
Accrued expenses and other liabilities	2,177,275	2,517,472
Total liabilities	118,080,620	118,778,079
Shareholders' Equity:		
Preferred stock, $1 par value, authorized 2,000,000 shares, issued and outstanding 86,783 in 2016 and 2015	86,783	86,783
Common stock, $1 par value, authorized 10,000,000 shares, 645,121 issued and 607,598 outstanding in 2016 and 2015	645,121	645,121
Paid-in capital surplus	6,816,170	6,816,170
Retained earnings	10,518,350	9,808,095
Accumulated other comprehensive income	596	63,098
Treasury stock, at cost 37,523 shares in 2016 and 2015	(721,520)	(721,520)
Total shareholders' equity	17,345,500	16,697,747
Total Liabilities and Shareholders' Equity	$ 135,426,120	$ 135,475,826

CBC Holding Company and Subsidiary
Consolidated Statements of Changes in Shareholders' Equity

	Preferred Stock	Common Stock	Paid-in Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total
Balance, December 31, 2014	$ 86,783	$ 645,121	$ 6,816,170	$ 9,017,776	$ 101,233	$ (721,520)	$ 15,945,563
Cash dividends	-	-	-	(492,134)	-	-	(492,134)
Net income	-	-	-	1,282,453	-	-	1,282,453
Valuation allowance adjustment on securities available for sale	-	-	-	-	(38,135)	-	(38,135)
Balance, December 31, 2015	86,783	645,121	6,816,170	9,808,095	63,098	(721,520)	16,697,747
Cash dividends	-	-	-	(513,225)	-	-	(513,225)
Net income	-	-	-	1,223,480	-	-	1,223,480
Valuation allowance adjustment on securities available for sale	-	-	-	-	(62,502)	-	(62,502)
Balance, December 31, 2016	$ 86,783	$ 645,121	$ 6,816,170	$ 10,518,350	$ 596	$ (721,520)	$ 17,345,500

CBC HOLDING COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME

	Years ended December 31, 2016	2015
Interest and Dividend Income:		
Interest and fees on loans	$ 4,712,885	$ 4,728,867
Interest income on securities	370,903	368,996
Income on federal funds sold	36,937	13,504
Income on interest-bearing deposits in other banks	104,862	71,112
Other interest income	6,365	6,378
Total interest and dividend income	5,231,952	5,188,857
Interest Expense:		
Deposits	475,114	478,954
Other interest expense	-	65
Total interest expense	475,114	479,019
Net interest income before provision for loan losses	4,756,838	4,709,838
Less - provision for loan losses	240,000	255,000
Net interest income after provision for loan losses	4,516,838	4,454,838
Noninterest Income:		
Service charges on deposit accounts	831,809	811,125
Other service charges, commissions and fees	118,359	129,043
Gain on sales of foreclosed assets and other real estate	10,207	1,580
Gain on sales of securities	-	2,066
Increase in CSV of life insurance	119,100	117,438
Total noninterest income	1,079,475	1,061,252
Noninterest Expense:		
Salaries	1,460,887	1,369,165
Employee benefits	606,455	558,037
Net occupancy expense	287,903	304,999
Equipment rental and depreciation of equipment	82,613	76,196
Other expenses	1,284,174	1,238,625
Total noninterest expense	3,722,032	3,547,022
Income Before Income Taxes	1,874,281	1,969,068
Provision for income taxes	650,801	686,615
Net Income	$ 1,223,480	$ 1,282,453
Earnings per common share:		
Basic	$ 1.79	$ 1.88
Diluted	$ 1.66	$ 1.75

See Accompanying Notes to Consolidated Financial Statements

CBC Holding Company and Subsidiary
Consolidated Statements of Comprehensive Income

	Years ended December 31,	
	2016	**2015**
Net Income	$ 1,223,480	$ 1,282,453
Other comprehensive income:		
Unrealized holding gains (losses) on investment securities held for sale	(94,700)	(55,714)
Reclassification adjustments for gains realized in income	-	(2,066)
Net unrealized gains (losses)	(94,700)	(57,780)
Tax effect	32,198	19,645
Total other other comprehensive loss, net of tax	(62,502)	(38,135)
Total comprehensive income	$ 1,160,978	$ 1,244,318

CBC Holding Company and Subsidiary
Consolidated Statements of Cash Flows

	Years ended December 31,	
	2016	**2015**
Cash Flows from Operating Activities:		
Net income	$ 1,223,480	$ 1,282,453
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	240,000	255,000
Depreciation	108,136	111,938
Gain on sales of foreclosed assets and other real estate	(10,207)	(1,580)
Net amortization on securities	125,234	144,393
Gain on sales of investment securities	-	(2,066)
Increase in CSV life insurance	(119,100)	(117,438)
Changes in accrued income and other assets	232,206	51,732
Changes in accrued expenses and other liabilities	(308,285)	(38,615)
Net cash provided by operating activities	1,491,464	1,685,817
Cash Flows from Investing Activities:		
Net change in loans to customers	(4,941,781)	(710,230)
Net change in interest-bearing deposits in other banks	(771,000)	771,000
Purchase of available for sale securities	(3,012,510)	(2,862,368)
Proceeds from sales of available for sale securities	-	243,206
Proceeds from maturities/calls/paydowns of available for sale securities	1,984,643	1,302,519
Purchase of held to maturity securities	(455,632)	(472,891)
Proceeds from maturities/calls/paydowns of held to maturity securities	1,131,473	1,398,386
Purchases of Federal Home Loan Bank stock	(3,400)	(2,700)
Property and equipment expenditures	(31,721)	(40,930)
Proceeds from sales of foreclosed assets and other real estate	86,781	7,210
Net cash used in investing activities	(6,013,147)	(366,798)
Cash Flows from Financing Activities:		
Net change in deposits	(357,281)	3,096,208
Cash dividends paid	(513,225)	(492,134)
Net cash provided by (used in) financing activities	(870,506)	2,604,074
Net Increase (Decrease) in Cash and Cash Equivalents	(5,392,189)	3,923,093
Cash and Cash Equivalents, Beginning of Year	19,603,757	15,680,664
Cash and Cash Equivalents, End of Year	$ 14,211,568	$ 19,603,757

See Accompanying Notes to Consolidated Financial Statements

CBC HOLDING COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. ***Principles of Consolidation*** – The consolidated financial statements include the accounts of CBC Holding Company (the "Company") and its wholly owned subsidiary, Community Banking Company of Fitzgerald (the "Bank"). All significant intercompany balances and transactions have been eliminated in consolidation.

2. ***Reporting Entity*** - The Company was incorporated as a Georgia corporation on October 15, 1996 for the purpose of acquiring all of the issued and outstanding shares of common stock of the Bank. The Bank provides a variety of financial services to individuals and small businesses through its office in South Georgia. The Bank offers a full range of commercial and personal loans. The Bank makes loans to individuals for purposes such as home mortgage financing, personal vehicles and various consumer purchases and other personal and family needs. The Bank makes commercial loans to businesses for purposes such as providing equipment and machinery purchases, commercial real estate purchases and working capital. The Bank offers a full range of deposit services that are typically available from financial institutions, including NOW accounts, demand, savings and other time deposits. In addition, retirement accounts such as Individual Retirement Accounts are available. All deposit accounts are insured by the FDIC up to the maximum amount currently permitted by law.

3. ***Securities*** – The classification of securities is determined at the date of purchase. Gains or losses on the sale of securities are recognized on a specific identification basis.

   Securities available for sale, primarily debt securities, are recorded at fair value with unrealized gains or losses (net of tax effect) excluded from earnings and reported as a component of shareholders' equity. Securities available for sale will be used as a part of the Company's interest rate risk management strategy and may be sold in response to changes in interest rates, changes in prepayment risk, and other factors.

   Securities held to maturity are recorded at cost, adjusted for the amortization or accretion of premiums or discounts. Transfers of securities between categories are recorded at fair value at the date of transfer. Unrealized holding gains or losses associated with transfers of securities from held-to-maturity to available-for-sale are recorded as a separate component of shareholders' equity.

   Mortgage-backed securities represent participating interests in pools of long-term first mortgage loans originated and serviced by issuers of the securities. Mortgage-backed securities are carried at unpaid principal balances, adjusted for unamortized premiums and unearned discounts.

   The market value of securities is generally based on quoted market prices. If a quoted market price is not available, market value is estimated using quoted market prices for similar securities.

   Premiums and discounts are recognized in interest income using the interest method over the period to maturity.

4. ***Loans and Interest Income*** – Loans are stated at the amount of unpaid principal, reduced by net deferred loan fees, unearned discounts and a valuation allowance for possible loan losses. Interest on simple interest installment loans and other loans is calculated by using the simple interest method on daily balances of the principal amount outstanding. Loans are generally placed on non-accrual status when full payment of principal or interest is in doubt, or when they are past due 90 days as to either principal or interest. Senior management may grant a waiver from non-accrual status if a past due loan is well secured and in process of collection. A non-accrual loan may be restored to accrual status when all principal and interest amounts contractually due, including payments in arrears, are reasonably assured of repayment within a reasonable period, and there is a sustained period of performance by the borrower in accordance with the contractual terms of the loan. When interest accrual is discontinued, all unpaid accrued interest is reversed. Interest income is subsequently recognized only to the extent cash payments are received.

5. ***Allowance for Loan Losses*** - The allowance for loan losses is available to absorb losses inherent in the credit extension process. The entire allowance is available to absorb losses related to the loan and lease portfolio and other extensions of credit, including off-balance sheet credit exposures. Credit exposures deemed to be uncollectible are charged against the allowance for loan losses. Recoveries of previously charged-off amounts are credited to the allowance for loan losses. Additions to the allowance for loan losses are made by charges to the provision for loan losses.

   The allowance for loan losses is maintained at a level, which, in management's judgment, is adequate to absorb credit losses inherent in the loan portfolio. The amount of the allowance is based on management's evaluation of the collectability of the loan portfolio, including the nature of the portfolio, credit concentrations, trends in historical loss experience, specific impaired loans, economic conditions and other risks inherent in the portfolio. Allowances for impaired loans are generally determined based on collateral values or the present value of estimated cash flows. Although management uses available information to recognize losses on loans, because of uncertainties associated with local economic conditions, collateral values and future cash flows on impaired loans, it is reasonably possible that a material change could occur in the allowance for loan losses in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

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

   Large groups of smaller balance homogenous loans are collectively evaluated for impairment. Accordingly, the Company does not separately identify individual consumer loans for impairment disclosures.

6. ***Premises and Equipment*** – Land is carried at cost. Other premises and equipment are stated at cost, less accumulated depreciation. Depreciation is charged to operating expenses over the estimated useful lives of the assets and is computed on the straight-line method. In general, estimated lives for buildings are up to 40 years, furniture and equipment useful lives range from three to 20 years, and the lives of software and computer related equipment range from three to five years. Leasehold improvements are amortized over the life of the related lease, or the related assets, whichever is shorter. Expenditures for major improvements of the Company's premises and equipment are capitalized and depreciated over their estimated useful lives. Minor repairs, maintenance and improvements are charged to operations as incurred. When assets are sold or disposed of, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reflected in earnings.

7. ***Other Real Estate Owned*** - Other real estate owned, acquired principally through foreclosure, is stated at the lower of cost or net realizable value. Loan losses incurred in the acquisition of these properties are charged against the allowance for possible loan losses at the time of foreclosure. Subsequent write-downs of other real estate owned are charged against the current period's expense. The Company's Bank subsidiary holds $10,000 in other real estate owned and foreclosed assets, of which all is classified as residential property.

8. ***Intangible Assets*** – Prior to 2002, goodwill was amortized using the straight-line method over fifteen years. The original amount of goodwill was $2,692,939 with accumulated amortization at December 31, 2016 and 2015 of $1,024,812, resulting in an unamortized balance of $1,668,127. No amortization was charged to operations during any of the years ended December 31, 2016 and 2015. Financial Accounting Standard 142 became effective for the year ending December 31, 2002. Under this Standard, goodwill with an indefinite life is not amortized, but evaluated

annually for impairment and to determine if its life is still indefinite. At December 31, 2016, this asset had no impairment and still had an indefinite life; accordingly, no amortization is recorded for the year.

9. ***Income Taxes*** – The Company reports income under Accounting Standards Codification Topic 740, Income Taxes, which requires recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

   The Company and the Bank file a consolidated income tax return. The Bank computes its income tax expense as if it filed an individual return except that it does not receive any portion of the surtax allocation. Any benefits or disadvantages of the consolidation are absorbed by the parent company. The Bank pays its allocation of federal income taxes to the parent company or receives payment from the parent company to the extent that tax benefits are realized.

   The Company adopted FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement 109 ("FIN 48"), as of January 1, 2009. 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 percent likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The adoption had no effect on the Company's financial statement for the year ending December 31, 2016.

   The Company recognizes penalties related to income tax matters in income tax expense. The Company is subject to U.S. federal and Georgia state income tax audit for returns for the tax periods ending December 31, 2016, 2015, and 2014.

10. ***Cash and Cash Equivalents*** - For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, highly liquid debt instruments purchased with an original maturity of three months or less, and federal funds sold. Generally, federal funds are purchased and sold for one-day periods.

11. ***Use of Estimates*** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

    The determination of the adequacy of the allowance for loan losses is based on estimates that are particularly susceptible to significant changes in the economic environment and market conditions. In connection with the determination of the estimated losses on loans, management obtains independent appraisals for significant collateral.

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

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

12. ***Advertising Costs*** – It is the policy of the Company to expense advertising costs as they are incurred. The Company does not engage in any direct-response advertising and accordingly has no advertising costs reported as assets on its

balance sheet. Amounts charged to advertising expense for the years ended December 31, 2016 and 2015 were $119,522 and $97,440, respectively.

13. ***Earnings per Common Share*** – Basic earnings per share represents income available to common shareholders divided by the weighted-average number of common shares outstanding during the period. Diluted earnings per share reflect additional common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed conversion. Potentially dilutive common shares are limited to preferred shares outstanding that would be converted to common shares upon change in control of the Company. As such, the average number of common shares outstanding used to calculate diluted earnings per share equals the total number of common and preferred shares outstanding less any shares held in treasury.

    Earnings per common share have been computed based on the following:

	Years ended December 31, 2016	Years ended December 31, 2015
Net income	$ 1,223,480	$ 1,282,453
Less: Preferred stock dividends	(69,598)	(66,738)
Net income available to common shareholders	$ 1,153,882	$ 1,215,715
Average number of common shares outstanding	645,121	645,121
Effect of dilutive options, warrants, etc.	86,783	86,783
Average number of common shares outstanding used to calculate diluted earnings per common share	694,381	694,381
Earnings per share - basic	$ 1.79	$ 1.88
Earnings per share - diluted	$ 1.66	$ 1.75

14. ***Comprehensive Income*** – GAAP generally requires that recognized revenues, expenses, gains and losses be included in net earnings. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the equity section of the consolidated balance sheets, such items along with net earnings, are components of comprehensive income. The adoption of FASB Accounting Standards Codification Topic 220, *Comprehensive Income*, had no effect on the Company's net income or shareholders' equity. The Company presents comprehensive income in a separate consolidated statement of comprehensive income.

15. ***Reclassifications*** – Certain accounts in the prior-year financial statements have been reclassified to conform to the presentation of current-year financial statements.

16. ***Investment in tax credit partnerships*** - The Company regularly invests as a limited partner in qualified low-income housing tax credit, or LIHTC, partnerships that are eligible for federal and or state tax credits. In addition, the Company regularly invests in historical preservation tax credit partnerships. The recorded investment in those partnerships is accounted for under the equity method and is reported as "Other Assets" on the consolidated balance sheets. The recorded investment is $243,800 and $352,600 at December 31, 2016 and 2015. respectively. The Company's share of partnership income or loss is reported in the consolidated statements of income as "Non-interest Expense". Obligations to make delayed equity contributions that are unconditional and legally binding are recorded at their present value in "Accrued expenses and other liabilities" on the consolidated balance sheet. To the extent the cost basis in qualified LIHTC partnerships differs from the book basis reflected at the partnership level, the difference is amortized over the life of the tax credits.

17. ***Changes in Accounting Principles and Effects of New Accounting Pronouncements***

ASU 2016-13 - Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"). ASU 2016-13 significantly changes how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The standard will replace the current incurred loss approach with an expected loss model, referred to as the current expected credit loss ("CECL") model. The new standard will apply to financial assets subject to credit losses and measured at amortized cost and certain off-balance sheet credit exposures, which include, but are not limited to, loans, leases, held-to-maturity securities, loan commitments and financial guarantees. ASU 2016-13 simplifies the accounting for purchased credit-impaired debt securities and loans and expands the disclosure requirements regarding an entity's assumptions, models and methods for estimating the allowance for loan and lease losses. In addition, entities will need to disclose the amortized cost balance for each class of financial asset by credit quality indicator, disaggregated by the year of origination. ASU 2016-13 is effective for interim and annual reporting periods beginning after December 15, 2020. Early adoption is permitted for annual reporting periods beginning after December 15, 2018. Upon adoption, ASU 2016-13 provides for a modified retrospective transition by means of a cumulative-effect adjustment to equity as of the beginning of the period in which the guidance is effective. The Company is currently evaluating the impact this standard will have on the Company's results of operations, financial position or disclosures.

ASU 2015-03 – Interest – Imputation of Interest ("ASU 2015-03"). ASU 2015-03 simplifies presentation of debt issuance costs by requiring that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the debt liability, consistent with debt discounts. ASU 2015-03 is effective for annual periods and interim periods within those annual periods beginning after December 15, 2015, and early adoption is permitted. It should be applied on a retrospective basis. The Company is currently evaluating the impact this standard will have on the Company's financial position or disclosures.

ASU 2015-02 – Consolidation (Topic 810) - Amendments to the Consolidation Analysis ("ASU 2015-02"). ASU 2015-02 includes amendments that are intended to improve targeted areas of consolidation for legal entities including reducing the number of consolidation models from four to two and simplifying the FASB Accounting Standards Codification. ASU 2015-02 is effective for annual and interim periods within those annual periods, beginning after December 15, 2015. The amendments may be applied retrospectively in previously issued financial statements for one or more years with a cumulative effect adjustment to retained earnings as of the beginning of the first year restated. Early adoption is permitted, including adoption in an interim period. The Company is currently evaluating the impact this standard will have on the Company's results of operations, financial position or disclosures.

ASU 2015-01 – Income Statement – Extraordinary and Unusual Items ("ASU 2015-01"). ASU 2015-01 eliminates the concept of extraordinary items by no longer allowing companies to segregate an extraordinary item from the results of operations, separately present an extraordinary item on the income statement, or disclose income taxes or earnings-per-share data applicable to an extraordinary item. ASU 2015-01 is effective for annual periods and interim periods within those annual periods beginning after December 15, 2015, and early adoption is permitted. The adoption of this standard is not expected to have a material effect on the Company's results of operations, financial position or disclosures.

B. INVESTMENT SECURITIES

Debt and equity securities have been classified in the balance sheet according to management's intent. The following table reflects the amortized cost and estimated market values of investments in debt and equity securities held at December 31, 2016 and 2015. In addition, gross unrealized gains and gross unrealized losses are disclosed as of December 31, 2016 and 2015.

The book and market values of securities **available for sale** were:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Market Value
December 31, 2016				
Non-mortgage backed debt securities of:				
U.S. Government agencies	$ 999,712	$ 77	$ -	$ 999,789
State, county, and municipal securities	3,411,476	20,624	(21,754)	3,410,346
Total non-mortgage backed debt securities	4,411,188	20,701	(21,754)	4,410,135
Mortgage backed securities	6,250,925	41,592	(39,634)	6,252,883
Total	$ 10,662,113	$ 62,293	$ (61,388)	$ 10,663,018
December 31, 2015				
Non-mortgage backed debt securities of:				
State, county, and municipal securities	$ 4,046,031	$ 56,142	$ -	$ 4,102,173
Total non-mortgage backed debt securities	4,046,031	56,142	-	4,102,173
Mortgage backed securities	5,635,687	68,973	(29,816)	5,674,844
Total	$ 9,681,718	$ 125,115	$ (29,816)	$ 9,777,017

The book and market values of securities **held to maturity** were:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Market Value
December 31, 2016				
Non-mortgage backed debt securities of:				
State, county, and municipal securities	$ 3,269,390	$ 167	$ (32,680)	$ 3,236,877
Total non-mortgage backed debt securities	3,269,390	167	(32,680)	3,236,877
Mortgage backed securities	2,888,078	41,948	(10,813)	2,919,213
Total	$ 6,157,468	$ 42,115	$ (43,493)	$ 6,156,090
December 31, 2015				
Non-mortgage backed debt securities of:				
State, county, and municipal securities	$ 2,976,085	$ 14,873	$ (14,471)	$ 2,976,487
Total non-mortgage backed debt securities	2,976,085	14,873	(14,471)	2,976,487
Mortgage backed securities	3,947,947	51,451	(19,570)	3,979,828
Total	$ 6,924,032	$ 66,324	$ (34,041)	$ 6,956,315

The book and market values of pledged securities were $12,809,868 and $12,817,144 at December 31, 2016, respectively and $13,722,278 and $13,830,371 at December 31, 2015, respectively.

The amortized cost and estimated market value of debt securities held to maturity and available for sale at December 31, 2016 and 2015, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or repay obligations with or without call or prepayment penalties.

	Available for Sale	
December 31, 2016	Amortized Cost	Estimated Market Value
Non-mortgage backed securities:		
Due in one year or less	$ 1,899,028	$ 1,900,299
Due after one year through five years	250,892	251,992
Due after five years through ten years	593,944	590,232
Due after ten years	1,667,324	1,667,612
Total non-mortgage backed securities	4,411,188	4,410,135
Mortgage backed securities	6,250,925	6,252,883
Total	$ 10,662,113	$ 10,663,018
December 31, 2015	Amortized Cost	Estimated Market Value
Non-mortgage backed securities:		
Due in one year or less	$ 250,720	$ 256,900
Due after one year through five years	643,565	650,095
Due after five years through ten years	753,066	756,477
Due after ten years	2,398,680	2,438,701
Total non-mortgage backed securities	4,046,031	4,102,173
Mortgage backed securities	5,635,687	5,674,844
Total	$ 9,681,718	$ 9,777,017

	Held to Maturity	
December 31, 2016	Amortized Cost	Estimated Market Value
Non-mortgage backed securities:		
Due in one year or less	$ -	$ -
Due after one year through five years	1,188,548	1,185,187
Due after five years through ten years	1,378,096	1,354,728
Due after ten years	702,746	696,962
Total non-mortgage backed securities	3,269,390	3,236,877
Mortgage backed securities	2,888,078	2,919,213
Total	$ 6,157,468	$ 6,156,090
December 31, 2015	Amortized Cost	Estimated Market Value
Non-mortgage backed securities:		
Due in one year or less	$ -	$ -
Due after one year through five years	472,861	470,376
Due after five years through ten years	1,778,670	1,787,995
Due after ten years	724,554	718,116
Total non-mortgage backed securities	2,976,085	2,976,487
Mortgage backed securities	3,947,947	3,979,828
Total	$ 6,924,032	$ 6,956,315

The market value is established by an independent pricing service as of the approximate dates indicated. The differences between the book value and market value reflect current interest rates and represent the potential loss (or gain) had the portfolio been liquidated on that date. Security losses (or gains) are realized only in the event of dispositions prior to maturity.

At December 31, 2016 and 2015, the Company did not hold investment securities of any single issuer, other than obligations of the U. S. Treasury and other U. S. Government agencies, whose aggregate book value exceeded ten percent of shareholders' equity.

Information pertaining to securities with gross unrealized losses at December 31, 2016 and 2015, aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows:

	December 31, 2016			
	Less Than Twelve Months		Twelve Months or More	
Securities Available for Sale	Unrealized Losses	Estimated Market Value	Unrealized Losses	Estimated Market Value
Non-mortgage backed debt securities of				
State, county, and municipal securities	$ 21,754	$ 1,180,864	$ -	$ -
Total non-mortgage backed debt securities	21,754	1,180,864	-	-
Mortgage backed securities	39,634	3,757,502	-	-
Total	$ 61,388	$ 4,938,366	$ -	$ -
Securities Held to Maturity				
Non-mortgage backed debt securities of				
State, county, and municipal securities	$ 32,680	$ 2,931,440	$ -	$ -
Mortgage backed securities	-	-	10,813	309,814
Total	$ 32,680	$ 2,931,440	$ 10,813	$ 309,814

	December 31, 2015			
	Less Than Twelve Months		Twelve Months or More	
Securities Available for Sale	Unrealized Losses	Estimated Market Value	Unrealized Losses	Estimated Market Value
Non-mortgage backed debt securities of				
State, county, and municipal securities	$ -	$ -	$ -	$ -
Total non-mortgage backed debt securities	-	-	-	-
Mortgage backed securities	15,848	1,332,203	13,968	584,821
Total	$ 15,848	$ 1,332,203	$ 13,968	$ 584,821
Securities Held to Maturity				
Non-mortgage backed debt securities of				
State, county, and municipal securities	$ 8,033	$ 1,098,836	$ 6,438	$ 718,116
Mortgage backed securities	-	-	19,570	470,842
Total	$ 8,033	$ 1,098,836	$ 26,008	$ 1,188,958

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

At December 31, 2016, sixteen debt securities have unrealized losses with aggregate depreciation of 1.28% from the Company's amortized cost basis. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and industry analysts' reports. As management has the ability to hold debt securities until maturity, or for the foreseeable future if classified as available for sale, no declines are deemed to be other than temporary.

As of December 31, 2016, the Company held eight mortgage backed securities and ten residential mortgage backed securities that were in an unrealized loss position, all of which were issued by U.S. government sponsored entities and agencies. Because the decline in fair value is attributable to changes in interest rates and illiquidity, and not credit quality, and because the Company does not have the intent to sell these mortgage-backed securities and it is likely that it will not be required to sell the securities before their anticipated recovery, management does not consider these securities to be other-than-temporarily impaired at December 31, 2016.

As of December 31, 2016, the Company held eight state, county, and municipal securities that were in an unrealized loss position. Because the decline in fair value is attributable to changes in interest rates, and not credit quality, and because the Company does not have the intent to sell these securities and it is likely that it will not be required to sell the securities before their anticipated recovery, management does not consider these securities to be other these securities to be other-than-temporarily impaired at December 31, 2016.

C. LOANS

The Company engages in a full complement of lending activities, including real estate-related loans, commercial and industrial loans and consumer installment loans. The majority of its lending activities are concentrated in real estate loans. While risk of loss in the Company's portfolio is primarily tied to the credit quality of the various borrowers, risk of loss may increase due to factors beyond the Company's control, such as local, regional and/or national economic downturns. General conditions in the real estate market may also impact the relative risk in the real estate portfolio.

Loans are stated at unpaid balances, net of unearned income and deferred loan fees. Balances within the major loans receivable categories at December 31, 2016 and 2015 are presented in the following table:

	2016	2015
Residential Real Estate	$ 32,806,891	$ 30,177,959
Other Real Estate	34,864,035	34,204,516
Commercial	12,232,945	12,641,468
Consumer	10,806,036	8,999,155
Total Loans	90,709,907	86,023,098
Other:		
Overdraft, in-process, and suspense accounts	101,968	90,337
Allowance for loan losses	(1,835,242)	(1,770,740)
Loans, net	$ 88,976,633	$ 84,342,695

Overdrafts included in loans were $57,462 and $93,196 at December 31, 2016 and 2015, respectively.

Nonaccrual and Past Due Loans

A loan is placed on nonaccrual status when, in management's judgment, the collection of the interest income appears doubtful. Interest receivable that has been accrued and is subsequently determined to have doubtful collectability is charged to interest income. Interest on loans that are classified as non-accrual is recognized when received. Past due loans are loans whose principal or interest is past due 90 days or more. In some cases, where borrowers are experiencing financial difficulties, loans may be restructured to provide terms significantly different from the original contractual terms. Currently, the Bank does not have any loans that have been restructured.

The following tables present an analysis of past due loans and loans accounted for on a nonaccrual basis as of December 31, 2016 and 2015:

	As of December 31, 2016						
		Past Due and Still Accruing					
	Current and < 30 Days Past Due	30-59 Days Past Due	60-89 Days Past Due	> Than 90 Days Past Due	Total Accruing Past Due	Non-accrual	Total Loans
Residential Real Estate	$ 32,157,559	$ 228,744	$ -	$ 28,536	$ 257,280	$ 392,052	$ 32,806,891
Other Real Estate	34,772,543	33,085	-	-	33,085	58,407	34,864,035
Commercial	12,074,001	41,417	-	32,240	73,657	85,287	12,232,945
Consumer	10,654,687	-	44,232	19,590	63,822	87,527	10,806,036
Total	$ 89,658,790	$ 303,246	$ 44,232	$ 80,366	$ 427,844	$ 623,273	90,709,907
Overdraft, in-process, and suspense accounts							101,968
							$ 90,811,875

	As of December 31, 2015						
		Past Due and Still Accruing					
	Current and < 30 Days Past Due	30-59 Days Past Due	60-89 Days Past Due	> Than 90 Days Past Due	Total Accruing Past Due	Non-accrual	Total Loans
Residential Real Estate	$ 29,618,284	$ 42,102	$ 7,366	$ 55,799	$ 105,267	$ 454,408	$ 30,177,959
Other Real Estate	34,146,665	-	-	-	-	57,851	34,204,516
Commercial	12,312,163	74,307	-	-	74,307	254,998	12,641,468
Consumer	8,789,717	82,493	31,462	-	113,955	95,483	8,999,155
Total	$ 84,866,829	$ 198,902	$ 38,828	$ 55,799	$ 293,529	$ 862,740	86,023,098
Overdraft, in-process, and suspense accounts							90,337
							$ 86,113,435

Impaired Loans

Loans are considered impaired when, based on current information and events, it is probable the Company will be unable to collect all amounts due in accordance with the original contractual terms of the loan agreements. Impaired loans include loans on nonaccrual status and troubled debt restructurings. If a loan is deemed impaired, a specific valuation allowance is allocated, if necessary, 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. Interest payments on impaired loans are typically applied to principal unless collectability of the principal amount is reasonably assured, in which case interest is recognized on a cash basis.

The following is an analysis of information pertaining to impaired loans:

	As of December 31, 2016					
	Unpaid Total Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
Residential Real Estate	$ 673,795	$ 370,205	$ 303,590	$ 673,795	$ 111,143	$ 730,628
Other Real Estate	1,417,517	552,016	865,501	1,417,517	153,656	776,704
Commercial	574,545	280,025	238,270	518,295	121,568	517,475
Consumer	119,331	10,960	108,371	119,331	52,355	127,964
Total	$ 2,785,188	$ 1,213,206	$ 1,515,732	$ 2,728,938	$ 438,722	$ 2,152,771

	As of December 31, 2015					
	Unpaid Total Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
Residential Real Estate	$ 787,461	$ 26,583	$ 760,878	$ 787,461	$ 246,411	$ 1,304,867
Other Real Estate	135,890	16,250	119,640	135,890	26,352	156,164
Commercial	572,905	-	516,655	516,655	158,032	388,237
Consumer	136,597	20,255	116,342	136,597	68,836	118,684
Total	$ 1,632,853	$ 63,088	$ 1,513,515	$ 1,576,603	$ 499,631	$ 1,967,951

Credit Quality Indicators

The Company uses a seven category risk grading system to assign a risk grade to each loan in the portfolio. The following is a description of the general characteristics of the grades:

Grade 1 – Excellent Risk
Loans in this category are considered to have very little, if any, credit risk. The following characteristics are common for loans in this category:

- Highest quality.
- Alternative sources of credit or cash exist, such as the commercial paper market, capital markets, internal liquidity or other bank lines.
- National or regional companies with excellent cash flow which covers all debt service requirements and a significant portion of capital expenditures.
- Balance sheet strength and liquidity are excellent and exceed industry norms.
- Financial trends are positive.
- Market leader within the industry and industry performance is excellent.
- Loans fully secured by cash or equivalents - Loans secured by marketable securities with no less than 25% margin.
- Borrowers of unquestioned strength.
- Financial wherewithal is known and exhibits excellent liquidity, net worth, cash flow and leverage.

Grade 2 – Superior Risk
Loans in this category are considered to be an excellent credit risk with minimal risk of loss. The following characteristics are common for loans in this category:

- Above average quality.
- Minimal risk of loss.
- Borrowers with strong, stable financial trends.

- Strong cash flow, covering debt service requirements and some portion of capital expenditures.
- Alternative sources of repayment are evident and financial ratios are comparable to or exceed the industry norms.
- Trends are positive.
- Prominent position in the industry or local economy.
- Industry performance is above average.
- Management strong in most areas and backup depth is good.
- Loans secured by marketable securities with margin below 25%.
- Individuals with stable and reliable cash flow and above average liquidity and cash flow.
- Modest risk from exposure to contingent liabilities.

Grade 3 – Average Risk
Loans in this category are considered to be of normal risk and of average quality. The following characteristics are common for loans in this category:

- Average quality.
- Cash flow is adequate to cover all debt service requirements but not capital expenditures.
- Balance sheet may be leveraged but still comparable to the industry.
- Financial trends stable to mixed over long term but no significant concerns exist at this time.
- Generally stable industry outlook, may have some cyclical characteristics.
- Average position in industry or local economy.
- Management team is considered capable and stable.
- Start up ventures are adequately capitalized with favorable performance versus projections and experienced management.
- Individuals with reliable cash flow but alternative sources of repayment would require sale of assets that may be considered illiquid.
- Financial position has been leveraged to an average degree or individual has an average net worth position considering income and debt.

Grade 4 – OAEM
Loans in this category have potential financial weaknesses, the loan officer may not have properly supervised the credit, or material collateral exceptions exist. This category includes loans which do not presently expose the bank to a sufficient degree of risk to warrant adverse classification but do possess credit deficiencies deserving of management's close attention. Failure to correct deficiencies could result in greater credit risk in the future. The following characteristics are common for loans in this category:

- Below average quality.
- Loan conditions require more frequent monitoring than the higher grades.
- Stability is lacking in the primary repayment source, cash flow, credit history or liquidity, however, the instability is manageable and considered temporary.
- Overall trends are not yet adverse.
- Loans exhibiting acceptable financial characteristics but lacking proper and complete account officer documentation.
- Individuals whose sources of income or cash flow have become unstable or limited.
- Income may decline due to current business or economic conditions.
- The individual has a somewhat highly leveraged condition and limited capital.
- Moderate history of some degree of slow payment may be exhibited

Grade 5 – Substandard
Substandard loans are inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified must have a well defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the bank will sustain some loss if the deficiencies are not corrected.

In the case of troubled real estate loans, well defined weaknesses include a project's lack of marketability, inadequate cash flow or collateral support, failure to complete construction on time or the project's failure to fulfill economic expectations. They are characterized by the distinct possibility that the bank will sustain some loss if the deficiencies are not corrected.

In the case of consumer credit, closed end consumer installment loans delinquent between 90 and 119 days (4 monthly payments) will be classified substandard. Open end consumer credit will be classified substandard if delinquent 90 to 179 days (4 to 6 billing cycles).

Grade 6 – Doubtful

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

In the case of real estate loans, a doubtful classification may be appropriate where significant risk exposures are perceived, but loss cannot be determined because of specific reasonable pending factors which may strengthen the credit in the near term.

Grade 7 – Loss

Loans classified loss are considered uncollectible and such little value that their continuance as bankable assets is not warranted. This classification does not mean that the loan has absolutely no recovery or salvage value but rather it is not practical or desirable to defer writing off this basically worthless asset even though partial recovery may be affected in the future.

In the case of consumer credit, closed end consumer installment loans delinquent 120 days or more (5 monthly payments) will be classified loss. Open end consumer credit will be classified substandard if delinquent 180 days or more (7 or more billing cycles).

The following tables present the loan portfolio by risk grade as of December 31, 2016 and 2015:

	As of December 31, 2016				
	Residential Real Estate	Other Real Estate	Commercial	Consumer	Total
Grade 1 (Excellent Risk)	$ -	$ -	$ 545,867	$ 923,620	$ 1,469,487
Grade 2 (Superior Risk)	-	55,000	-	24,570	79,570
Grade 3 (Average Risk)	30,242,259	30,738,418	10,237,605	9,275,022	80,493,304
Grade 4 (OAEM)	1,890,866	2,653,099	931,175	463,494	5,938,634
Grade 5 (Substandard)	673,766	1,417,518	518,298	119,330	2,728,912
Grade 6 (Doubtful)	-	-	-	-	-
Grade 7 (Loss)	-	-	-	-	-
Total	$ 32,806,891	$ 34,864,035	$ 12,232,945	$ 10,806,036	90,709,907
Overdraft, in-process, and suspense accounts					101,968
Total Loans					$ 90,811,875

	As of December 31, 2015				
	Residential Real Estate	Other Real Estate	Commercial	Consumer	Total
Grade 1 (Excellent Risk)	$ -	$ 100	$ 672,981	$ 756,138	$ 1,429,219
Grade 2 (Superior Risk)	-	-	-	-	-
Grade 3 (Average Risk)	27,855,508	29,659,463	10,891,543	7,837,676	76,244,190
Grade 4 (OAEM)	1,534,990	4,409,063	560,289	268,744	6,773,086
Grade 5 (Substandard)	787,461	135,890	516,655	136,597	1,576,603
Grade 6 (Doubtful)	-	-	-	-	-
Grade 7 (Loss)	-	-	-	-	-
Total	$ 30,177,959	$ 34,204,516	$ 12,641,468	$ 8,999,155	86,023,098
Overdraft, in-process, and suspense accounts					90,337
Total Loans					$ 86,113,435

Troubled Debt Restructurings (TDRs)

Loans are considered to have been modified in a TDR when due to a borrower's financial difficulty, the Company makes certain concessions to the borrower that it would not otherwise consider for new debt with similar risk characteristics. Modifications may include interest rate reductions, principal or interest forgiveness, forbearance, and other actions intended to minimize economic loss and to avoid foreclosure or repossession of the collateral. Each potential loan modification is reviewed individually, and the terms of the loan are modified to meet the borrower's specific circumstances at a point in time. Not all loan modifications are TDRs. Generally, a non-accrual loan that has been modified in a TDR remains on non-accrual status for a period of 6 months to demonstrate that the borrower is able to meet the terms of the modified loan. However, performance prior to the modification, or significant events that coincide with the modification, are included in assessing whether the borrower can meet the new terms and may result in the loan being returned to accrual status at the time of loan modification or after a shorter performance period. If the borrower's ability to meet the revised payment schedule is uncertain, the loan remains on non-accrual status. Once a loan is modified in a troubled debt restructuring it is accounted for as an impaired loan, regardless of its accrual status, until the loan is paid in full, sold or charged off.

Loan modifications are reviewed and approved by the Company's senior lending staff, who then determine whether the loan meets the criteria for a TDR. Generally, the types of concessions granted to borrowers that are evaluated in determining whether the loan is classified as a TDR include:

- Interest rate reductions – Occur when the stated interest rate is reduced to a nonmarket rate or a rate the borrower would not be able to obtain elsewhere under similar circumstances.
- Amortization or maturity date changes – Result when the amortization period of the loan is extended beyond what is considered a normal amortization period for loans of similar type with similar collateral.
- Principal reductions – These are often the result of commercial real estate loan workouts where two new notes are created. The primary note is underwritten based upon our normal underwriting standards and is structured so that the projected cash flows are sufficient to repay the contractual principal and interest of the newly restructured note. The terms of the secondary note vary by situation and often involve that note being charged-off, or the principal and interest payments being deferred until after the primary note has been repaid. In situations where a portion of the note is charged-off during modification there is often no specific reserve allocated to those loans. This is due to the fact that the amount of the charge-off usually represents the excess of the original loan balance over the collateral value and the Company has determined there is no additional exposure on those loans.

As of December 31, 2016 and 2015, the Company had one loan considered to be a troubled debt restructuring, with a balance of $221,971 and $223,658, respectively. The loan is on nonaccrual status, and is currently paying under the restructured terms. During the restructuring process, the borrower's interest rate was reduced.

Allowance for Loan Losses

The allowance for loan losses represents a reserve for inherent losses in the loan portfolio. The adequacy of the allowance for loan losses is evaluated periodically based on a review of all significant loans, with a particular emphasis on non-accruing, past due and other loans that management believes might be potentially impaired or warrant additional attention. The Company segregates the loan portfolio by type of loan and utilizes this segregation in evaluating exposure to risks within the portfolio. In addition, based on internal reviews and external reviews performed by independent auditors and regulatory authorities, the Company further segregates the loan portfolio by loan grades based on an assessment of risk for a particular loan or group of loans. Certain reviewed loans are assigned specific allowances when a review of relevant data determines that a general allocation is not sufficient or when the review affords management the opportunity to fine tune the amount of exposure in a given credit. In establishing allowances, management considers historical loan loss experience but adjusts this data with a significant emphasis on data such as current loan quality trends, current economic conditions and other factors in the markets where the Company operates. Factors considered include, among others, current valuations of real estate in their markets, unemployment rates, the effect of weather conditions on agricultural related entities and other significant local economic events.

The Company has developed a methodology for determining the adequacy of the allowance for loan losses which is monitored by the Company’s Senior Credit Officer. Loans are segregated by loan type and historical loss rates for each type are used to estimate a general reserve percentage for loans that are not considered impaired and assigned specific reserves. Procedures provide for the assignment of a risk rating for every loan included in the total loan portfolio. The risk rating schedule provides seven ratings of which four ratings are classified as pass ratings and three ratings are classified as criticized ratings. Loans classified as substandard or below are reviewed on a quarterly basis by management for potential impairment. As a result of these evaluations, loans deemed impaired may be assigned specific reserve allocations and excluded from general reserve pools. Past due loans are assigned risk ratings based on the number of days past due. The calculation of the allowance for loan losses, including underlying data and assumptions, is reviewed regularly by executive management and the Board of Directors.

The following tables detail activity in the allowance for loan losses by portfolio segment for the year ended December 31, 2016 and 2015. Allocation of a portion of the allowance to one category of loans does not preclude its availability to absorb losses in other categories.

	2016				
Allowance for credit losses:	Residential Real Estate	Other Real Estate	Commercial	Consumer	Total
Beginning Balance	$ 451,855	$ 858,882	$ 222,368	$ 237,635	$ 1,770,740
Chargeoffs	(74,999)	-	(21,185)	(104,803)	(200,987)
Recoveries	240	-	18,638	6,611	25,489
Provision	246,943	(570,803)	442,308	121,552	240,000
Ending Balance	$ 624,039	$ 288,079	$ 662,129	$ 260,995	$ 1,835,242
Period-end amount allocated to:					
Loans individually evaluated for impairment	$ 111,143	$ 153,656	$ 121,568	$ 52,355	$ 438,722
Loans collectively evaluated for impairment	512,896	134,423	540,561	208,640	1,396,520
Ending balance	$ 624,039	$ 288,079	$ 662,129	$ 260,995	$ 1,835,242
Loans:					
Individually evaluated for impairment	$ 673,795	$ 1,417,517	$ 518,295	$ 119,331	$ 2,728,938
Collectively evaluated for impairment	32,133,096	33,446,518	11,714,650	10,686,705	87,980,969
Ending balance	$ 32,806,891	$ 34,864,035	$ 12,232,945	$ 10,806,036	90,709,907
Overdraft, in-process, and suspense accounts					101,968
Total loans					$ 90,811,875

	2015				
Allowance for credit losses:	Residential Real Estate	Other Real Estate	Commercial	Consumer	Total
Beginning Balance	$ 376,551	$ 1,160,092	$ 126,095	$ 174,660	$ 1,837,398
Chargeoffs	(98,443)	(24,008)	(181,308)	(31,902)	(335,661)
Recoveries	-	-	5,528	8,475	14,003
Provision	173,747	(277,202)	272,053	86,402	255,000
Ending Balance	$ 451,855	$ 858,882	$ 222,368	$ 237,635	$ 1,770,740
Period-end amount allocated to:					
Loans individually evaluated for impairment	$ 246,411	$ 26,352	$ 158,032	$ 68,836	$ 499,631
Loans collectively evaluated for impairment	205,444	832,530	64,336	168,799	1,271,109
Ending balance	$ 451,855	$ 858,882	$ 222,368	$ 237,635	$ 1,770,740
Loans:					
Individually evaluated for impairment	$ 787,461	$ 135,890	$ 516,655	$ 136,597	$ 1,576,603
Collectively evaluated for impairment	29,390,498	34,068,626	12,124,813	8,862,558	84,446,495
Ending balance	$ 30,177,959	$ 34,204,516	$ 12,641,468	$ 8,999,155	86,023,098
Overdraft, in-process, and suspense accounts					90,337
Total loans					$ 86,113,435

D. BANK PREMISES AND EQUIPMENT

Premises and equipment as of December 31, 2016 and 2015 are summarized as follows:

	2016	2015
Land	$ 565,000	$ 565,000
Buildings and improvements	1,771,705	1,758,065
Equipment, furniture and fixtures	1,006,489	988,174
Construction in process	-	-
Total	3,343,194	3,311,239
Less - accumulated depreciation	(1,764,382)	(1,656,673)
Bank premises and equipment, net	$ 1,578,812	$ 1,654,566

Depreciation included in operating expenses amounted to $108,136 and $111,938 for the years ended December 31, 2016 and 2015, respectively.

E. CASH VALUE OF LIFE INSURANCE

The Bank has established a bank-owned life insurance (BOLI) program under which single-premium, split-dollar, whole-life insurance contracts are purchased on certain eligible officers. Initial investments in the policies are non-deductible for income tax purposes, and the related investment income and death benefits are non-taxable when received. Death benefits are divided among the Bank and beneficiaries designated by the insured officer. The cash surrender value of these policies was $3,531,704 and $3,433,898 at December 31, 2016 and 2015, respectively. Income earned on the cash surrender value of these policies was $119,100 and $117,438 for the years ended December 31, 2016 and 2015, respectively.

F. DEPOSITS

The aggregate amount of time deposits exceeding $250,000 at December 31, 2016 and 2015 was $7,952,597 and $7,020,032, respectively.

At December 31, 2016, the scheduled maturities of time deposits are as follows:

2017	$ 33,756,636
2018	5,471,876
2019	630,566
2020	421,691
2021 and thereafter	559,124
Total time deposits	$ 40,839,893

G. SHORT-TERM BORROWINGS

The Bank had a line of credit for federal funds purchased of $5,600,000 with correspondent institutions as of December 31, 2016. At December 31, 2016, there was no outstanding balance on this line of credit.

The Bank had no advances on a line of credit of from the Federal Home Loan Bank (FHLB) at December 31, 2016 and 2015. The available line amount is based upon eligible mortgage loans available for pledge as well as FHLB stock with a carrying value of $122,200 at December 31, 2016. The Bank is required to maintain a minimum investment in FHLB stock of the greater of 1% of total mortgage assets or .18% of total assets while the advance agreement is in effect.

Investment in stock of a Federal Home Loan Bank (FHLB) is required for every federally insured institution that utilizes its services. FHLB stock is considered restricted, as defined in FASB Accounting Standards Codification Topic 320, Investments – Debt and Equity Securities; accordingly, the provisions of ASC Topic 320 are not applicable to this investment. The FHLB stock is reported in the consolidated financial statements at cost. Dividend income is recognized when earned.

H. INCOME TAXES

The provision for income taxes for the years ended December 31, 2016 and 2015 are as follows:

	Years Ended December 31,	
	2016	2015
Current tax expense	$ 654,083	$ 668,389
Deferred tax expense (benefit)	(3,282)	18,226
Net provision for income taxes	$ 650,801	$ 686,615

Deferred income taxes are reflected for certain timing differences between book and taxable income and will be reduced in future years as these timing differences reverse. The reasons for the difference between the actual tax expense and tax computed at the federal income tax rate are as follows:

	Years Ended December 31,	
	2016	2015
Tax on pretax income at statutory rate	$ 637,256	$ 669,483
State income taxes, net of federeal tax benefit	60,678	67,107
Non-deductible expenses	11,210	12,378
Tax-exempt interest income	(47,753)	(46,340)
Life insurance income	(40,494)	(39,929)
Amortization of tax credits	283,800	384,800
Federal tax credit	(175,000)	(300,000)
Other	(78,896)	(60,884)
Total	$ 650,801	$ 686,615
Net effective tax rate	34.7%	34.9%

The sources and tax effects of temporary differences that give rise to significant portions of deferred income tax assets (liabilities) are as follows:

	Years Ended December 31, 2016	2015
Deferred Income Tax Assets:		
Provision for loan losses	$ 493,082	$ 471,151
Deferred compensation	27,420	25,063
Other real estate	3,400	5,100
Nonaccrual interest	5,509	4,351
Other	1,252	1,252
Total deferred tax assets	$ 530,663	$ 506,917
Deferred Income Tax Liabilities:		
Unrealized gains on securities available for sale	$ (308)	$ (32,401)
Depreciation	(82,798)	(93,058)
Amortization - goodwill	(567,163)	(567,163)
Total deferred tax liabilities	(650,269)	(692,622)
Net deferred tax liability	$ (119,606)	$ (185,705)

I. EMPLOYEE BENEFIT PLANS

The Company has a 401(k) plan covering substantially all of its employees meeting age and length-of-service requirements. Matching contributions to the plan are at the discretion of the Board of Directors. Retirement plan expenses for administrative fees charged to operations amounted to $3,815 and $3,606 for the years ended December 31, 2016 and 2015, respectively. The Company made matching contributions of $54,000 and $48,166 for the years ended December 31, 2016 and 2015, respectively.

J. LIMITATION ON DIVIDENDS

The Board of Directors of any state-chartered bank in Georgia may declare and pay cash dividends on its outstanding capital stock without any request for approval of the Bank's regulatory agency if the following conditions are met:

1) Total classified assets at the most recent examination of the bank do not exceed eighty (80) percent of equity capital.

2) The aggregate amount of dividends declared in the calendar year does not exceed fifty (50) percent of the prior year's net income.

3) The ratio of equity capital to adjusted total assets shall not be less than six (6) percent.

As of December 31, 2016, the amount available for distribution as dividends in the subsequent year without regulatory consent was $616,618.

K. FINANCIAL INSTRUMENTS

The Bank is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. Those instruments involve, to varying degrees, elements of credit risk and interest rate risk in excess of the amount recognized in the balance sheet. The contract or notional amounts of those instruments reflect the extent of involvement the Bank has in those particular financial instruments.

The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual notional amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

The Bank does require collateral or other security to support financial instruments with credit risk.

	Contract or Notional Amount
Financial instruments whose contract amount represent credit risk:	
Commitments to extend credit	$ 18,962,000
Standby letters of credit	790,000
Total	$ 19,752,000

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

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing and similar transactions. All letters of credit are due within one year of the original commitment date. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

L. COMMITMENTS AND CONTINGENCIES

In the ordinary course of business, the Company has various outstanding commitments and contingent liabilities that are not reflected in the accompanying consolidated financial statements.

M. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Company, through the Bank, has direct and indirect loans outstanding to or for the benefit of certain executive officers and directors. These loans were made on substantially the same terms as those prevailing, at the time made, for comparable loans to other persons and did not involve more than the normal risk of collectability or present other unfavorable features. The following is a summary of activity during the year ended December 31, 2016 with respect to such loans to these individuals:

Balances at December 31, 2015	$	9,260,717
New loans		3,767,179
Repayments		(6,548,402)
Balances at December 31, 2016	$	6,479,494

The Bank also had deposits from these related parties of approximately $3,145,692 at December 31, 2016.

N. DISCLOSURES RELATING TO STATEMENT OF CASH FLOWS

Interest and Income Taxes - Cash paid during the period for interest and income taxes was as follows:

	2016	2015
Interest on deposits and borrowings	$ 475,095	$ 480,088
Income taxes, net	$ 270,000	$ 477,748

Other Noncash Transactions - Noncash transactions relating to investing and financing activities were as follows:

	2016	2015
Changes in unrealized gain/loss on investments	$ (94,700)	$ (57,780)

O. FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the current amount that would be exchanged between willing parties, other than in a forced liquidation. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the company's various financial instruments. In cases where quoted market prices are not available, fair value is based on discounted cash flows or other valuation techniques. These techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. The accounting standard for disclosures about the fair value of financial instruments excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented may not necessarily represent the underlying fair value of the Company.

The fair value hierarchy describes three levels of inputs that may be used to measure fair value:

Level 1 – Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2 – Valuation is based upon observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of assets or liabilities.

Following is a description of valuation methodologies used for assets and liabilities which are either recorded or disclosed at fair value.

Cash and Cash Equivalents
For disclosure purposes for cash, due from banks and federal funds sold, the carrying amount is a reasonable estimate of fair value.

Investment Securities Available for Sale
The fair value of securities available for sale is determined by various valuation methodologies. Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. Level 2 securities include mortgage-backed securities issued by government sponsored enterprises and municipal bonds. The level 2 fair value pricing is provided by an independent third-party and is based upon similar securities in an active market. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy and include certain residual municipal securities and other less liquid securities.

Federal Home Loan Bank Stock
The fair value of Federal Home Loan Bank stock approximates carrying value, as there is no ready market for such investments.

Other Investments
For disclosure purposes the carrying value of other investments approximates fair value.

Loans Held for Sale
For loans held for sale, the carrying value is a reasonable estimate of fair value given the short-term nature of the loans and similarity to what secondary markets are currently offering for portfolios of loans with similar characteristics. Therefore, the Company records the loans held for sale as nonrecurring Level 2.

Loans
The Company does not record loans at fair value on a recurring basis. However, from time to time, a loan is considered impaired and an allowance for loan losses is established. Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement are considered impaired. Once a loan is identified as individually impaired, management measures impairment based on the present value of expected future cash flows discounted at the loan's effective interest rate, except that as a practical expedient, a creditor may measure impairment based on a loan's observable market price, or the fair value of the collateral if repayment of the loan is dependent upon the sale of the underlying collateral. Those impaired loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceed the recorded investments in such loans. In accordance with ASC 820, impaired loans where an allowance is established based on the fair value of collateral require classification in the fair value hierarchy. When the fair value of the collateral is based on an observable market price or a current appraised value, the Company records the impaired loan as nonrecurring Level 2. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the Company records the impaired loan as nonrecurring Level 3.

Cash Surrender Value of Bank Owned Life Insurance
For disclosure purposes, for cash surrender value of life insurance, the carrying value is a reasonable estimate of fair value.

Other Real Estate and Foreclosed Assets
Foreclosed assets are adjusted to fair value, less cost to sell, upon transfer of the loans to foreclosed assets. Subsequently, foreclosed assets are carried at the lower of carrying value or fair value. Fair value is based upon independent market prices, appraised values of the collateral or management's estimation of the value of the collateral. When the fair value of the collateral is based on an observable market price or a current appraised value, the Company records the foreclosed asset as nonrecurring Level 2. When an appraised value is not available or management determines the fair value of the collateral is

further impaired below the appraised value and there is no observable market price, the Company records the foreclosed asset as nonrecurring Level 3.

Intangible Assets and Goodwill
Intangible assets consist of core deposit premiums acquired in connection with business combinations and are based on the established value of acquired customer deposits. The core deposit premium is initially recognized based on a valuation performed as of the consummation date and is amortized over an estimated useful life of three to ten years. Goodwill represents the excess of the purchase price over the fair value of the net identifiable assets acquired in a business combination. Goodwill and other intangible assets deemed to have an indefinite useful life are not amortized but instead are subject to an annual review for impairment.

Deposits
For disclosure purposes, the fair value of demand deposits, savings accounts, NOW accounts and money market deposits is the amount payable on demand at the reporting date, while the fair value of fixed maturity certificates of deposit is estimated by discounting the future cash flows using current rates at which comparable certificates would be issued.

Securities Sold under Agreements to Repurchase and Other Borrowings
The carrying amount of variable rate borrowings and securities sold under repurchase agreements approximates fair value. The fair value of fixed rate other borrowings is estimated based on discounted contractual cash flows using the current incremental borrowing rates for similar borrowing arrangements.

Short-term borrowings
For disclosure purposes, for short-term borrowings at a fixed rate, the fair value of the borrowing is estimated using discounted cash flows, based on the current incremental borrowing rates for similar types of borrowing arrangements. For short-term borrowings at a variable rate, the carrying value is a reasonable estimate of fair value.

Commitments to Extend Credit and Standby Letters of Credit
Because commitments to extend credit and standby letters of credit are made using variable rates and have short maturities, the carrying value and the fair value are immaterial for disclosure.

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The table below presents the recorded amount of assets and liabilities measured at fair value on a recurring basis as of December 31, 2016 and 2015, aggregated by the level in the fair value hierarchy within which those measurements fall.

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
ASSETS:				
Investment securities available for sale				
U.S. agencies	$ -	$ 999,789	$ -	$ 999,789
State and political subdivisions	-	3,410,346	-	3,410,346
Mortgage backed securities	-	6,252,883	-	6,252,883
Total investment securities	$ -	$ 10,663,018	$ -	$ 10,663,018

	December 31, 2015			
	Level 1	Level 2	Level 3	Total
ASSETS:				
Investment securities available for sale				
State and political subdivisions	$ -	$ 4,102,173	$ -	$ 4,102,173
Mortgage backed securities	-	5,674,844	-	5,674,844
Total investment securities	$ -	$ 9,777,017	$ -	$ 9,777,017

Assets Recorded at Fair Value on a Nonrecurring Basis

The Company may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis in accordance with U.S. generally accepted accounting principles. These include assets that are measured at the lower of cost or market that were recognized at fair value below cost at the end of the period. The table below presents the Company's assets and liabilities measured at fair value on a nonrecurring basis as of December 31, 2016 and 2015, aggregated by the level in the fair value hierarchy within which those measurements fall.

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Impaired loans	$ -	$ -	$ 2,290,216	$ 2,290,216
Other real estate and repossessed assets	-	-	14,071	14,071
	$ -	$ -	$ 2,304,287	$ 2,304,287

	December 31, 2015			
	Level 1	Level 2	Level 3	Total
Impaired loans	$ -	$ -	$ 1,076,972	$ 1,076,972
Other real estate and repossessed assets	-	-	16,018	16,018
	$ -	$ -	$ 1,092,990	$ 1,092,990

The carrying amount and estimated fair value of the Company's financial instruments, not shown elsewhere in these financial statements, were as follows:

	2016		2015	
	Amount	**Fair Value**	**Amount**	**Fair Value**
Assets:				
Cash and short-term investments	$ 14,211,568	$ 14,211,568	$ 19,603,757	$ 19,603,757
Loans	90,811,875	90,810,416	86,113,435	85,985,237
Liabilities:				
Deposits	115,880,357	115,924,499	116,237,638	116,287,390

P. CREDIT RISK CONCENTRATION

The Bank grants agribusiness, commercial and residential loans to customers. Although the Bank has a diversified loan portfolio, a substantial portion of its debtors' ability to honor their contracts is dependent on the area's economic stability. The primary trade area for the Bank is generally that area within fifty miles in each direction.

The distribution of commitments to extend credit approximates the distribution of loans outstanding. Commercial and standby letters of credit were granted primarily to commercial borrowers. The Bank, as a matter of policy, does not extend credit in excess of the legal lending limit to any single borrower or group of related borrowers.

The Company's bank subsidiary maintains its cash at several financial institutions located in the Southeast. On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act was signed into law and permanently raised the FDIC coverage limit to $250,000. The Company had uninsured balances of $246,667 of December 31, 2016.

The Company also maintains a cash balance in an account held with the Federal Home Loan Bank (FHLB). The FHLB is not a financial institution, and as a result, funds held are not subject to FDIC coverage. As of December 31, 2016 the Company had an outstanding balance of $233,764 with the FHLB, which is entirely uninsured.

Q. OPERATING INCOME AND EXPENSES

Components of other operating expenses greater than 1% of total interest income and other income for the periods ended December 31, 2016 and 2015 are as follows:

	2016	2015
Service Fees	$ 191,979	$ 171,488
Legal and accounting fees	89,599	111,976
Advertising	119,522	97,440
Data processing	100,583	74,027
Directors fees	160,400	168,350
FDIC insurance assessments	58,860	64,937

R. REGULATORY MATTERS

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of total risk-based and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital (as defined) to average assets (as defined). Management believes, as of December 31, 2016, the Bank meets all capital adequacy requirements to which it is subject. As of December 31, 2016, the most recent notification from the State Department of Banking and Finance categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized the Bank must maintain minimum total risk-based, and Tier I leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the institution's category.

The Bank's actual capital amounts and ratios are presented in the following table.

	Actual		For Capital Adequacy Purposes			To Be Well Capitalized Under Prompt Corrective Action Provisions		
	Amount	Ratio	Amount		Ratio	Amount		Ratio
As of December 31, 2016								
Total Risk-Based Capital To (Risk-Weighted Assets)	$ 16,790,000	18.80%	$ 7,144,681	≥	8.0%	$ 8,930,851	≥	10.0%
Tier I Capital To (Risk-Weighted Assets)	15,665,000	17.54%	5,358,609	≥	6.0%	7,144,812	≥	8.0%
Common Equity Tier I Capital To (Risk-Weighted Assets)	15,665,000	17.54%	4,018,957	≥	4.5%	5,805,160	≥	6.5%
Tier I Capital To (Average Assets)	15,665,000	12.30%	5,094,309	≥	4.0%	6,367,886	≥	5.0%
As of December 31, 2015								
Total Risk-Based Capital To (Risk-Weighted Assets)	$ 16,082,000	18.20%	$ 7,069,011	≥	8.0%	$ 8,836,264	≥	10.0%
Tier I Capital To (Risk-Weighted Assets)	14,969,000	16.94%	5,301,889	≥	6.0%	7,069,185	≥	8.0%
Common Equity Tier I Capital To (Risk-Weighted Assets)	14,969,000	16.94%	3,976,417	≥	4.5%	5,743,713	≥	6.5%
Tier I Capital To (Average Assets)	14,969,000	11.76%	5,091,497	≥	4.0%	6,364,371	≥	5.0%

S. SEGMENT REPORTING

Reportable segments are strategic business units that offer different products and services. Reportable segments are managed separately because each segment appeals to different markets and, accordingly, requires different technology and marketing strategies.

The Company and its subsidiary do not have any separately reportable operating segments. The entire operations of the Company are managed as one operation.

T. SUBSEQUENT EVENTS

The Company performed an evaluation of subsequent events through March 15, 2017, the date upon which the Company's financial statements were available for issue. The Company has not evaluated subsequent events after this date. No subsequent events were identified that would have required a change to the financial statements or disclosure in the notes to the financial statements.

U. CONDENSED FINANCIAL STATEMENTS (PARENT COMPANY ONLY)

Condensed parent company financial information on CBC Holding Company at December 31, 2016 and 2015, is as follows:

	As of December 31,	
	2016	2015
Assets		
Cash in subsidiary	$ 25,248	$ 16,710
Investment in subsidiary, at equity in underlying net assets	17,332,910	16,700,199
Accrued income and other assets	-	140,262
Total Assets	$ 17,358,158	$ 16,857,171
Liabilities		
Other expenses and accrued liabilities	$ 12,658	$ 159,424
Shareholders' Equity		
Preferred stock, $1 par value, authorized 2,000,000 shares, issued and outstanding 86,783 in 2016 and 2015	86,783	86,783
Common stock, $1 par value, authorized 10,000,000 shares, 645,121 issued and 607,598 outstanding in 2016 and 2015	645,121	645,121
Paid-in capital surplus	6,816,170	6,816,170
Retained earnings	10,518,350	9,808,095
Accumulated other comprehensive income	596	63,098
Treasury stock, at cost 37,523 shares in 2016 and 2015	(721,520)	(721,520)
Total shareholders' equity	17,345,500	16,697,747
Total Liabilities and Shareholders' Equity	$ 17,358,158	$ 16,857,171

CBC Holding Company and Subsidiary
Notes to Consolidated Financial Statements
Year Ended December 31, 2016

	Years ended December 31,	
	2016	2015
Revenues		
Dividend Income	$ 538,225	$ 517,134
Expenses		
Other	16,259	23,642
Income Before Taxes and Equity Income of Subsidiary	521,966	493,492
Benefit of income taxes	6,503	9,457
Income Before Equity Income of Subsidiary	528,469	502,949
Equity in undistributed income of subsidiary	695,011	779,504
Net Income	1,223,480	1,282,453
Retained Earnings, Beginning	9,808,095	9,017,776
Stock and cash dividends	(513,225)	(492,134)
Retained Earnings, Ending	$ 10,518,350	$ 9,808,095

	Years ended December 31,	
	2016	2015
Cash flows from operating activities:		
Net income	$ 1,223,480	$ 1,282,453
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in undistributed income of subsidiary	(695,011)	(779,504)
Net change in operating assets and liabilities:		
Accrued income and other assets	140,060	(140,262)
Accrued expenses and other liabilities	(146,766)	130,805
Net cash provided by operating activities	521,763	493,492
Cash flows from financing activities:		
Cash dividends paid	(513,225)	(492,134)
Net cash used in financing activities	(513,225)	(492,134)
Net increase in cash and cash equivalents	8,538	1,358
Cash and cash equivalents at beginning of year	16,710	15,352
Cash and cash equivalents at end of year	$ 25,248	$ 16,710