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FRB RICHMOND

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.

I, M. Dean Lewis
Name of the Holding Company Director and Official

Director and Treasurer
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.

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.

M. Dean Lewis
Signature of Holding Company Director and Official

03/27/2018
Date of Signature

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

- [x] 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 2391300
C.I.

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

December 31, 2017
Month / Day / Year

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

Reporter's Name, Street, and Mailing Address

Calvin B. Taylor Bankshares, Inc.
Legal Title of Holding Company

24 North Main Street / P.O. Box 5
(Mailing Address of the Holding Company) Street / P.O. Box

Berlin	MD	21811
City	State	Zip Code

N/A
Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

M. Dean Lewis	Treasurer
Name	Title

410-641-1700 / 51
Area Code / Phone Number / Extension

410-629-0085
Area Code / FAX Number

mlewis@taylorbank.com
E-mail Address

www.taylorbank.com
Address (URL) for the Holding Company's web page

Is confidential treatment requested for any portion of this report submission? .... 0=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."

For Use By Tiered Holding Companies

Top-tiered holding companies must list the names, mailing address, and physical locations of each of their subsidiary holding companies below.

Legal Title of Subsidiary Holding Company	Legal Title of Subsidiary Holding Company
(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box	(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box
City State Zip Code	City State Zip Code
Physical Location (if different from mailing address)	Physical Location (if different from mailing address)
Legal Title of Subsidiary Holding Company	Legal Title of Subsidiary Holding Company
(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box	(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box
City State Zip Code	City State Zip Code
Physical Location (if different from mailing address)	Physical Location (if different from mailing address)
Legal Title of Subsidiary Holding Company	Legal Title of Subsidiary Holding Company
(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box	(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box
City State Zip Code	City State Zip Code
Physical Location (if different from mailing address)	Physical Location (if different from mailing address)
Legal Title of Subsidiary Holding Company	Legal Title of Subsidiary Holding Company
(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box	(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box
City State Zip Code	City State Zip Code
Physical Location (if different from mailing address)	Physical Location (if different from mailing address)

Results: A list of branches for your depository institution: CALVIN B. TAYLOR BANKING COMPANY OF BERLIN, MARYLAND (ID_RSSD: 39327).
This depository institution is held by CALVIN B. TAYLOR BANKSHARES, INC. (2391300) of BERLIN, MD.
The data are as of 12/31/2017. Data reflects information that was received and processed through 01/04/2018.

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)	39327	CALVIN B. TAYLOR BANKING COMPANY OF BERLIN, MARYLAND	24 NORTH MAIN STREET	BERLIN	MD	21811	WORCESTER	UNITED STATES	Not Required	Not Required	CALVIN B. TAYLOR BANKING COMPANY OF BERLIN, MARYLAND	39327	
OK		Full Service	2604925	OCEAN VIEW BRANCH	50 ATLANTIC AVENUE	OCEAN VIEW	DE	19970	SUSSEX	UNITED STATES	Not Required	Not Required	CALVIN B. TAYLOR BANKING COMPANY OF BERLIN, MARYLAND	39327	
OK		Full Service	5009884	OCEAN LANDING BRANCH	11359 SAMUEL BOWEN BLVD	BERLIN	MD	21811	WORCESTER	UNITED STATES	Not Required	Not Required	CALVIN B. TAYLOR BANKING COMPANY OF BERLIN, MARYLAND	39327	
OK		Full Service	43221	OCEAN PINES BRANCH	11103 CATHELL RD	BERLIN	MD	21811	WORCESTER	UNITED STATES	Not Required	Not Required	CALVIN B. TAYLOR BANKING COMPANY OF BERLIN, MARYLAND	39327	
OK		Full Service	38825	20TH STREET BRANCH	100 20TH STREET	OCEAN CITY	MD	21842	WORCESTER	UNITED STATES	Not Required	Not Required	CALVIN B. TAYLOR BANKING COMPANY OF BERLIN, MARYLAND	39327	
OK		Full Service	1849523	MID-OCEAN CITY BRANCH	9105 COASTAL HIGHWAY	OCEAN CITY	MD	21842	WORCESTER	UNITED STATES	Not Required	Not Required	CALVIN B. TAYLOR BANKING COMPANY OF BERLIN, MARYLAND	39327	
OK		Full Service	37220	NORTH OCEAN CITY-FENWICK BRANCH	14200 COASTAL HWY	OCEAN CITY	MD	21842	WORCESTER	UNITED STATES	Not Required	Not Required	CALVIN B. TAYLOR BANKING COMPANY OF BERLIN, MARYLAND	39327	
OK		Full Service	42729	WEST OCEAN CITY BRANCH	9923 GOLF COURSE RD	OCEAN CITY	MD	21842	WORCESTER	UNITED STATES	Not Required	Not Required	CALVIN B. TAYLOR BANKING COMPANY OF BERLIN, MARYLAND	39327	
OK		Full Service	313120	POCOMOKE BRANCH	2140 OLD SNOW HILL RD	POCOMOKE CITY	MD	21851	WORCESTER	UNITED STATES	Not Required	Not Required	CALVIN B. TAYLOR BANKING COMPANY OF BERLIN, MARYLAND	39327	
OK		Full Service	184320	SNOW HILL BRANCH	108 WEST MARKET ST	SNOW HILL	MD	21863	WORCESTER	UNITED STATES	Not Required	Not Required	CALVIN B. TAYLOR BANKING COMPANY OF BERLIN, MARYLAND	39327	
OK		Full Service	5123427	CHINCOTEAGUE BRANCH	4116 MAIN STREET	CHINCOTEAGUE ISLAND	VA	23336	ACCOMACK	UNITED STATES	Not Required	Not Required	CALVIN B. TAYLOR BANKING COMPANY OF BERLIN, MARYLAND	39327	

Form FR Y-6

Calvin B. Taylor Bankshares, Inc.
Berlin, Maryland
Fiscal Year Ending December 31, 2017

Report Item 1: Annual Report to Shareholders

The Company deregistered with the Securities and Exchange Commission effective December 20, 2013.
Two copies of the Company's Annual Report to Stockholders are included herein.

Report Item 2a: Organizational Chart

Calvin B. Taylor Bankshares, Inc.
Legal Entity Identifier - N/A
24 N. Main Street
P. O. Box 5
Berlin, MD 21811-0005
State of incorporation: Maryland

100%

Calvin B. Taylor Banking Company of Berlin, Maryland
Legal Entity Identifier - 5493005NXMQ7SP5TOF96
24 N. Main Street
P. O. Box 5
Berlin, MD 21811-0005
State of incorporation: Maryland
State nonmember bank

Report Item 2b: Domestic branch listing provided to the Federal Reserve Bank (attached)

Form FR Y-6
Calvin B. Taylor Bankshares, Inc.
Fiscal Year Ending December 31, 2017

Report Item 3: Securities Holders (1) (a)(b)(c)
Current securities holders with ownership, control or holdings of 5% or more with power to vote:

(1)(a) Name City, State, Country	(1)(b) Country of Citizenship or Incorporation	(1)(c) Stock Ownership Number of Shares	 Percent Of Class
John H. Burbage, Jr. Berlin, MD, USA	USA	200,307	7.12%
Reese F. Cropper, Jr. Ocean City, MD, USA	USA	171,243	6.08%
Humphreys Foundation Berlin, MD, USA	USA	166,844	5.93%

Report Item 3: Securities Holders (2) (a)(b)(c)
Securities holders not listed in Report Item 3. (1) (a)(b)(c) that had ownership, control or holdings of 5% or more with power to vote

(2)(a) Name City, State, Country	(2)(b) Country of Citizenship or Incorporation	(2)(c) Stock Ownership Date	 Number of Shares	 Percent Of Class
None	N/A			

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Calvin B. Taylor Bankshares, Inc.
Fiscal Year Ending December 31, 2017

Report Item 4: Insiders (1) (2) (3)(a)(b)(c) and (4)(a)(b)(c)
Fiscal Year Ending December 31, 2017

(1) Name City, State, Country	(2) Principal occupation if other than with Bank Holding Company	(3)(a) Title & Position with Bank Holding Company	(3)(b) Title & Position with Subsidiary (as named)	(3)(c) Title & Positions with Other Businesses (as named)	Voting Share in (4)(a)BHC Percent of Class	Voting Share in (4)(b)Subsidiary Percent of Class	(4)(c) Ownership of 25% or more in other Companies
James R. Bergey, Jr. Berlin, MD, USA	Certified Public Accountant and President, Bergey & Company, P. A.	Director	Director Calvin B Taylor Banking Company	Bergey & Company, P. A. - Principal Atlantic General Hospital Corp - Member	3.24%	0.00%	Assacorkin Island, Inc (25%) Atlantic Town Center Dev, Inc. (33%) Atlantic Town Center Prop, LLC (33%) BBT Properties, LLC (33%) BCMD, LLC (62.5%) BDT Gateway LLC (42.5%) Bergey & Company, PA (50%) Bergey Properties, LLC (58%) BHP, Inc. (100%) C & B Investments, LLC (50%) Cattail Investments LLC (33%) Crocheron Seafood, Inc. (100%) DBD of WV, LLC (33%) Delmarva Property Management, Inc. (100%) Eastern Shore Growth Fund, LLC (99.9%) Germantown Development Co., LLC (83%) King B, LLC (33%) Norwood LLC (52%) Oceans Mist, LLC (33%) Quillin Farm LLC (25%) Ross Andrew, LLC (50%) Salt Grass Bali Hi LLC (50%) Trader 66 Street, LLC (88%) Wolfe-Chase Limited Partnership (51%)
James R. Bergey, III Berlin, MD, USA	Certified Public Accountant, Bergey & Company, P. A.	Director	Director Calvin B Taylor Banking Company	Bergey & Company, P. A. - Partner Atlantic General Hospital - Trustee Atlantic General Hospital Foundation - Member Atlantic General Hospital Corp - Member Hudson Health Services, Inc - Director	0.14%	0.00%	Copper Beeches, LLC (50%) JD Financial Services, Inc. (25%) Ryan Management, Inc. (50%) Synepuxent Company, LLC (100%) Thor Bridge, LLC (34%) Belle Ayre Holdings, LLC (50%)

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Calvin B. Taylor Bankshares, Inc.
Fiscal Year Ending December 31, 2017

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Fiscal Year Ending December 31, 2017

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John H. Burbage, Jr. Berlin, MD, USA	Owner of Mystic Harbour Development Co., Bethany Land Co., and Mystic Harbour Utility Co. Partner in Bayside Realty, Burbage Properties, Blue Water Development Corporation, Sunset Bay, LLC, and Holiday House, LLC	Director	Director Calvin B Taylor Banking Company	Owner of Mystic Harbour Development Co., Bethany Land Co., and Mystic Harbour Utility Co. Partner in Bayside Realty, Burbage Properties, Blue Water Development Corporation, Sunset Bay, LLC, and Holiday House, LLC Atlantic General Hospital Corp - Member Diakonia - Director Worcester County Education Foundation - Trustee	7.12%	0.00%	3 Amigos LLC (40%) 52 Rehoboth Avenue Corp (50%) 611 Properties LLC (50%) Atlantic Air LLC (100%) Bayfront Holdings (100%) Bethany Boardwalk Group LLC (25%) Bethany Land Company (100%) Bethany Suites Management LLC (33.8%) Blue Water Development Corporation (50%) Burbage Family Ltd Partnership (50%) Burbage Melson Inc. (50%) Burbage Properties Inc (50%) Castaways Bethany Beach, LLC (25%) Chincoteague Landmark LLC (50%) Chincoteague Sunsets, LLC (50%) Delaware Sign Inc (50%) Eagles Asset, LLC (100%) Greenbackville Investments (50%) Hageman Properties LLC (50%) Holiday House LLC (50%) Island Utilities LLC (50%) Island Waterpark LLC (50%) LBI Gateway Hotel, LLC (50%) Mystic Harbour Utilities Corporation (100%) Mid-Atlantic Investments Inc. (50%) Mystic Harbour Corporation (100%) Oceanside Resort LLC (50%) RWVA Properties, LLC (25%) Salt Grass Point Farms LLC (50%) Silver Fox LLC (50%) Sunset Bay LLC (33.3%) Sunset Bay Utilities Inc (50%) Villa Nova Properties Inc. (51%) Virginia Mid-Atlantic Properties LLC (50%) West OC Properties LLC (50%)

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Calvin B. Taylor Bankshares, Inc.
Fiscal Year Ending December 31, 2017

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Todd E. Burbage Berlin, MD, USA	Owner, Builder, and Developer of Commercial and Residential Real Estate	Director	Director Calvin B Taylor Banking Company	Worcester Preparatory School - Trustee Atlantic General Hospital Corp - Member Worcester County Education Foundation - Trustee Wallops Island Research Alliance - Director	0.34%	0.00%	611 Properties LLC (50%) Ayres Creek Family Farm (95%) Bay Point Plantation Inc. (50%) Bayside Realty, LLC (50%) Bethany Boardwalk Group LLC (25%) Blue Water Camp LLC (71.25%) Blue Water Development, LLC (50%) Burbage Holdings LLC (95%) Burbage Investment (50%) Burbage Properties Inc (50%) Cambridge Land Group LLC (75%) Castaways Bethany Beach, LLC (25%) Chincoteague Landmark LLC (50%) Chincoteague Sunsets, LLC (50%) Commander Hotel, LLC (50%) Eagles Nest, LLC (50%) Great Marsh Development (50%) Greenbackville Investments, LLC (50%) Island Utilities, LLC (50%) Island Waterpark LLC (50%) JT Land Group (100%) Live Wire Media LLC (50%) Mid-Atlantic Investments Inc. (50%) Oceanside Resorts LLC (47.5%) Public Landing Investments, Inc. (100%) Public Landing, LLC (100%) Salt Grass Point Farms LLC (50%) Sunset Bay LLC (33.3%) Sunset Bay Utilities, LLC (50%) The Jackspot Restaurant LLC (50%) Tidewater Farms, LLC (50%) Tidewater Rentals (100%) Villa Nova Properties Inc. (50%) Virginia Mid-Atlantic Properties, LLC (33.3%) VMAP #2, #3, #4 LLCs (33%) West OC Properties, LLC (50%)
Charlotte K. Cathell Berlin, MD, USA	Register of Wills, Worcester County, MD	Director	Director Calvin B Taylor Banking Company	Register of Wills - Worcester County, MD Atlantic General Hospital - Trustee Atlantic General Hospital Foundation - Director Atlantic General Hospital Corp - Member	0.04%	0.00%	O.P. Crest Haven L.L.C. (100%)
Thomas K. Coates Ocean City, MD, USA	Attorney: Coates, Coates and Coates P.A	Director	Director Calvin B Taylor Banking Company	Coates, Coates & Coates, P.A. - Partner & Treasurer Peninsula Regional Medical Center - Trustee The Community Foundation of the Eastern Shore - Director Humphreys Foundation, Inc. - Trustee	0.02%	0.00%	Coates, Coates, & Coates P.A. (33.3%) Golding Quarter, LLC (25%) Mallard Creek LLC (25%) Ocean Investments, Inc. (25%) Ocean Investments Title Corp (33%)
Reese F. Cropper, III Ocean City, MD, USA	Owner, Insurance Management Group, Inc.	Director	Director Calvin B Taylor Banking Company	Owner, Insurance Management Group, Inc. Worcester Preparatory School - Trustee Diakonia - Director Peninsula Regional Medical Center Foundation - Director	0.64%	0.00%	Insurance Management Group, Inc. (100%) JR, LLC (100%) RFC3, LLC (100%)

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Form FR Y-6
Calvin B. Taylor Bankshares, Inc.
Fiscal Year Ending December 31, 2017

Report Item 4: Insiders (1) (2) (3)(a)(b)(c) and (4)(a)(b)(c)
Fiscal Year Ending December 31, 2017

(1) Name City, State, Country	(2) Principal occupation if other than with Bank Holding Company	(3)(a) Title & Position with Bank Holding Company	(3)(b) Title & Position with Subsidiary (as named)	(3)(c) Title & Positions with Other Businesses (as named)	Voting Share in (4)(a)BHC Percent of Class	(4)(b)Subsidiary Percent of Class	(4)(c) Ownership of 25% or more in other Companies
John P Custis Onancock, VA, USA	Partner: Custis, Dix, Lewis, and Custis, LLP Partner: Long, Badger, & Sheller, LLP Owner: Eastern Shore Tax Advisors, LLC	Director	Director Calvin B Taylor Banking Company	Custis, Dix, Lewis, and Custis, LLP : Partner Long, Badger, & Sheller, LLP : Attorney Eastern Shore Tax Advisors, LLC : Owner Eastern Shore of Virginia Chamber of Commerce Foundation - Member Wallops Island Regional Alliance : Board Member Salisbury University Perdue School of Business Executive Advisory Council - Member	0.04%	0.00%	BWG Holdings LLC (100%) Chesapeake 1031 Exchange (100%) Shore Land Holdings LLC (100%) GatorCav, LLC (50%) CRM Holdings, LLC (25%)
G. Hale Harrison Berlin, MD, USA	Harrison Group Resort Hotels Vice President of Operations & Real Estate	Director	Director Calvin B Taylor Banking Company	Atlantic General Hospital - Trustee Atlantic General Hospital Foundation - Member Maryland Tourism Development Board - Member Ocean City Development Corp - Director	0.23%	0.00%	Ironshire Inc. (100%)
Hale Harrison Ocean City, MD, USA	Owner/Operator of Harrison Group Resort Hotels	Director	Director Calvin B Taylor Banking Company	Harrison Group Resort Hotels - Owner/Operator	1.58%	0.00%	Barbizon Apartments (50%) Hale & John H. Harrison (33.3%) Harrison 26th Philadelphia, Inc. (50%) Harrison 66 Inn Acceptance LLC (50%) Harrison BW Boardwalk, Inc. (50%) Harrison BW Funding, Inc. (50%) Harrison Farms (33.3%) Harrison Funding, Inc. (50%) Harrison Group Supply (50%) Harrison Hall Funding, Inc. (50%) Harrison Hall Hotel, Inc. (50%) Harrison HI 18, LLC. (49.5%) Harrison Inlet Acquisition LLC (50%) Harrison Inn 18 Suites LLC (50%) Harrison Inn 66 Business Trust (50%) Harrison Inn Boardwalk, Inc. (50%) Harrison Inn Corolla Management Enterprises Inc (50%) Harrison Inn Corolla MM Inc (50%) Harrison Inn Corolla, LLC (49.5%) Harrison Inn Fifty-Eight, LLC. (49.5%) Harrison Inn Inlet Inc. (50%) Harrison Inn Ocean View Preferred LLC (50%) Harrison Inn Ocean View Business Trust (50%) Harrison Inn Sandpiper LLC (50%) Harrison Inn Sandyhill, Inc. (50%) Harrison Inn Seabonay, Inc. (50%) Harrison Inn Sixty-Six Preferred, LLC (50%) Harrison Inn Sixty-Six, Inc. (50%) Harrison Inn SPC, Inc. (50%) Harrison Inn Stardust, Inc. (50%) Harrison QI 17, L.L.C. (50%) Harrison QI 17 Funding, L.L.C. (50%) Harrison QI 54, L.L.C. (50%) Harrison QI Funding 54, L.L.C. (50%) HH Family LLC (50%) HHNC Investment Holdings LLC (50%) HI QI 17 Management Enterprises, Inc. (50%) HI QI 54 Management Enterprises, Inc. (50%) J & H Harrison Partnership (50%) Ocean View, Inc. (50%) Plim Plaza Hotel, Inc. (50%) Sandpiper Dunes, Inc. (50%) Second Street Condominium, Inc. (50%)

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Fiscal Year Ending December 31, 2017

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M. Dean Lewis Berlin, MD, USA	Chief Financial Officer, Treasurer and Vice President Calvin B Taylor Banking Company	Director and Treasurer	Chief Financial Officer, Treasurer and Vice President Calvin B Taylor Banking Company	Salisbury University Perdue School of Business Career Advisory Board Atlantic General Hospital Corp - Member Atlantic General Hospital Foundation - Director The Community Foundation of the Eastern Shore - Finance Committee Member	0.01%	0.00%	None
Joseph E. Moore Berlin, MD, USA	Attorney: Williams, Hammond, Moore, Shockley & Harrison, LLP	Director	Director Calvin B Taylor Banking Company	Williams, Moore, Shockley & Harrison, LLP - Partner Town of Berlin Board of Zoning Appeals - Chairman Ocean City Life Saving Museum - Director	0.13%	0.00%	Law Equipment Leasing, LLC (33%) Mo-Bro Farms (50%) Ocean City Law Office Holding Company (33%)
Louis H. Taylor Bishopville, MD, USA	Superintendent of Worcester County Public Schools	Director	Director Calvin B Taylor Banking Company	Hudson Health Services - Director Worcester County Education Foundation - Trustee	0.05%	0.00%	Bali Hi R.V. Park, Inc. (40%) HPP, LLC (40%) Salt Grass Bali-Hi LLC (50%)
Raymond M. Thompson Ocean City, MD, USA	President and Chief Executive Officer Calvin B Taylor Banking Company	Director, President and Chief Executive Officer	Director, President and Chief Executive Officer Calvin B Taylor Banking Company	Maryland Bankers Association - Director Atlantic General Hospital Corp - Member Ocean City Golf Club - Director Worcester County Education Foundation - Trustee	0.30%	0.00%	None
Peggy Z. Welsh Berlin, MD, USA	Executive Vice President Chief of Branch Administration Calvin B Taylor Banking Company	Vice President	Executive Vice President Chief of Branch Administration Calvin B Taylor Banking Company	None	0.00%	0.00%	None
Tina B. Kolarik Berlin, MD, USA	Executive Vice President Chief Operations Officer Calvin B Taylor Banking Company	Secretary	Executive Vice President Chief Operations Officer Calvin B Taylor Banking Company	None	0.03%	0.00%	Back Creek Rentals LLC (100%) Ocean Electrical Services (100%)

The Bank Holding Company owns 100% of the stock of its subsidiary, Calvin B. Taylor Banking Company of Berlin, Maryland.
The Bank Holding company has only one class of stock.

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Annual Report
2017

CALVIN B. TAYLOR BANKSHARES, INC.

Parent Company of
CALVIN B. TAYLOR BANKING COMPANY
BERLIN, MARYLAND

CALVIN B. TAYLOR BANKSHARES, INC.
AND SUBSIDIARY

Financial Highlights

At Year End	December 31, 2017		December 31, 2016		% Change
Assets	$	521,968,436	$	489,337,793	6.67%
Deposits	$	439,423,322	$	403,924,275	8.79%
Loans, net	$	294,360,392	$	265,644,320	10.81%
Total capital	$	81,922,879	$	81,417,290	0.62%
Book value per share	$	29.11	$	28.24	3.08%
Total capital to total assets		15.69%		16.64%	

For the Year Ended	December 31, 2017		December 31, 2016		% Change
Average assets	$	503,651,874	$	488,576,062	3.09%
Average equity	$	81,967,722	$	81,185,649	0.96%
Net interest income	$	16,174,987	$	15,010,279	7.76%
Net income	$	5,504,815	$	4,928,113	11.70%
Net income per share	$	1.95	$	1.70	14.71%
Dividend paid per share	$	0.98	$	0.97	1.03%
Dividend payout ratio		50.10%		56.76%	
Stock Repurchased					
Number of shares		69,318		15,854	337.23%
Repurchase amount	$	1,860,935	$	433,420	329.36%
Average price per share	$	26.85	$	27.34	-1.80%
Ratios					
Return on average assets		1.09%		1.01%	
Return on average equity		6.72%		6.07%	
Efficiency ratio		54.54%		54.88%	

CALVIN B. TAYLOR BANKSHARES, INC.

P. O. Box 5, 24 North Main Street, Berlin, Maryland 21811
(410) 641-1700

March 14, 2018

Dear Stockholder:

We are pleased to present the financial report of Calvin B. Taylor Bankshares, Inc., and its subsidiary, Calvin B. Taylor Bank. Financial results for 2017, as compared to those from 2016 and 2015, are presented in the reports and comments that follow. On many fronts, 2017 was an outstanding year for the Company. Select financial highlights are as follows:

- Total assets increased to $521,968,436, or 6.7% over 2016
- Total deposits increased to $439,423,322, or 8.8% over 2016
- Total loans increased to $294,360,392, or 10.8% over 2016
- Net income increased to $5,504,815, or 11.7% over 2016
- The Company's Efficiency Ratio was 54.5% for 2017, and we continue to outperform peers locally, regionally, and nationally in this key performance metric.

The increase in total assets was a result of organic growth in deposits, which increased $35.5 million over the prior year. Deposit growth was primarily deployed into the loan portfolio, which increased $28.7 million over the prior year. Earnings growth of 11.7% exceeded average asset growth of 3.1% and average equity growth of 1.0% for the year. As a result, the company generated a Return on Average Assets (ROAA) of 1.1% in 2017 as compared to 1.0% the prior year, and a Return on Equity (ROE) of 6.7% in 2017 as compared to 6.1% the prior year.

Net income increased $576.7 thousand over the prior year due primarily to the aforementioned growth in the loan portfolio, higher investment yields, and a cumulative 0.75% increase in the Fed Funds rate during the year. Other factors contributing to improved net income included a $281.0 thousand increase in non-interest income due to a reduction in Other Real Estate Owned (OREO) losses, increases in revenue from deposit and loan service charges and higher income from bank owned life insurance. To maximize the impact of the corporate tax reform that was announced just prior to year-end, the company accelerated $140 thousand in discretionary operating expenses. This was partially offset by a required re-valuation of deferred tax liabilities, which resulted in a one-time reduction of income tax expense of $77 thousand. The Company anticipates significant benefit from tax reform in future periods. We intend to be disciplined and strategic in the usage of the benefit to maximize stockholder value.

In terms of stockholder value, 2017 earnings per share (EPS) increased to $1.95, or 14.7% over the prior year. The increase in EPS outpaced the growth in net income as the Company continued to repurchase its common stock. The company repurchased and retired 69,318 shares during 2017, representing 2.4% of shares issued and outstanding as of December 31, 2016. The Board of Directors continually evaluates strategic use of capital and recognizes that stock repurchases are immediately accretive to stockholder value. Stock repurchases may continue as dictated by the Company's overall financial condition, and as opportunities arise. While 2017 asset growth and stock repurchases decreased the Bank's leverage ratio to 15.3% as compared to 15.6% the prior year, the Bank remains highly capitalized relative to peers. At December 31, 2017, the Bank's Tier 1 leverage ratio was 3 times the minimum requirement to be considered well-capitalized by regulatory guidance.

Execution of strategic initiatives in 2017 was just as noteworthy as the Company's financial performance. In April, we opened our 11th branch in Chincoteague, Virginia. The Bank, with its local, responsive, community focused business model has been warmly received by the residents and businesses in Chincoteague.

Shortly thereafter, the Bank concluded an extensive renovation of our West Ocean City branch to better serve our customers. This successful renovation is now the model for other locations, and as we consider "branch of the future" requirements. Finally, in September, and as a result of demand for a responsive community bank on the Eastern Shore of Virginia, the Bank opened its first Loan Production Office which is located in Onley, Virginia. The office is located in the Onley Town Center, near the busy "Four Corners" area of southern Accomack County, Virginia.

Recognizing the power of digital marketing and communication, we enhanced our use of social media to connect with, and serve, our current and future bank customers. Of equal importance, in September, we committed to the development of our "bench strength" with the announcement of our Professional Development program. With diversity as a key element, the program is designed to identify and develop the next generation of Taylor Bank officers and leaders. Several program participants have already completed leadership and development programs offered by the Maryland Banker's Association and other outside resources. Through engagement with our existing senior leaders, we are preparing our talent pool for leadership opportunities and industry related challenges they may face in the future. We believe we can make no greater long term investment on behalf of our stockholders than to commit human, financial, and technological resources to this effort.

Every bank has a reason to exist and a purpose within the communities it serves. Our purpose is to remain relevant, and exceed expectations in a shrinking, homogeneous, and highly regulated industry, and to fill a void in banking services to residents and businesses in our footprint that have been negatively affected by these factors. With our physical expansion onto the Eastern Shore of Virginia in 2017, the Bank now serves residents and business in three states over a relatively small geographic area. Our dedicated and talented employees are embracing our opportunities with vigor. We are evolving and responding to the demands and requirements of our customers, while at the same time, maintaining the fundamentals and culture that have made the Bank a strong and consistently top-performing financial institution for 127 years. On behalf of the Board of Directors, officers, and employees, we thank all stockholders for your continued support.

Please do not hesitate to contact me at 410-641-1700 or at rthompson@taylorbank.com to discuss any of the information contained within this financial report, or your banking needs.

Sincerely,

Raymond M. Thompson
President and Chief Executive Officer

CALVIN B. TAYLOR BANKSHARES, INC. AND SUBSIDIARY

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The Board of Directors and Stockholders
Calvin B. Taylor Bankshares, Inc.
Berlin, Maryland

Report of Independent Auditors

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Calvin B. Taylor Bankshares, Inc. and Subsidiary, which comprise the consolidated balance sheets as of December 31, 2017, 2016, and 2015, and the related consolidated statements of comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Calvin B. Taylor Bankshares, Inc. and Subsidiary as of December 31, 2017, 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.

Rowles & Company, LLP

Baltimore, Maryland
March 14, 2018

CALVIN B. TAYLOR BANKSHARES, INC. AND SUBSIDIARY

Consolidated Balance Sheets

	December 31, 2017	December 31, 2016	December 31, 2015
Assets			
Cash and cash equivalents			
Cash and due from banks	$ 11,585,565	$ 11,065,123	$ 9,029,473
Federal funds sold and interest bearing deposits	62,439,382	42,264,968	45,901,399
Total cash and cash equivalents	74,024,947	53,330,091	54,930,872
Time deposits in other financial institutions	32,538,834	28,292,945	22,669,132
Investment securities available for sale	34,589,634	37,552,446	42,647,083
Investment securities held to maturity (approximate fair value of $61,397,259, $81,665,870, and $85,598,972)	61,720,696	81,887,755	85,701,626
Equity securities, at cost	851,538	-	-
Loans, less allowance for loan losses of $792,646, $716,812, and $889,072	294,360,392	265,644,320	243,241,704
Premises and equipment	8,923,406	8,056,630	6,794,012
Other real estate owned	149,300	174,800	355,000
Accrued interest receivable	1,389,015	1,301,728	1,253,911
Computer software	212,045	207,688	196,833
Bank owned life insurance	12,240,267	11,831,751	8,506,595
Prepaid expenses	511,109	423,636	401,061
Other assets	457,253	634,003	311,200
Total assets	$ 521,968,436	$ 489,337,793	$ 467,009,029
Liabilities and Stockholders' Equity			
Deposits			
Noninterest-bearing	$ 149,694,375	$ 127,340,408	$ 119,011,175
Interest-bearing	289,728,947	276,583,867	262,852,559
Total deposits	439,423,322	403,924,275	381,863,734
Securities sold under agreements to repurchase	-	3,053,061	4,875,379
Accrued interest payable	18,491	19,345	20,937
Deferred income taxes	121,990	431,171	188,912
Other liabilities	481,754	492,651	278,852
Total liabilities	440,045,557	407,920,503	387,227,814
Stockholders' equity			
Common stock, par value $1 per share; authorized 10,000,000 shares; issued and outstanding	2,814,240	2,883,558	2,899,412
Additional paid-in capital	4,037,860	5,829,477	6,247,043
Retained earnings	74,604,790	71,911,471	69,780,409
Total tier 1 capital	81,456,890	80,624,506	78,926,864
Accumulated other comprehensive income, net of tax	465,989	792,784	854,351
Total stockholders' equity	81,922,879	81,417,290	79,781,215
Total liabilities and stockholders' equity	$ 521,968,436	$ 489,337,793	$ 467,009,029

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

CALVIN B. TAYLOR BANKSHARES, INC. AND SUBSIDIARY

Consolidated Statements of Comprehensive Income

	Years Ended December 31, 2017	December 31, 2016	December 31, 2015
Interest and dividend revenue			
Loans, including fees	$ 14,232,189	$ 13,472,319	$ 12,761,888
U. S. Treasury and government agency securities	979,621	1,131,116	1,019,056
Mortgage backed securities	20,903	-	-
State and municipal securities	267,224	180,109	143,532
Federal funds sold and interest bearing deposits	603,334	274,095	134,608
Time deposits in other financial institutions	370,764	247,543	126,638
Equity securities	53,334	61,241	38,537
Total interest and dividend revenue	16,527,369	15,366,423	14,224,259
Interest expense			
Deposits	346,964	347,283	350,793
Borrowings	5,418	8,861	9,592
Total interest expense	352,382	356,144	360,385
Net interest income	16,174,987	15,010,279	13,863,874
Provision for loan losses	35,000	40,000	57,000
Net interest income after provision for loan losses	16,139,987	14,970,279	13,806,874
Noninterest revenue			
Service charges on deposit accounts	638,852	590,786	619,739
ATM and debit card	837,203	808,576	775,573
Merchant payment processing	255,824	247,976	217,817
Increase in cash surrender value of bank owned life insurance	351,485	268,126	248,067
Gain (loss) on disposition of assets	52,163	(819)	59,852
Loss on sale and revaluation of other real estate owned	(9,110)	(42,822)	(95,500)
Other than temporary impairment of investment value	(21,045)	(26,200)	-
Miscellaneous	292,003	270,837	249,026
Total noninterest revenue	2,397,375	2,116,460	2,074,574
Noninterest expenses			
Salaries	4,395,551	4,127,394	3,780,918
Employee benefits	1,519,817	1,435,781	1,351,156
Occupancy	795,387	762,362	717,384
Furniture and equipment	532,310	479,323	449,391
Data processing	364,698	305,931	277,005
ATM and debit card	364,351	404,802	305,425
Deposit insurance premiums	147,032	184,124	214,414
Other operating	2,021,684	1,713,909	1,613,274
Total noninterest expenses	10,140,830	9,413,626	8,708,967
Income before income taxes	8,396,532	7,673,113	7,172,481
Income taxes	2,891,717	2,745,000	2,557,500
Net income	5,504,815	4,928,113	4,614,981
Other comprehensive loss, net of tax			
Unrealized losses on available for sale investment securities arising during the period, net of taxes of $(261,076), $(29,602), and $(30,655)	(380,238)	(61,567)	(68,304)
Comprehensive income	$ 5,124,577	$ 4,866,546	$ 4,546,677
Earnings per common share - basic and diluted	$ 1.95	$ 1.70	$ 1.59

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

Consolidated Statements of Changes in Stockholders' Equity

	Common stock Shares	Common stock Par value	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income, net of tax	Total stockholders' equity
Balance, December 31, 2014	2,917,119	$ 2,917,119	$ 6,697,024	$ 67,954,143	$ 922,655	$ 78,490,941
Net income	-	-	-	4,614,981	-	4,614,981
Other comprehensive loss, net of tax	-	-	-	-	(68,304)	(68,304)
Common shares repurchased	(17,707)	(17,707)	(449,981)	-	-	(467,688)
Cash dividend, $0.96 per share	-	-	-	(2,788,715)	-	(2,788,715)
Balance, December 31, 2015	2,899,412	2,899,412	6,247,043	69,780,409	854,351	79,781,215
Net income	-	-	-	4,928,113	-	4,928,113
Other comprehensive loss, net of tax	-	-	-	-	(61,567)	(61,567)
Common shares repurchased	(15,854)	(15,854)	(417,566)	-	-	(433,420)
Cash dividend, $0.97 per share	-	-	-	(2,797,051)	-	(2,797,051)
Balance, December 31, 2016	2,883,558	2,883,558	5,829,477	71,911,471	792,784	81,417,290
Net income	-	-	-	5,504,815	-	5,504,815
Other comprehensive loss, net of tax	-	-	-	-	(380,238)	(380,238)
Reclassification of stranded income tax effects	-	-	-	(53,443)	53,443	-
Common shares repurchased	(69,318)	(69,318)	(1,791,617)	-	-	(1,860,935)
Cash dividend, $0.98 per share	-	-	-	(2,758,053)	-	(2,758,053)
Balance, December 31, 2017	2,814,240	$ 2,814,240	$ 4,037,860	$ 74,604,790	$ 465,989	$ 81,922,879

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

CALVIN B. TAYLOR BANKSHARES, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

	December 31, 2017	Years Ended December 31, 2016	December 31, 2015
Cash flows from operating activities			
Interest and dividends received	$ 17,191,470	$ 16,005,184	$ 14,711,414
Interest paid	(353,236)	(357,735)	(362,073)
Fees and commissions received	2,022,564	1,692,592	2,141,683
Cash paid to suppliers and employees	(9,636,815)	(8,714,263)	(8,164,080)
Income taxes paid	(2,760,651)	(2,570,156)	(2,729,437)
Net cash provided by operating activities	6,463,332	6,055,622	5,597,507
Cash flows from investing activities			
Certificates of deposit purchased, net of maturities	(4,245,889)	(5,623,813)	(2,594,689)
Proceeds from sale of investments available for sale	109,088	10,486	407,151
Proceeds from maturities of investments available for sale, including paydowns on mortgage-backed securities	12,190,000	10,025,000	19,275,000
Purchase of investments available for sale	(11,003,237)	(5,052,980)	(15,173,574)
Proceeds from maturities of investments held to maturity	32,187,127	25,765,000	41,160,000
Purchase of investments held to maturity	(12,567,330)	(22,643,967)	(36,143,309)
Loans made, net of principal reductions	(28,751,072)	(22,620,438)	(17,854,938)
Proceeds from sale of premises and equipment	1,250	200	-
Purchases of premises, equipment, and computer software	(1,474,770)	(1,781,813)	(1,857,899)
Proceeds from sale of other real estate, net	16,390	315,200	-
Purchase of bank owned life insurance	(57,031)	(3,057,030)	(57,031)
Net cash used by investing activities	(13,595,474)	(24,664,155)	(12,839,289)
Cash flows from financing activities			
Net increase (decrease) in			
Time deposits	(4,431,063)	(5,603,992)	(4,651,692)
Other deposits	39,930,110	27,664,533	20,212,215
Securities sold under agreements to repurchase	(3,053,061)	(1,822,318)	(827,607)
Common shares repurchased	(1,860,935)	(433,420)	(467,688)
Dividends paid	(2,758,053)	(2,797,051)	(2,788,715)
Net cash provided by (used by) financing activities	27,826,998	17,007,752	11,476,513
Net increase (decrease) in cash and cash equivalents	20,694,856	(1,600,781)	4,234,731
Cash and cash equivalents at beginning of year	53,330,091	54,930,872	50,696,141
Cash and cash equivalents at end of year	$ 74,024,947	$ 53,330,091	$ 54,930,872

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

Consolidated Statements of Cash Flows (continued)

	Years Ended December 31, 2017	Years Ended December 31, 2016	Years Ended December 31, 2015
Reconciliation of net income to net cash provided by operating activities			
Net income	$ 5,504,815	$ 4,928,113	$ 4,614,981
Adjustments to reconcile net income to net cash provided by operating activities			
Premium amortization and discount accretion	751,388	686,579	647,244
Other than temporary impairment of investment value	21,045	26,200	-
Loss (gain) on disposition of investment securities	(51,061)	1,019	(63,217)
Provision for loan losses	35,000	40,000	57,000
Depreciation and amortization	603,488	508,339	467,922
Loss (gain) on disposition of premises, equipment, and software	(1,102)	(200)	3,365
Loss (gain) on sale of other real estate	610	(200)	-
Loss on revaluation of other real estate	8,500	43,022	95,500
Decrease (increase) in			
Accrued interest receivable	(87,287)	(47,817)	(160,090)
Cash surrender value of bank owned life insurance	(351,485)	(268,126)	(248,068)
Other assets	(89,894)	(248,358)	315,613
Increase (decrease) in			
Accrued interest payable	(854)	(1,592)	(1,687)
Accrued and deferred income taxes	131,066	174,844	(171,936)
Other liabilities	(10,897)	213,799	40,880
Net cash provided by operating activities	$ 6,463,332	$ 6,055,622	$ 5,597,507
Supplemental cash flows information			
Non-cash transfers from loans to other real estate owned	$ -	$ 177,822	$ 40,000

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

1. Summary of Significant Accounting Policies

Basis of presentation

The consolidated financial statements of Calvin B. Taylor Bankshares, Inc. (the Company) include the accounts of its wholly owned subsidiary, Calvin B. Taylor Banking Company of Berlin, Maryland (the Bank). All significant intercompany balances and transactions have been eliminated in consolidation. The accounting and reporting policies reflected in these financial statements conform to accounting principles generally accepted in the United States of America and to general practices within the banking industry.

Nature of operations

Calvin B. Taylor Bankshares, Inc. is a bank holding company. Its subsidiary, Calvin B. Taylor Banking Company of Berlin, Maryland, is a financial institution with 11 banking locations in the eastern coastal area of the Delmarva Peninsula including Worcester County, Maryland, Sussex County, Delaware and Accomack County, Virginia. The Bank is a full-service commercial bank, offering deposit services and loans to individuals, small- to medium-sized businesses, associations and government entities.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. These estimates and assumptions may affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash and cash equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, federal funds sold and interest-bearing deposits except for time deposits. Amounts on deposit with other banks can exceed federal deposit insurance coverage. Federal funds sold are not deposits but are essentially uncollateralized loans to other banks. Management regularly evaluates credit risk associated with these banks and believes that we are not exposed to any significant credit risks on cash and cash equivalents.

Regulatory reserve requirements stipulate that the Company must have $598,000 of cash on hand or on deposit with the Federal Reserve Bank as of December 31, 2017. As of December 31, 2017 the Company had $56,852,538 of cash on hand and on deposit with the Federal Reserve Bank. The amounts on deposit at the Federal Reserve Bank earn interest.

Investment securities

As securities are purchased, management determines if the securities should be classified as held to maturity or available for sale. Securities which management has the intent and ability to hold to maturity are recorded at amortized cost which is cost adjusted for amortization of premiums and accretion of discounts to maturity. Securities classified as available-for-sale are recorded at fair value with adjustments recorded as other comprehensive income.

Purchase premiums and discounts are recognized in interest revenue using the effective interest rate method over the terms of the securities. Gains and losses on disposal are determined using the specific-identification method.

Common stock investments in privately held community banks and a restricted common stock investment in a bankers' bank are carried at cost. In 2017, management determined that these investments no longer met the definition of marketable securities and have been accounted for under the cost method as of December 31, 2017. The banks are privately held which limits the amount of information readily available to determine fair value. Management evaluates for potential impairment based on its assessment of the ultimate recoverability of the cost of the investment rather than by recognizing temporary declines in value. Management has evaluated the investments for impairment and recognized other than temporary impairment (OTTI) loss of $21,045 in 2017 related to the restricted common stock investment in a bankers' bank. Dividends from the privately held community bank investments of $31,774 were recognized in 2017.

In estimating other than temporary impairment losses, management considers the length of time and the extent to which the fair value has been less than cost, the financial condition and near-term prospects of the issuer, and 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.

1. Summary of Significant Accounting Policies (continued)

Loans

Loans are stated at their outstanding principal amounts less the allowance for loan losses. Interest on loans is accrued and credited to income based on contractual interest rates applied to principal amounts outstanding. A loan is considered to be past due when principal or interest due is not paid on or before the payment date agreed upon by the borrower and the Bank. The accrual of interest is generally discontinued when principal or interest is ninety days past due or when the loan is determined to be impaired, unless collateral is sufficient to discharge the debt in full and the loan is in process of collection. When a loan is placed in nonaccruing status, any interest previously accrued but unpaid is reversed from interest revenue. Interest payments received on nonaccrual loans are generally recorded as a reduction of principal, but on a loan by loan basis may be recorded as cash basis income based on management's judgment. Accrual of interest may be restored when all principal and interest are current and management believes that future payments will be received in accordance with the loan agreement. The Company does not defer loan origination fee income or related costs as management determined the amounts to be immaterial.

Loans are considered impaired when, based on current information, management considers it unlikely that collection of all principal and interest payments will be made according to original contractual terms. Management may categorize a performing loan as impaired based on knowledge of the borrower's financial condition, devaluation of collateral, agreement to a troubled debt restructuring or other circumstances that are deemed relevant to loan collection. Impaired loans may have specific reserves allocated to them in the allowance for loan losses or have been subject to partial charge-offs if the loans are deemed to be collateral dependent.

Allowance for loan losses

The allowance for loan losses represents an amount which management judges to be adequate to absorb identified and inherent losses in the loan portfolio as of the balance sheet date. The determination of the allowance is inherently subjective as it relies on estimates of potential loss related to specific loans, the effects of portfolio trends, and other internal and external factors.

In determining an adequate level for the allowance, management considers historical loss experience for major types of loans. However, historical data may not be an accurate predictor of loss potential in the current loan portfolio. Management reviews the current portfolio giving consideration to impaired loans, delinquencies, the composition of the portfolio, concentrations of credit, and changes in lending products, processes, or staffing. Management considers external factors such as the interest rate environment, competition, current local and national economic trends, and the results of recent independent reviews by auditors and banking regulators.

The allowance is increased by current period provisions recorded as expense and by recoveries of amounts previously charged-off. The allowance is decreased when loans are charged-off as losses, which occurs when they are deemed to be uncollectible. Provisions for loan losses are recorded to increase or decrease the allowance to the level established by application of management's allowance methodology, and may result in an increase or decrease to expense.

Premises and equipment

Premises and equipment are recorded at cost less accumulated depreciation. Depreciation is computed under both straight-line and accelerated methods over the estimated useful lives of the assets.

Other real estate owned

Other real estate owned is comprised of real estate acquired in satisfaction of a loan receivable either by foreclosure or deed taken in lieu of foreclosure. Other real estate owned is recorded at the lower of cost or net realizable value, which is fair value less estimated costs to hold and sell the property. If net realizable value is less than the book value of the related loan at the time of foreclosure, a loan loss is recorded through the allowance for loan losses. Subsequent to foreclosure, the Company periodically reviews net realizable value estimates and records declines in value through expense. Costs to maintain properties, such as maintenance, utilities, taxes and insurance are expensed as they are incurred. Gains or losses resulting from revaluation or sale of other real estate owned are included in noninterest revenue.

Computer software

The Company amortizes software costs over the estimated useful lives using the straight-line method.

Bank owned life insurance

The Company records increases in cash surrender value of bank owned life insurance as current period income based on reports provided by the policy administrator.

1. Summary of Significant Accounting Policies (continued)

Income taxes

The provision for income taxes includes taxes payable for the current year and deferred income taxes. Deferred income taxes are provided for the temporary differences between financial and taxable income. Tax expense and tax benefits are allocated to the Bank and Company based on their proportional share of taxable income.

Comprehensive income

Comprehensive income represents the change in stockholders' equity from all sources other than investments by, or distributions to stockholders. Besides net income, the other component of the Company's comprehensive income is the after tax effect of changes in the net unrealized gain/loss on securities available for sale.

Per share data

Earnings per common share are determined by dividing net income by the weighted average number of common shares outstanding for the period, which was 2,829,370, 2,891,974, and 2,909,139 for the years ended December 31, 2017, 2016, and 2015, respectively. There were no dilutive common share equivalents outstanding during the years ended December 31, 2017, 2016 and 2015.

Accounting Standards Updates

Accounting Standards Update (ASU) No. 2016-01, "Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities." ASU No. 2016-01, among other things, (i) requires equity investments, with certain exceptions, to be measured at fair value with changes in fair value recognized in net income, (ii) simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment, (iii) eliminates the requirement for public business entities to disclose the methods and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet, and (iv) requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes. ASU No. 2016-01 will be effective for the Company on January 1, 2018 and will impact future earnings as the Company owns a publicly traded equity investment with a fair value of $350,065 as of December 31, 2017. Future increases or decreases in this value will be recorded through net income. In addition, management is still assessing the impact of determining fair value for disclosure purposes using the exit price notion.

ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." ASU No. 2016-13 introduces an approach based on expected losses to estimate credit losses on certain types of financial instruments. It also modifies the impairment model for available-for-sale ("AFS") debt securities. The new model referred to as current expected credit losses ("CECL") model, will apply to: (a) financial assets subject to credit losses and measured at amortized cost, and (b) certain off-balance sheet credit exposures. This includes loans, held to maturity debt securities, loan commitments, and financial guarantees. The estimate of expected credit losses ("ECL") should consider historical information, current information, and supportable forecasts, including estimates of prepayments. ASU No. 2016-13 is effective for the Company beginning January 1, 2021. Management is assessing the impact of this guidance on the Company's financial statements. While we are currently unable to reasonably estimate the impact of adopting ASU No. 2016-13, we expect that the impact of adoption will be significantly influenced by the composition, characteristics and quality of our loan and securities portfolios as well as the prevailing economic conditions and forecasts as of the adoption date.

ASU No. 2017-08, "Receivables - Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchases of Callable Debt Securities. ASU No. 2017-08 amends guidance on the amortization period of premiums on certain callable debt securities and requires premiums to be amortized to the earliest call date. ASU No. 2017-08 is effective for the Company on January 1, 2020. Management is assessing the impact of this guidance on the Company's financial statements.

ASU No. 2018-02, "Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. ASU No. 2018-02 is an amendment to allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act. ASU No. 2018-02 is effective for annual periods beginning after December 15, 2018. Early adoption of the amendment in this update is permitted. The Company elected to early adopt the standard effective December 31, 2017. Stranded deferred tax benefits of $53,443 were reclassified to retained earnings within the consolidated statement of changes in stockholders' equity in 2017.

1. Summary of Significant Accounting Policies (continued)

Subsequent events

The Company has evaluated events and transactions subsequent to December 31, 2017 through March 14, 2018, the date these financials statements were available to be issued. The following subsequent events were identified and are being disclosed in these financial statements as prescribed by ASC Topic 855, Subsequent Events.

The Company owns 8,800 shares of common stock of SCANA (NYSE: SCG), a publicly traded utility company. On January 3, 2018, the Company received notification that SCANA has entered into a stock-for-stock merger agreement with Dominion Energy (NYSE: D). Under the agreement, SCANA stockholders would receive 0.6690 shares of Dominion common stock for each share of SCANA common stock, the equivalent of $55.35 per share at the time of the merger announcement. The merger is contingent upon approval by SCANA's stockholders and various regulatory agencies. The carrying value of the Company's equity investment in SCANA common stock as of December 31, 2017 was $350,065 or $39.78 per share. Beginning January 1, 2018, changes in the fair value of this equity investment will be recognized in net income in accordance with ASU No. 2016-01 as discussed above. Management cannot determine the likelihood of the proposed merger being completed or the value of SCANA common stock in future reporting periods.

On February 27, 2018, the Company processed a foreign wire transfer for a customer based upon a wire authorization form that the customer, on February 28, 2018, claimed was not authorized. The Company has hired counsel to investigate the event, and the customer is cooperating in the investigation. The customer has signed an affidavit of loss. The Company also promptly reported the event to appropriate law enforcement authorities and took all available steps to recover the wire transfer. The employee who processed the wire transfer request did not observe all of the Company's written policies and procedures regarding wire transfers, which contributed to the wire being processed. Acknowledging the violation of policy, the employee who processed the wire transfer has resigned. Management has filed a claim under its insurance policies seeking coverage for the potential loss relating to the wire transfer. The insurance carrier is currently investigating and evaluating the claim. If the Company determines the customer did not authorize the wire and the amount of the wire cannot be recovered, and if the claim is not covered by the Company's insurance policies, the wire fraud could result in an after-tax loss of $299,000. Management cannot estimate the likelihood of loss at this time due to the limited amount of time between the event and issuance of the financial statements. Further, the Company will incur expenses of legal counsel to assist us with the resolution of this matter. Management believes the Company's wire transfer policies and procedures meet industry standards and the action by this former employee is not representative of its employees generally. While we believe the Company's procedures at the date of the wire transfer complied with industry standards, the Company has developed and implemented additional wire transfer procedures since that date to reduce the risk of future losses arising from fraudulent wire transfer requests. The consolidated financial statements of the Company as of December 31, 2017, do not reflect any potential loss that might arise due to this event.

2. Cash and Due From Banks

The Company normally carries balances with other banks that exceed the Federal Deposit Insurance Corporation (FDIC) deposit insurance limit of $250,000. Average balances carried in excess of the limit, including unsecured federal funds sold to the same banks, were $13,458,511 for 2017, $16,536,217 for 2016, and $16,624,715 for 2015.

3. Lines of Credit

The Company has available lines of credit, including overnight federal funds, reverse repurchase agreements and letters of credit, totaling $28,000,000 as of December 31, 2017. This includes $23,000,000 of unsecured lines and $5,000,000 of lines that will be secured by investment securities if utilized.

4. Investment Securities

The following table is a comparison of amortized cost and fair values of available for sale and held to maturity investment securities:

	Amortized cost	Unrealized gains	Unrealized losses	Fair value
December 31, 2017				
Available for sale				
U.S. Treasury	$ 22,041,329	$ 450,754	$ 99,883	$ 22,392,200
Mortgage-backed securities	6,572,548	-	52,432	6,520,116
State and municipal	5,356,166	110	29,023	5,327,253
Equity	-	350,065	-	350,065
	$ 33,970,043	$ 800,929	$ 181,338	$ 34,589,634
Held to maturity				
U.S. Treasury	$ 12,012,008	$ -	$ 44,218	$ 11,967,790
U.S. Government agency	29,437,950	-	190,169	29,247,781
State and municipal	20,270,738	210	89,260	20,181,688
	$ 61,720,696	$ 210	$ 323,647	$ 61,397,259
December 31, 2016				
Available for sale				
U.S. Treasury	$ 34,043,974	$ 557,921	$ 50,005	$ 34,551,890
State and municipal	1,318,361	90	1,127	1,317,324
Equity	929,208	849,894	95,870	1,683,232
	$ 36,291,543	$ 1,407,905	$ 147,002	$ 37,552,446
Held to maturity				
U.S. Treasury	$ 31,005,301	$ 25,258	$ 15,419	$ 31,015,140
U.S. Government agency	26,096,684	7,287	131,802	25,972,169
State and municipal	24,785,770	110	107,319	24,678,561
	$ 81,887,755	$ 32,655	$ 254,540	$ 81,665,870
December 31, 2015				
Available for sale				
U.S. Treasury	$ 39,980,485	$ 670,240	$ 55,555	$ 40,595,170
State and municipal	347,117	678	331	347,464
Equity	967,408	827,142	90,101	1,704,449
	$ 41,295,010	$ 1,498,060	$ 145,987	$ 42,647,083
Held to maturity				
U.S. Treasury	$ 39,989,744	$ 10,418	$ 47,123	$ 39,953,039
U.S. Government agency	22,133,940	4,063	67,465	22,070,538
State and municipal	23,577,942	16,204	18,751	23,575,395
	$ 85,701,626	$ 30,685	$ 133,339	$ 85,598,972

The debt securities in unrealized loss positions are issues of the U.S. Treasury and Federal Home Loan Bank (a U. S. Government agency), residential mortgage-backed securities issued by U.S. government-sponsored enterprises, and highly rated obligations of states and municipalities. The Company has the ability and the intent to hold these securities until they are called or mature at face value. Fluctuations in fair value reflect market conditions and are not indicative of other than temporary impairment (OTTI) of the security.

Equity securities in unrealized loss positions in 2016 and 2015 are common stock investments in community banks and a bankers' bank. The Company recorded an OTTI loss of $26,200 in 2016 due to the impairment of the banker's bank investment. As of December 31, 2017, equity securities in community banks and a bankers' bank of $851,538 were reclassified from Available for sale investment securities to Bank stock investments, at cost on the consolidated balance sheet. The equity securities in community banks and a bankers' bank had a net unrealized gain of $69,647 which has been reclassified from other comprehensive income as of December 31, 2017.

4. Investment Securities (continued)

Equity securities of certain community banks were sold in 2017, 2016, and 2015 resulting in gains/(losses) of $52,463, ($1,541), and $51,151, respectively. Unrealized gains/(losses) from the securities sold were previously recorded in other comprehensive income and were reclassified to net income in the year of sale. The unrealized gains/(losses) reclassified were $34,935, ($4,684) and ($13,794) in 2017, 2016 and 2015, respectively,

The table below shows the gross unrealized losses and fair value of securities that are in an unrealized loss position, aggregated by length of time that individual securities have been in a continuous unrealized loss position.

	Less than 12 months		12 months or more		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
December 31, 2017						
U. S. Treasury	$ 20,959,580	$ 54,531	$ 10,951,190	$ 89,570	$ 31,910,770	$ 144,101
U. S. Government agency	13,824,573	55,911	15,423,208	134,258	29,247,781	190,169
Mortgage-backed securities	6,520,116	52,432	-	-	6,520,116	52,432
State and municipal	20,183,419	96,213	2,355,202	22,070	22,538,621	118,283
	$ 61,487,688	$ 259,087	$ 28,729,600	$ 245,898	$ 90,217,288	$ 504,985
December 31, 2016						
U. S. Treasury	$ 25,044,490	$ 65,424	$ -	$ -	$ 25,044,490	$ 65,424
U. S. Government agency	19,939,102	127,740	396,752	4,062	20,335,854	131,802
State and municipal	24,516,935	108,446	-	-	24,516,935	108,446
Equity	-	-	308,130	95,870	308,130	95,870
	$ 69,500,527	$ 301,610	$ 704,882	$ 99,932	$ 70,205,409	$ 401,542
December 31, 2015						
U. S. Treasury	$ 47,970,090	$ 102,678	$ -	$ -	$ 47,970,090	$ 102,678
U. S. Government agency	17,614,389	67,465	-	-	17,614,389	67,465
State and municipal	12,699,899	19,082	-	-	12,699,899	19,082
Equity	-	-	207,897	90,101	207,897	90,101
	$ 78,284,378	$ 189,225	$ 207,897	$ 90,101	$ 78,492,275	$ 279,326

4. Investment Securities (continued)

The amortized cost and estimated fair value of debt securities, by contractual maturity and the amount of pledged securities, follow. Actual maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties. Investments are pledged to secure deposits of state and local governments. Pledged securities also served as collateral for repurchase agreements with our customers as of December 31, 2016 and December 31, 2015.

	December 31, 2017		December 31, 2016		December 31, 2015	
	Amortized cost	Fair value	Amortized cost	Fair value	Amortized cost	Fair value
Available for sale						
Within one year	$ 18,382,114	$ 18,325,151	$ 12,167,026	$ 12,183,383	$ 10,026,567	$ 10,030,986
After one through five years	13,569,432	13,908,712	21,197,090	21,150,051	28,303,045	28,260,168
After five through ten years	-	-	1,998,219	2,535,780	1,997,990	2,651,480
After ten years	2,018,497	2,005,706	-	-	-	-
	$ 33,970,043	$ 34,239,569	$ 35,362,335	$ 35,869,214	$ 40,327,602	$ 40,942,634
Held to maturity						
Within one year	$ 30,439,173	$ 30,348,152	$ 31,799,133	$ 31,819,921	$ 21,599,470	$ 21,608,318
After one through five years	31,281,523	31,049,107	50,088,622	49,845,949	64,102,156	63,990,654
	$ 61,720,696	$ 61,397,259	$ 81,887,755	$ 81,665,870	$ 85,701,626	$ 85,598,972
Pledged securities	$ 9,024,675	$ 8,964,230	$ 21,165,240	$ 21,169,813	$ 24,293,310	$ 24,267,058

5. Loans and Allowance for Loan Losses

The following tables summarize the primary segments of the loan portfolio at year-end and interest rate repricing of loans based upon contractual agreements.

Major classifications of loans	2017	2016	2015
Real estate mortgages			
Construction, land development, and land	$ 10,898,962	$ 15,496,123	$ 13,262,930
Residential 1 to 4 family, 1st liens	98,773,610	91,044,504	88,222,633
Residential 1 to 4 family, subordinate liens	1,035,693	1,132,053	1,957,404
Commercial properties	152,509,251	136,510,571	121,870,892
Commercial	30,475,653	20,796,359	17,561,365
Consumer	1,459,869	1,381,522	1,255,552
Total loans	295,153,038	266,361,132	244,130,776
Allowance for loan losses	792,646	716,812	889,072
Loans, net	$ 294,360,392	$ 265,644,320	$ 243,241,704

Rate repricing distribution of loans	2017	2016	2015
Immediately	$ 173,144,721	$ 169,568,989	$ 171,190,079
Within one year	2,797,050	2,520,508	1,028,212
After one year through five years	97,475,837	57,502,482	45,121,974
After five years	21,735,430	36,769,153	26,790,511
Total loans	$ 295,153,038	$ 266,361,132	$ 244,130,776

5. Loans and Allowance for Loan Losses (continued)

Nonperforming loans are loans past due 90 or more days and still accruing plus nonaccrual loans. Nonperforming assets are comprised of nonperforming loans combined with real estate acquired in foreclosure and held for sale (other real estate owned). The following table details the composition of nonperforming assets:

	2017	2016	2015
Loans 90 or more days past due and still accruing			
Residential 1 to 4 family	$ 91,820	$ -	$ 55,428
Total loans 90 or more days past due and still accruing	91,820	-	55,428
Nonaccruing loans			
Nonaccruing loans - current			
Residential 1 to 4 family	186,014	909,703	591,727
Total nonaccruing loans - current	186,014	909,703	591,727
Nonaccruing loans - past due 30 days or more			
Construction, land development, and land	-	-	234,822
Residential 1 to 4 family	665,178	52,151	388,627
Total nonaccruing loans - past due 30 days or more	665,178	52,151	623,449
Total nonaccruing loans	851,192	961,854	1,215,176
Total nonperforming loans	943,012	961,854	1,270,604
Other real estate owned	149,300	174,800	355,000
Total nonperforming assets	$ 1,092,312	$ 1,136,654	$ 1,625,604
Interest not recognized on nonaccruing loans	$ 37,752	$ 57,457	$ 65,117

Interest revenue of $919 was recognized on a cash-basis in 2017 related to the full payoff of a nonaccrual loan. No interest revenue was recognized on a cash-basis on nonaccruing loans in 2016 and 2015. Other than previously noted, payments received on nonaccruing loans were applied as reductions of principal.

The recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure was $118,822, $52,151 and $0 as of December 31, 2017, 2016 and 2015, respectively.

The following is a schedule of transactions in the allowance for loan losses by type of loan. The Company did not acquire any loans with deteriorated credit quality during the periods presented.

	Real estate mortgages						
December 31, 2017	Construction and land	Residential	Commercial	Commercial	Consumer	Unallocated	Total
Beginning balance	$ 22,241	$ 308,127	$ 195,927	$ 155,597	$ 23,115	$ 11,805	$ 716,812
Loans charged off	-	(40,155)	-	(880)	(21,466)	-	(62,501)
Recoveries	-	100,350	-	488	2,497	-	103,335
Provision expense	(12,327)	69,560	18,297	(56,915)	16,509	(124)	35,000
Ending balance	$ 9,914	$ 437,882	$ 214,224	$ 98,290	$ 20,655	$ 11,681	$ 792,646
Individually evaluated:							
Balance in allowance	$ -	$ 297,059	$ -	$ -	$ -		$ 297,059
Related loan balance	$ -	$ 3,136,889	$ 3,508,898	$ -	$ -		$ 6,645,787
Collectively evaluated:							
Balance in allowance	$ 9,914	$ 140,823	$ 214,224	$ 98,290	$ 20,655	$ 11,681	$ 495,587
Related loan balance	$ 10,898,962	$ 96,672,414	$ 149,000,353	$ 30,475,653	$ 1,459,869		$ 288,507,251

5. Loans and Allowance for Loan Losses (continued)

December 31, 2016							
Beginning balance	$ 41,841	$ 284,495	$ 384,471	$ 146,664	$ 29,711	$ 1,890	$ 889,072
Loans charged off	(57,000)	(149,000)		(9,460)	(7,716)		(223,176)
Recoveries		4,863		1,775	4,278		10,916
Provision expense	37,400	167,769	(188,544)	16,618	(3,158)	9,915	40,000
Ending balance	$ 22,241	$ 308,127	$ 195,927	$ 155,597	$ 23,115	$ 11,805	$ 716,812
Individually evaluated:							
Balance in allowance	$ -	$ 175,831	$ -	$ -	$ -		$ 175,831
Related loan balance	$ -	$ 3,336,039	$ 3,925,093	$ -	$ -		$ 7,261,132
Collectively evaluated:							
Balance in allowance	$ 22,241	$ 132,296	$ 195,927	$ 155,597	$ 23,115	$ 11,805	$ 540,981
Related loan balance	$ 15,496,123	$ 88,840,518	$ 132,585,478	$ 20,796,359	$ 1,381,522		$ 259,100,000

December 31, 2015							
Beginning balance	$ 26,642	$ 264,305	$ 353,823	$ 213,786	$ 40,971	$ 9,061	$ 908,588
Loans charged off	(83,958)	(73,747)	-	(140)	(5,231)		(163,076)
Recoveries	18	81,864	2,451	14	2,213		86,560
Provision expense	99,139	12,073	28,197	(66,996)	(8,242)	(7,171)	57,000
Ending balance	$ 41,841	$ 284,495	$ 384,471	$ 146,664	$ 29,711	$ 1,890	$ 889,072
Individually evaluated:							
Balance in allowance	$ -	$ 95,163	$ -	$ -	$ -		$ 95,163
Related loan balance	$ 234,822	$ 3,766,992	$ 4,097,650	$ -	$ -		$ 8,099,464
Collectively evaluated:							
Balance in allowance	$ 41,841	$ 189,332	$ 384,471	$ 146,664	$ 29,711	$ 1,890	$ 793,909
Related loan balance	$ 13,028,108	$ 86,413,045	$ 117,773,242	$ 17,561,365	$ 1,255,552		$ 236,031,312

The table below shows the relationship of net charged-off loans and the balance in the allowance to gross loans and average loans.

	2017	2016	2015
Net loans charged-off (recovered)	$ (40,834)	$ 212,260	$ 76,516
Allowance for loan losses at the end of the period	$ 792,646	$ 716,812	$ 889,072
Gross loans outstanding at the end of the period	$ 295,153,038	$ 266,361,132	$ 244,130,776
Allowance for loan losses to gross loans outstanding	0.27%	0.27%	0.36%
Average loans outstanding during the period	$ 283,092,382	$ 258,764,805	$ 235,274,286
Net charge-offs (reooveries) as a percentage of average loans	-0.01%	0.08%	0.03%

5. Loans and Allowance for Loan Losses (continued)

Loans are considered past due when either principal or interest is not paid by the date on which payment is due. The following table is an analysis of past due loans by days past due and type of loan.

December 31, 2017	30-59 Days Past Due	60-89 Days Past Due	90 Days Past Due or Greater	Total Past Due	Current	Total Loans	90 Days Past Due or Greater and Accruing
Real estate mortgages							
Construction, land development, and land	$ -	$ -	$ -	$ -	$ 10,898,962	$ 10,898,962	$ -
Residential 1-4 family, 1st liens	892,277	306,656	210,643	1,409,576	97,364,034	98,773,610	91,820
Residential 1-4 family, sub. liens	-	-	-	-	1,035,693	1,035,693	-
Commercial properties	486,663	-	-	486,663	152,022,588	152,509,251	-
Commercial	16,299	-	-	16,299	30,459,354	30,475,653	-
Consumer	-	-	-	-	1,459,869	1,459,869	-
Total	$ 1,395,239	$ 306,656	$ 210,643	$ 1,912,538	$ 293,240,500	$ 295,153,038	$ 91,820
December 31, 2016							
Real estate mortgages							
Construction, land development, and land	$ -	$ -	$ -	$ -	$ 15,496,123	$ 15,496,123	$ -
Residential 1-4 family, 1st liens	326,326	93,905	52,151	472,382	90,572,122	91,044,504	-
Residential 1-4 family, sub. liens	-	-	-	-	1,132,053	1,132,053	-
Commercial properties	-	-	-	-	136,510,571	136,510,571	-
Commercial	-	-	-	-	20,796,359	20,796,359	-
Consumer	2,767	-	-	2,767	1,378,755	1,381,522	-
Total	$ 329,093	$ 93,905	$ 52,151	$ 475,149	$ 265,885,983	$ 266,361,132	$ -
December 31, 2015							
Real estate mortgages							
Construction, land development, and land	$ -	$ -	$ 234,822	$ 234,822	$ 13,028,108	$ 13,262,930	$ -
Residential 1-4 family, 1st liens	708,170	112,728	55,428	876,326	87,346,307	88,222,633	55,428
Residential 1-4 family, sub. liens	-	-	-	-	1,957,404	1,957,404	-
Commercial properties	-	-	-	-	121,870,892	121,870,892	-
Commercial	-	-	-	-	17,561,365	17,561,365	-
Consumer	-	-	-	-	1,255,552	1,255,552	-
Total	$ 708,170	$ 112,728	$ 290,250	$ 1,111,148	$ 243,019,628	$ 244,130,776	$ 55,428

5. Loans and Allowance for Loan Losses (continued)

Credit quality is measured based on an internally designed grading scale. The grades correspond to regulatory rating categories of pass, special mention, substandard, and doubtful. Pass credits are loans with satisfactory payment history and supporting documentation. Special mention loans have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the institution's credit position at some future date. Substandard credits are those with a weakness that may jeopardize repayment, such as deteriorating collateral value, or for which the borrower's ability to meet payment obligations is questionable. Doubtful credits are loans in which the borrower's ability to repay the loan in full is improbable on the basis of currently known facts, conditions and values. Loans graded as doubtful are most likely to result in the loss of principal or loss of revenue due to placement in nonaccrual status. Management evaluates loans graded as doubtful individually and provides for anticipated losses through adjustment of the allowance for loan losses and charges to current earnings.

Credit quality, as measured by internally assigned grades, is an important component in the calculation of an adequate allowance for loan losses. The following table summarizes the recorded investment in loans by credit quality indicator.

	2017	2016	2015
Real Estate Credit Risk Profile by Internally Assigned Grade			
Construction, land development, and land			
Pass	$ 10,898,962	$ 15,496,123	$ 13,028,108
Doubtful			
Nonperforming: 90 days or more past due and/or non-accruing	-	-	234,822
Total	$ 10,898,962	$ 15,496,123	$ 13,262,930
Residential 1-4 family			
Pass	$ 97,127,821	$ 89,374,005	$ 87,154,932
Substandard			
Less than 90 days past due and accruing	1,738,470	1,840,698	1,989,323
Nonperforming: 90 days or more past due and/or non-accruing	91,820	-	55,428
Doubtful			
Nonperforming: 90 days or more past due and/or non-accruing	851,192	961,854	980,354
Total	$ 99,809,303	$ 92,176,557	$ 90,180,037
Commercial properties			
Pass	$ 150,480,620	$ 134,302,460	$ 119,054,760
Special Mention	-	142,184	658,398
Substandard	2,028,631	2,065,927	2,157,734
Total	$ 152,509,251	$ 136,510,571	$ 121,870,892
Commercial Credit Risk Profile by Internally Assigned Grade			
Pass	$ 30,475,653	$ 20,768,518	$ 17,561,365
Special Mention	-	27,841	-
Total	$ 30,475,653	$ 20,796,359	$ 17,561,365
Consumer Credit Risk Profile by Internally Assigned Grade			
Pass	$ 1,459,869	$ 1,381,522	$ 1,245,635
Special Mention	-	-	9,917
Total	$ 1,459,869	$ 1,381,522	$ 1,255,552
Totals - Credit Risk Profile by Internally Assigned Grade			
Pass	$ 290,442,925	$ 261,322,628	$ 238,044,800
Special Mention	-	170,025	668,315
Substandard			
Less than 90 days past due and accruing	3,767,101	3,906,625	4,147,057
Nonperforming: 90 days or more past due and/or non-accruing	91,820	-	55,428
Doubtful			
Nonperforming: 90 days or more past due and/or non-accruing	851,192	961,854	1,215,176
Total	$ 295,153,038	$ 266,361,132	$ 244,130,776

5. Loans and Allowance for Loan Losses (continued)

Loans are considered impaired when management considers it unlikely that collection of all principal and interest payments will be made according to contractual terms. Troubled debt restructurings are considered impaired since all principal and interest payments according to the original contractual terms will not be collected under the modified terms of the restructuring. A performing loan may be categorized as impaired based on knowledge of circumstances that are deemed relevant to loan collection. Not all impaired loans are past due nor are losses expected for every impaired loan. If a loss is expected, an impaired loan may have specific reserves allocated to it in the allowance for loan losses or result in a charge-off if the loan is deemed to be collateral dependent. The following table details impaired loans at each period end.

	Contractual Principal Balance	Recorded Investment With No Allowance	Recorded Investment With An Allowance	Related Allowance	Average Recorded Investment	Interest Income Recognized During Impairment
December 31, 2017						
Real estate mortgages						
Residential 1-4 family, 1st liens	$ 3,437,727	$ 1,820,579	$ 1,316,310	$ 297,059	$ 3,325,643	$ 78,162
Residential 1-4 family, subordinate liens	-	-	-	-	-	-
Commercial properties	3,508,898	3,508,898	-	-	3,803,274	194,292
Total	$ 6,946,625	$ 5,329,477	$ 1,316,310	$ 297,059	$ 7,128,917	$ 272,454
December 31, 2016						
Real estate mortgages						
Residential 1-4 family, 1st liens	$ 3,545,141	$ 2,062,222	$ 1,180,920	$ 169,495	$ 3,394,574	$ 74,425
Residential 1-4 family, subordinate liens	92,897	-	92,897	6,336	93,799	4,701
Commercial properties	3,925,093	3,925,093	-	-	4,011,372	222,061
Total	$ 7,563,131	$ 5,987,315	$ 1,273,817	$ 175,831	$ 7,499,745	$ 301,187
December 31, 2015						
Real estate mortgages						
Construction, land development, and land	$ 344,794	$ 234,822	$ -	$ -	$ 269,822	$ -
Residential 1-4 family, 1st liens	3,574,841	2,495,035	979,719	91,681	3,513,132	76,860
Residential 1-4 family, subordinate liens	94,702	-	94,702	3,482	95,567	4,777
Commercial properties	4,097,650	4,097,650	-	-	4,215,559	232,016
Total	$ 8,111,987	$ 6,827,507	$ 1,074,421	$ 95,163	$ 8,094,080	$ 313,653

The modification or restructuring of terms on a loan is considered a troubled debt restructuring if it is done to accommodate a borrower who is experiencing financial difficulties. The lender may forgive principal, lower the interest rate or payment amount, or may modify the payment due dates or maturity date of a loan for a borrower experiencing financial difficulties.

Troubled debt restructurings are evaluated for impairment at the time of restructuring and each subsequent reporting period. An identified loss is recorded as a specific reserve in the allowance for loan losses or charged-off if the loan is deemed to be collateral dependent. No losses were recorded as part of restructures completed in 2017, 2016 or 2015. Troubled debt restructurings may require additional restructuring to accommodate changes in the borrower's financial position and are included as restructurings in the table below. Other restructured loans have been collected with no loss of principal, returned to their original contractual terms, refinanced at market rates and terms, or paid in full. Payment defaults on restructured loans within 12 months of the restructuring did not occur in 2017, 2016 or 2015. Restructured loans that become 90 days past due or greater, require an additional restructuring, or have a charge-off recorded are considered to have a payment default.

5. Loans and Allowance for Loan Losses (continued)

The following table details information about troubled debt restructurings or payment defaults occurring within the periods presented.

	At the time of restructuring			Within 12 months of restructuring		
	Number of contracts	Balance prior to restructuring	Balance after restructuring	Number of defaults	Defaults on restructures	Losses recognized upon default
December 31, 2017						
Real estate mortgages						
Commercial properties	4	$ 2,809,664	$ 2,809,664	-	$ -	$ -
Total	4	$ 2,809,664	$ 2,809,664	-	$ -	$ -
December 31, 2016						
Real estate mortgages						
Residential 1-4 family, 1st liens	1	$ 52,713	$ 52,713	-	$ -	$ -
Total	1	$ 52,713	$ 52,713	-	$ -	$ -
December 31, 2015						
Real estate mortgages						
Residential 1-4 family, 1st liens	1	$ 286,191	$ 286,191	-	$ -	$ -
Total	1	$ 286,191	$ 286,191	-	$ -	$ -

Troubled debt restructurings with outstanding principal balances as of December 31 were as follows:

	Total		Paying as agreed under modified terms		Past due 30 days or more or non-accruing	
	Number of contracts	Current Balance	Number of contracts	Current Balance	Number of contracts	Current Balance
December 31, 2017						
Real estate mortgages						
Residential 1-4 family, 1st liens	10	$ 2,711,755	6	$ 2,112,096	4	$ 599,659
Commercial properties	7	3,508,898	7	3,508,898	-	-
Total	17	$ 6,220,653	13	$ 5,620,994	4	$ 599,659
December 31, 2016						
Real estate mortgages						
Residential 1-4 family, 1st liens	11	$ 2,921,346	6	$ 2,232,009	5	$ 689,337
Residential 1-4 family, subordinate liens	1	92,897	1	92,897	-	-
Commercial properties	7	3,925,093	7	3,925,093	-	-
Total	19	$ 6,939,336	14	$ 6,249,999	5	$ 689,337
December 31, 2015						
Real estate mortgages						
Construction, land development, and land	1	$ 234,822	-	$ -	1	$ 234,822
Residential 1-4 family, 1st liens	10	3,123,121	7	2,438,971	3	684,150
Residential 1-4 family, subordinate liens	1	94,702	1	94,702	-	-
Commercial properties	7	4,097,650	7	4,097,650	-	-
Total	19	$ 7,550,295	15	$ 6,631,323	4	$ 918,972

6. Loan Commitments

Loan commitments are agreements to lend to customers as long as there is no violation of any conditions of the contracts. Loan commitments generally have interest rates at current market rates, fixed expiration dates, and may require payment of a fee. Letters of credit are commitments issued to guarantee the performance of a customer to a third party. Loan commitments and letters of credit are made on the same terms, including collateral, as outstanding loans. The Company's exposure to loss in the event of nonperformance by the borrower is represented by the contract amount of the commitment.

Outstanding loan commitments (including the unutilized portion of lines of credit) and letters of credit as of December 31 were as follows:

	2017	2016	2015
Loan commitments (including unutilized portion of lines of credit)			
Real estate mortgages			
Construction, land development, and land	$ 4,019,672	$ 10,434,435	$ 13,272,623
Residential 1 to 4 family	5,279,981	4,687,092	5,231,945
Commercial properties	18,247,592	15,649,327	13,165,567
Commercial	12,645,007	14,220,411	12,156,307
Consumer	144,729	34,002	-
Total loan commitments	$ 40,336,981	$ 45,025,267	$ 43,826,442
Performance standby letters of credit	$ 1,607,743	$ 1,375,986	$ 1,213,175

7. Other Real Estate Owned

Changes in other real estate owned during the year were as follows:

	2017	2016	2015
Beginning balance	$ 174,800	$ 355,000	$ 410,500
Net realizable value of foreclosed properties	-	177,822	40,000
	174,800	532,822	450,500
Proceeds from sales, net of selling expenses	(16,390)	(315,200)	-
Gain (loss) on sale	(610)	200	-
Revaluation loss	(8,500)	(43,022)	(95,500)
Ending balance	$ 149,300	$ 174,800	$ 355,000

The following table presents the number of and types of property in other real estate owned at December 31:

	2017		2016		2015	
	Number	Balance	Number	Balance	Number	Balance
Construction, land development, and land	1	$ 149,300	2	$ 174,800	2	$ 355,000
Total other real estate owned	1	$ 149,300	2	$ 174,800	2	$ 355,000

8. Premises, Equipment, and Computer Software

A summary of premises and equipment and the related depreciation is as follows:

	Estimated useful life	2017	2016	2015
Land		$ 3,268,938	$ 3,128,835	$ 3,128,835
Premises	5 - 50 years	9,586,152	8,557,601	7,278,309
Furniture and equipment	3 - 20 years	4,391,154	4,021,833	3,615,186
Construction in progress		-	308,765	413,526
Total premises and equipment		17,246,244	16,017,034	14,435,856
Accumulated depreciation		8,322,838	7,960,404	7,641,844
Net premises and equipment		$ 8,923,406	$ 8,056,630	$ 6,794,012
Depreciation expense		$ 501,547	$ 429,551	$ 415,202

A summary of capitalized computer software and the related amortization is as follows:

	Estimated useful life	2017	2016	2015
Computer software	2 - 10 years	$ 1,180,464	$ 1,074,167	$ 984,523
Accumulated amortization		968,419	866,479	787,690
Net computer software		$ 212,045	$ 207,688	$ 196,833
Amortization expense		$ 101,941	$ 78,788	$ 52,720

9. Lease Commitments

The Company leases a parcel of land east of Berlin, Maryland and formerly operated a branch on the property. Rent expense for this lease was $25,525, $26,336, and $25,416 for the years ended December 31, 2017, 2016, and 2015, respectively. The lease was extended on February 20, 2014 and will now expire August 31, 2019. The branch located on this property was closed in the 2nd quarter of 2016 which resulted in the acceleration of the remaining lease costs noted in the table below, net of expected sublease payments. A liability of $8,979 was recorded as of December 31, 2016 for the present value of the remaining lease payments, net of expected sublease payments and has a balance of $7,089 as of December 31, 2017. The building has not been subleased as of December 31, 2017.

The Company entered into a lease on September 1, 2017 for office space located in Onley, Virginia which is being used as a loan production office. The lease expires on August 31, 2019 and requires a payment of $750 per month for the term of the lease. Rent expense recorded for this lease was $3,750 in 2017.

Leases currently in effect require the following minimum payments:

Period	Minimum payments
2018	37,332
2019	25,336
	$ 62,668

10. Interest-bearing Deposits

Major classifications of interest-bearing deposits are as follows:

	2017	2016	2015
DDA	$ 11,923,444	$ 5,367,124	$ -
NOW	79,149,484	76,777,742	70,882,770
Money market	60,105,385	58,829,137	58,008,000
Savings	89,473,710	82,101,877	74,849,810
Time deposits of $250,000 or more	5,258,323	6,400,587	8,200,454
Time deposits of less than $250,000	43,818,601	47,107,400	50,911,525
	$ 289,728,947	$ 276,583,867	$ 262,852,559

The maturity distribution of time deposits follows:

	2017	2016	2015
Three months or less	$ 19,295,591	$ 21,847,534	$ 24,773,029
Over three through twelve months	23,535,484	25,808,704	27,021,329
Over one through two years	6,245,849	5,851,749	7,317,621
	$ 49,076,924	$ 53,507,987	$ 59,111,979

11. Securities Sold Under Agreements to Repurchase

Securities sold under agreements to repurchase represent overnight borrowings from customers. The U.S. Government securities that collateralize these agreements are owned by the Company but maintained in the custody of an unaffiliated bank designated by the Company. Repurchase agreements with customers were terminated in 2017 and customer funds were transferred into interest bearing DDA accounts. All securities previously pledged as collateral for repurchase agreements were unpledged. Additional information for repurchase agreements follows:

	2017	2016	2015
Maximum month-end amount outstanding	$ 5,470,938	$ 8,360,781	$ 8,185,044
Average amount outstanding	$ 3,626,061	$ 6,036,524	$ 6,388,331
Average rate paid during the year	0.15%	0.15%	0.15%
Investment securities underlying the agreements at year end			
Carrying value	$ -	$ 8,958,503	$ 12,080,515
Estimated fair value	$ -	$ 8,956,714	$ 12,067,058

12. Employee Benefits

The Company has a defined contribution profit sharing plan under Section 401(k) of the Internal Revenue Code. The plan covers substantially all of the employees and allows discretionary contributions by the Company. The plan provides for a matching contribution by the Company equal to 50% of an employee's contributions each pay period. The matching contribution by the Company does not apply to employee contributions over 6% of the employee's wages each pay period. Annually, the Board of Directors determines if a discretionary contribution will be made which is based upon the overall performance of the Company. The total cost of the profit sharing plan including matching and discretionary contributions for 2017, 2016, and 2015, was $215,816, $205,681, and $196,841, respectively.

In 2015, the Company adopted a nonqualified deferred compensation plan. The plan participants are currently limited to the Chief Executive Officer. The plan allows for discretionary employer and employee contributions to the plan. In 2017, 2016 and 2015, the Company made a discretionary contribution of $57,031 which immediately vested and thus was recorded as compensation expense. The deferred compensation liability associated with this plan was $197,456, $115,794, and $54,360 as of December 31, 2017, 2016, and 2015, respectively. The plan was funded by the purchase of bank owned life insurance on the participant with premiums of $57,031 due annually. The cash surrender value of the policy was $178,072, $107,469, and $53,611 as of December 31, 2017, 2016, and 2015, respectively. The Company recorded net expense of $71,690. $68,207 and $60,596, related to this plan in 2017, 2016, and 2015, respectively.

12. Employee Benefits (continued)

In 2015, the Company transitioned from a fully insured employee health insurance plan to a partially self-insured plan. The partially self-insured plan requires the Company to pay for claims up to a certain limit per participant and up to a certain aggregate limit for all participants. The plan year coincides with the calendar year for financial reporting purposes. In 2017 and 2015, actual plus expected claims were anticipated to exceed the aggregate limit for all participants. A liability was recorded for the difference between claims paid and the aggregate limit applicable to each year and was $27,151 and $6,027 as of December 31, 2017 and 2015, respectively. As of December 31, 2016, a liability of $41,000 was recorded for the estimated unpaid claims for the 2016 plan year which was based upon the 2015 claims run-out experience.

13. Other Noninterest Expenses

The components of other noninterest expenses follow:

	2017	2016	2015
Advertising	$ 224,921	$ 182,165	$ 170,614
Armored car service	88,889	102,913	91,591
Deposit product services	29,132	61,782	58,988
Correspondent bank fees	59,639	58,510	55,146
Courier service	47,955	45,436	45,360
Director fees	296,000	264,100	263,150
Dues, donations, and subscriptions	295,708	93,686	94,760
Liability insurance	30,549	33,314	46,256
Postage	137,548	147,870	147,459
Professional fees	85,052	76,729	92,424
Stationery and supplies	118,267	107,574	95,475
Telecommunications	246,376	208,802	173,226
Miscellaneous	361,648	331,028	278,825
	$ 2,021,684	$ 1,713,909	$ 1,613,274

14. Related Party Transactions

The executive officers and directors of the Company enter into loan transactions with the Bank in the ordinary course of business. The terms of these transactions are similar to the terms provided to other borrowers entering into similar loan transactions. Executive officers and directors make deposits in the Bank, and provide overnight borrowings to the Bank that are recorded as securities sold under agreements to repurchase (repurchase agreements). They receive the same rates and terms on insured deposit accounts and repurchase agreements as other customers with similar accounts.

	2017	2016	2015
Related party loan activity			
Beginning balance	$ 21,789,966	$ 20,342,691	$ 18,615,894
Advances	20,091,159	6,782,738	13,996,350
Repayments	(12,051,364)	(5,335,463)	(12,785,897)
Other increases/(decreases)	2,056,708	-	516,344
Ending balance	$ 31,886,469	$ 21,789,966	$ 20,342,691
Unfunded loan commitments	$ 4,662,104	$ 3,125,133	$ 3,742,720
Deposits and repurchase agreements	$ 9,690,259	$ 6,878,957	$ 7,801,307

The Company purchases insurance policies from an insurance agency in which the owner is also a member of the Board of Directors. Commissions paid for the insurance policies are at similar commission rates charged by unrelated insurance agencies for similar policies. The amounts of insurance premiums paid to this related party totaled $59,231, $137,900, and $49,938 during the years ended December 31, 2017, 2016, and 2015, respectively. Payments in 2016 were higher due to the renewal of a three year insurance policy for Directors & Officers Liability, Employment Practices Liability and the Company's financial institution bond.

14. Related Party Transactions (continued)

The Company obtains legal services from a law firm in which one of the principal attorneys is also a member of the Board of Directors. Fees charged for these services are at similar rates charged by unrelated law firms for similar legal work. Amounts paid to this related party totaled $12,720, $11,221, and $36,428 during the years ended December 31, 2017, 2016, and 2015, respectively.

In 2017, the Company entered into a lease for office space located in Onley, Virginia in which the lessor is an entity owned by a member of the Board of Directors. The terms of the lease are similar to other commercial leases for similar property in that area. The amount paid to the related party under this lease was $3,750 in 2017.

Interior design services were provided to the Company by the spouse of the Chief Executive Officer and President. Amounts paid to this related party were $10,256 and $4,614 in 2017 and 2016, respectively.

15. Income Taxes

The components of income tax expense are as follows:	2017	2016	2015
Current income tax expense			
Federal	$ 2,281,951	$ 2,040,701	$ 2,152,461
State	550,985	432,438	470,685
Total current income tax expense	2,832,936	2,473,139	2,623,146
Deferred tax expense (benefit)	58,781	271,861	(65,646)
Total income tax expense	$ 2,891,717	$ 2,745,000	$ 2,557,500

The components of the deferred tax expense (benefit) follows:	2017	2016	2015
Nonaccrual loan interest	$ 20,267	$ (934)	$ (43,613)
Provision for loan losses	1,779	67,948	(20,283)
Provision for impairment of investment value	11,128	(7,339)	71,789
Other real estate owned	9,215	164,477	(37,670)
Employee benefit	(8,016)	(24,233)	(18,662)
Depreciation	(11,888)	50,435	25,544
Discount accretion	(48,717)	25,096	11,809
State loss carryforwards	31,570	(3,589)	(54,560)
Unrealized gain on available for sale securities	53,443	-	-
Total deferred income tax expense (benefit)	$ 58,781	$ 271,861	$ (65,646)

The components of the net deferred tax liability follows:	2017	2016	2015
Deferred tax assets			
Nonaccrual loan interest	$ 35,247	$ 55,514	$ 54,580
Allowance for loan losses	34,584	36,363	104,311
Other than temporary impairment of investment value	38,670	49,798	42,459
Other real estate owned	7,755	16,970	181,447
Employee benefit	53,691	45,675	21,442
Federal and state loss carryforwards	35,019	66,589	63,000
Total deferred tax assets	204,966	270,909	467,239
Deferred tax liabilities			
Depreciation	151,225	163,113	112,678
Discount accretion	22,130	70,847	45,751
Unrealized gain on available for sale securities	153,601	468,120	497,722
Total deferred tax liabilities	326,956	702,080	656,151
Net deferred tax liability	$ (121,990)	$ (431,171)	$ (188,912)

15. Income Taxes (continued)

A reconciliation of income tax expense on income from the statutory federal income tax rate to the effective income tax rate follows:

	2017	2016	2015
Statutory federal income tax rate	34.00 %	34.00 %	34.00 %
Increase (decrease) in tax rate resulting from			
State income taxes net of federal income tax benefit	4.18	4.23	4.21
Tax-exempt income	(2.94)	(2.51)	(2.61)
Non-deductible expenses	0.11	0.11	0.06
Income tax credits	-	(0.06)	-
Change in deferred tax rate	(0.91)	-	-
Effective income tax rate	34.44 %	35.77 %	35.66 %

There were no unrecognized tax benefits during any of the reported periods. The Company and its subsidiary file income tax returns in the U.S. federal and state jurisdictions. The Company and its subsidiary are no longer subject to U.S. federal and state income tax examinations for tax years prior to 2014. Certain loss carrybacks have been filed for years prior to 2013 which allow federal and state tax authorities to examine those years to the extent of the carryback amount.

On December 22, 2017 the Tax Cuts and Jobs Act was enacted into law which decreased the Company's Federal income tax rate from 34% to 21% for years after 2017. The enactment of the law prior to December 31, 2017 required management to remeasure deferred tax assets and liabilities using the new income tax rate which will be in effect when the deferred tax assets and liabilities reverse in future years. A net income tax benefit of $76,783 was recorded in 2017 related to the remeasurement of deferred tax assets and liabilities. This amount includes a $53,443 income tax benefit related to the remeasurement of deferred tax liabilities associated with net unrealized gains from available for sale securities. As of December 31, 2017, the income tax benefit of $53,443 was reclassified from retained earnings to other comprehensive income as permitted by Accounting Standards Update (ASU) No. 2018-02.

16. Other Comprehensive Income (Loss)

The tax expense (benefit) allocated to each component of other comprehensive income (loss) were as follows:

	Before Tax Amount	Tax Expense (Benefit)	Net of Tax Amount
December 31, 2017			
Securities available for sale:			
Net unrealized losses arising during the period	$ (557,777)	$ (228,125)	$ (329,652)
Decrease in net unrealized gain resulting from change to cost method	(69,647)	(27,472)	(42,175)
Reclassification of gain on sale included in net income	(34,935)	(13,780)	(21,155)
Reclassification of loss on other than temporary impairment of investment value included in net income	21,045	8,301	12,744
Total other comprehensive loss	$ (641,314)	$ (261,076)	$ (380,238)
December 31, 2016			
Securities available for sale:			
Net unrealized losses arising during the period	$ (122,053)	$ (41,785)	$ (80,268)
Reclassification of loss on sale included in net income	4,684	1,848	2,836
Reclassification of loss on other than temporary impairment of investment value included in net income	26,200	10,335	15,865
Total other comprehensive loss	$ (91,169)	$ (29,602)	$ (61,567)
December 31, 2015			
Securities available for sale:			
Net unrealized losses arising during the period	$ (112,753)	$ (36,096)	$ (76,657)
Reclassification of losses on sale included in net income	13,794	5,441	8,353
Total other comprehensive loss	$ (98,959)	$ (30,655)	$ (68,304)

16. Other Comprehensive Income (Loss) (continued)

Activity in accumulated other comprehensive income, net of tax, was as follows:

	Securities Available for Sale	Accumulated Other Comprehensive Income
Balance January 1, 2017	$ 792,784	$ 792,784
Unrealized losses arising during the period	(329,652)	(329,652)
Decrease in net unrealized gain resulting from change to cost method	(42,175)	(42,175)
Net gains reclassified from accumulated other comprehensive income	(21,155)	(21,155)
Loss on other than temporary impairment of investment value reclassified from accumulated other comprehensive income	12,744	12,744
Reclassification of stranded income tax effects from retained earnings	53,443	53,443
Net other comprehensive loss during the period	(326,795)	(326,795)
Balance December 31, 2017	$ 465,989	$ 465,989
Balance January 1, 2016	$ 854,351	$ 854,351
Unrealized losses arising during the period	(80,268)	(80,268)
Net losses reclassified from accumulated other comprehensive income	2,836	2,836
Loss on other than temporary impairment of investment value reclassified from accumulated other comprehensive income	15,865	15,865
Net other comprehensive loss during the period	(61,567)	(61,567)
Balance December 31, 2016	$ 792,784	$ 792,784
Balance January 1, 2015	$ 922,655	$ 922,655
Unrealized losses arising during the period	(76,657)	(76,657)
Net losses reclassified from accumulated other comprehensive income	8,353	8,353
Net other comprehensive loss during the period	(68,304)	(68,304)
Balance December 31, 2015	$ 854,351	$ 854,351

17. Fair Value Measurements

The fair value of an asset or liability is the price that would be received to sell that asset or paid to transfer that liability in an orderly transaction occurring in the principal market for such asset or liability. The fair value hierarchy established in the Financial Accounting Standards Board accounting standards codification topic titled *Fair Value Measurements* establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. Level 1 inputs are based on unadjusted quoted market prices in active markets for identical assets or liabilities. Level 2 inputs are based on significant observable inputs other than those in Level 1, either directly or indirectly. Level 3 inputs are based on significant unobservable inputs. The level in the hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

Financial assets measured at fair value on a recurring basis include investment securities classified as available for sale. U.S. Treasury securities and an equity investment in an actively traded public utility are valued utilizing Level 1 inputs. Municipal debt securities and residential mortgage-backed securities issued by U.S. government-sponsored enterprises are valued using Level 2 inputs. The Company has no financial assets measured at fair value on a recurring basis that are valued with Level 3 inputs. In 2017, management determined that community bank stock investments no longer meet the definition of marketable securities and have been accounted for under the cost method as of December 31, 2017. Due to this change, community bank stock investments are no longer measured at fair value on a recurring basis. The fair values for available for sale investment securities measured on a recurring basis were established as follows:

17. Fair Value Measurements (continued)

	Total Fair Value	Level 1 Inputs	Level 2 Inputs
December 31, 2017			
Securities available for sale:			
U.S. Treasury	$ 22,392,200	$ 22,392,200	$ -
Mortgage-backed securities	6,520,116	-	6,520,116
State and municipal	5,327,253	-	5,327,253
Equity	350,065	350,065	-
Total assets measured on a recurring basis	$ 34,589,634	$ 22,742,265	$ 11,847,369
December 31, 2016			
Securities available for sale:			
U.S. Treasury	$ 34,551,890	$ 34,551,890	$ -
State and municipal	1,317,324	-	1,317,324
Equity	1,683,232	644,776	1,038,456
Total assets measured on a recurring basis	$ 37,552,446	$ 35,196,666	$ 2,355,780
December 31, 2015			
Securities available for sale:			
U.S. Treasury	$ 40,595,170	$ 40,595,170	$ -
State and municipal	347,464	-	347,464
Equity	1,704,449	529,144	1,175,305
Total assets measured on a recurring basis	$ 42,647,083	$ 41,124,314	$ 1,522,769

The Company measures and reports certain financial and non-financial assets at fair value on a non-recurring basis. Financial assets measured and reported at fair value on a non-recurring basis include impaired loans that are deemed by management to be collateral dependent and have been recorded at the fair value of the underlying collateral by recording partial charge-offs. Non-financial assets measured and reported on a non-recurring basis included other real estate owned acquired through foreclosure.

The Company utilizes appraisals from independent 3rd party licensed appraisers to determine the fair value of collateral underlying impaired loans that are deemed collateral dependent and other real estate owned. The vast majority of appraisals utilize the market approach valuation technique due to the nature of the underlying properties. Due to the significance of adjustments made to observable market prices of similar properties and lack of similarities between comparable properties, the Company considers the appraisals used in determination of fair value for collateral dependent impaired loans and other real estate owned to be Level 3 inputs. In determining fair value, management also considers estimated holding and selling costs if sale of the property is the primary repayment source. When appropriate, management may also reduce the independent appraised value based on the current listing price of real estate for sale, prior experience in selling similar real estate or other factors not considered in the independent appraisal. The valuation process includes a review of the appraisal by the Bank's loan department, which is experienced in appraisal review procedures set forth by bank regulatory guidance.

Financial and non-financial assets measured and reported at fair value on a non-recurring basis, segregated by the level of the valuation inputs within the fair value hierarchy used to measure fair value are detailed in the following table.

17. Fair Value Measurements (continued)

	Total Fair Value	Level 3 Inputs
December 31, 2017		
Impaired loans recorded at fair value of collateral:		
Residential 1-4 family	$ 1,711,543	$ 1,711,543
Commercial mortgages	353,284	353,284
Total impaired loans recorded at fair value of collateral	2,064,827	2,064,827
Other real estate owned recorded at fair value of collateral:		
Construction, land development, and land	149,300	149,300
Total other real estate owned recorded at fair value of collateral	149,300	149,300
Total assets measured on a non-recurring basis	$ 2,214,127	$ 2,214,127
December 31, 2016		
Impaired loans recorded at fair value of collateral:		
Residential 1-4 family	$ 1,809,690	$ 1,809,690
Commercial mortgages	362,429	362,429
Total impaired loans recorded at fair value of collateral	2,172,119	2,172,119
Other real estate owned recorded at fair value of collateral:		
Construction, land development, and land	174,800	174,800
Total other real estate owned recorded at fair value of collateral	174,800	174,800
Total assets measured on a non-recurring basis	$ 2,346,919	$ 2,346,919
December 31, 2015		
Impaired loans recorded at fair value of collateral:		
Construction, land development, and land	$ 234,822	$ 234,822
Residential 1-4 family	2,022,697	2,022,697
Commercial mortgages	371,085	371,085
Total impaired loans recorded at fair value of collateral	2,628,604	2,628,604
Other real estate owned recorded at fair value of collateral:		
Construction, land development, and land	355,000	355,000
Total other real estate owned recorded at fair value of collateral	355,000	355,000
Total assets measured on a non-recurring basis	$ 2,983,604	$ 2,983,604

The estimated fair values of the Company's financial assets and liabilities, including those assets and liabilities that are not measured and reported at fair value on a recurring or non-recurring basis are summarized in the table below. The fair value of cash and due from banks, federal funds sold, accrued interest receivable, bank owned life insurance, noninterest-bearing deposits, securities sold under agreements to repurchase, and accrued interest payable approximately equals their carrying value. These financial assets and financial liabilities are excluded from the table below.

The fair values of a significant portion of the financial assets and financial liabilities presented in the table below are estimates derived using present value techniques prescribed by the Financial Accounting Standards Board and may not be indicative of the net realizable or liquidation values. The calculation of estimated fair values is based on market conditions at a specific point in time and may not reflect current or future fair values.

The fair value of time deposits in other financial institutions is estimated based on quoted interest rates for certificates of deposit with similar remaining terms.

Equity securities representing common stock investments in community banks and a bankers' bank are carried at cost which approximately equals their fair value.

17. Fair Value Measurements (continued)

The fair value of fixed-rate loans is estimated to be the present value of scheduled payments discounted using interest rates currently in effect for loans of the same class and term. Variable-rate loans, including loans with a demand feature, have an estimated fair value equal to their carrying amount. The carrying amount and fair value of loans presented in the table below is net of the allowance for loan losses. Impaired loans that are deemed by management to be collateral dependent and have been recorded at the fair value of the underlying collateral are valued utilizing Level 3 inputs. The fair value of outstanding loan commitments, letters of credit and unused lines of credit are considered to be the same as the contractual amounts, and are not included in the table below.

The fair value of interest-bearing checking, savings, and money market deposit accounts approximates the carrying value. The fair value of fixed-rate time deposits is estimated by discounting future cash flows using interest rates currently offered for deposits of similar remaining maturities.

	December 31, 2017		December 31, 2016		December 31, 2015	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets						
Level 1 inputs						
Investment securities	$ 64,192,223	$ 63,957,836	$ 92,298,651	$ 92,183,975	$ 103,247,998	$ 103,147,891
Level 2 inputs						
Time deposits	$ 32,538,834	$ 32,416,455	$ 28,292,945	$ 28,527,734	$ 22,669,132	$ 22,698,308
Investment securities	$ 32,118,107	$ 32,029,057	$ 27,141,550	$ 27,034,341	$ 25,100,711	$ 25,098,164
Loans, net	$ 292,295,565	$ 291,739,954	$ 263,472,201	$ 263,083,829	$ 240,613,100	$ 240,891,253
Level 3 inputs						
Equity securities, at cost	$ 851,538	$ 851,538	$ -	$ -	$ -	$ -
Loans, net	$ 2,064,827	$ 2,064,827	$ 2,172,119	$ 2,172,119	$ 2,628,604	$ 2,628,604
Financial liabilities						
Level 2 inputs						
Interest-bearing deposits	$ 289,728,947	$ 289,741,005	$ 276,583,867	$ 276,597,065	$ 262,852,559	$ 262,868,507

18. Regulatory Capital Standards

The holding company's primary regulator, the Federal Reserve, and the Bank's primary regulator, the Federal Deposit Insurance Corporation (FDIC) have adopted leverage and risk-based capital standards for their supervised banking institutions. These standards require ratios of capital to assets for minimum capital adequacy and to be classified as well capitalized under prompt corrective action provisions. Failure to meet minimum capital requirements can initiate certain mandatory, and possible additional, discretionary actions by the regulators that, if undertaken, could have a direct material effect on the Company's financial statements. Under these capital standards, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of assets, liabilities, and certain off balance sheet items as calculated under regulatory guidelines. The capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

The Federal Reserve and the FDIC have adopted a final rule that revises the risk-based and leverage capital requirements for their supervised banking institutions. The final rule implements the Basel III capital standards as established by the Basel Committee on Banking Supervision and certain provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The new regulatory capital requirements within the rule became effective January 1, 2015, subject to a phase-in period, and established higher minimum regulatory capital ratios, added a new Common Tier 1 regulatory capital ratio, established capital conservation buffers, and significantly revised the rules for calculating risk weighted assets. The holding company is not currently subject to the new regulatory capital requirements since its consolidated assets are less than $1 billion. The Bank is subject to the new regulatory capital requirements and management believes that, as of December 31, 2017, the Bank would exceed all requirements to be well capitalized under the new regulatory framework on a fully phased-in basis as if such requirements were currently in effect. The holding company may become subject to the new capital requirements in future periods if consolidated assets exceed $1 billion.

18. Regulatory Capital Standards (continued)

As of December 31, 2017, the most recent notification from the FDIC has categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain ratios as set forth in the table. There have been no conditions or events since that notification that management believes have changed the Bank's classification as well capitalized. The regulators, through formal or informal agreement, have the authority to require an institution to maintain higher capital ratios than those provided by statute, to be categorized as well capitalized.

The following table presents actual and required regulatory capital ratios for the holding company and Bank under the new regulatory capital rules effective January 1, 2015. The minimum required capital amounts presented include the minimum required capital levels based on the phase-in provisions of the new rules. Capital levels required to be considered well capitalized are based upon prompt corrective action regulations, as amended to reflect the changes under the new regulatory capital rules.

	Holding Company Actual		Bank Actual		To be well capitalized	Minimum adequacy
(in thousands)	Amount	Ratio	Amount	Ratio	Ratio	Ratio
December 31, 2017						
Common equity tier 1 capital	$ 81,457		$ 78,768			
To risk-weighted assets		27.4%		26.7%	6.5%	5.8%
Tier 1 capital	$ 81,457		$ 78,768			
To average fourth quarter assets		15.7%		15.3%	5.0%	4.0%
To risk-weighted assets		27.4%		26.7%	8.0%	7.3%
Total capital	$ 82,282		$ 79,561			
To risk-weighted assets		27.7%		26.9%	10.0%	9.3%
December 31, 2016						
Common equity tier 1 capital	$ 80,625		$ 77,590			
To risk-weighted assets		29.8%		28.8%	6.5%	5.1%
Tier 1 capital	$ 80,625		$ 77,590			
To average fourth quarter assets		16.1%		15.6%	5.0%	4.0%
To risk-weighted assets		29.8%		28.8%	8.0%	6.6%
Total capital	$ 81,342		$ 78,307			
To risk-weighted assets		30.0%		29.1%	10.0%	8.6%
December 31, 2015						
Common equity tier 1 capital	$ 78,927		$ 75,695			
To risk-weighted assets		32.3%		31.3%	6.5%	4.5%
Tier 1 capital	$ 78,927		$ 75,695			
To average fourth quarter assets		16.6%		16.0%	5.0%	4.0%
To risk-weighted assets		32.3%		31.3%	8.0%	6.0%
Total capital	$ 79,816		$ 76,584			
To risk-weighted assets		32.7%		31.7%	10.0%	8.0%

19. Holding Company Financial Information

Balance Sheets	December 31, 2017	2016	2015
Assets			
Cash and due from banks	$ 249,229	$ 390,942	$ 490,091
Interest-bearing deposits	6,061	6,058	6,053
Cash and cash equivalents	255,290	397,000	496,144
Time deposits in other financial institutions	450,000	440,000	465,000
Investment securities available for sale	350,065	1,683,233	1,704,449
Equity securities, at cost	851,538	-	-
Investment in subsidiary bank	78,938,925	77,923,655	76,100,683
Premises and equipment	987,637	1,004,908	1,017,210
Deferred income taxes	53,728	-	-
Other assets	35,696	45,545	73,796
Total assets	$ 81,922,879	$ 81,494,341	$ 79,857,282
Liabilities and Stockholders' Equity			
Deferred income taxes	$ -	$ 74,913	$ 76,067
Other liabilities	-	2,138	-
Total liabilities	-	77,051	76,067
Common stock, par value $1 per share	2,814,240	2,883,558	2,899,412
Additional paid-in capital	4,037,860	5,829,477	6,247,043
Retained earnings	74,604,790	71,911,471	69,780,409
Accumulated other comprehensive income, net of tax	465,989	792,784	854,351
Total stockholders' equity	81,922,879	81,417,290	79,781,215
Total liabilities and stockholders' equity	$ 81,922,879	$ 81,494,341	$ 79,857,282

Statements of Comprehensive Income	Years Ended December 31, 2017	2016	2015
Interest revenue	$ 5,408	$ 4,404	$ 3,999
Dividend revenue	53,334	61,241	38,537
Dividends from subsidiary	4,325,556	3,013,554	3,256,858
Other than temporary impairment of investment value	(21,045)	(26,200)	-
Gain (loss) on disposition of investment securities	52,463	(1,514)	52,151
Equity in undistributed income of subsidiary	1,150,890	1,894,822	1,309,416
Rental income	43,200	43,200	43,200
Total revenue	5,609,806	4,989,507	4,704,161
Occupancy	29,598	34,128	34,495
Other	42,535	39,266	38,185
Total expenses	72,133	73,394	72,680
Income before income taxes	5,537,673	4,916,113	4,631,481
Income tax expense (benefit)	32,858	(12,000)	16,500
Net income	5,504,815	4,928,113	4,614,981
Other comprehensive loss, net of tax			
Unrealized losses on available for sale securities arising during the period, net of taxes of $(261,076), $(29,602), and $(30,655)	(380,238)	(61,567)	(68,304)
Comprehensive income	$ 5,124,577	$ 4,866,546	$ 4,546,677

19. Holding Company Financial Information (continued)

Statements of Cash Flows	Years Ended December 31, 2017	2016	2015
Cash flows from operating activities			
Interest and dividends received	$ 4,388,174	$ 3,061,424	$ 3,296,965
Rental payments and fees received	43,200	43,200	43,200
Cash paid for operating expenses	(51,208)	(47,567)	(45,301)
Income tax refunds received	4,024	50,135	6,873
Net cash provided by operating activities	4,384,190	3,107,192	3,301,737
Cash flows from investing activities			
Certificates of deposit purchased, net of maturities	(10,000)	25,000	-
Proceeds from sale of investments available for sale	109,088	10,486	407,151
Purchases of premises and equipment	(6,000)	(11,351)	-
Net cash provided by investing activities	93,088	24,135	407,151
Cash flows from financing activities			
Common shares repurchased	(1,860,935)	(433,420)	(467,688)
Dividends paid	(2,758,053)	(2,797,051)	(2,788,715)
Net used by financing activities	(4,618,988)	(3,230,471)	(3,256,403)
Net increase (decrease) in cash and cash equivalents	(141,710)	(99,144)	452,485
Cash and cash equivalents at beginning of year	397,000	496,144	43,659
Cash and cash equivalents at end of year	$ 255,290	$ 397,000	$ 496,144
Reconciliation of net income to net cash provided by operating activities			
Net income	$ 5,504,815	$ 4,928,113	$ 4,614,981
Adjustments to reconcile net income to net cash provided by operating activities			
Undistributed net income of subsidiary	(1,150,890)	(1,894,822)	(1,309,416)
Depreciation	23,271	23,652	27,437
Other than temporary impairment of investment value	21,045	26,200	-
Loss/(gain) on disposition of investment securities	(52,463)	1,514	(52,151)
Decrease (increase) in			
Accrued interest receivable	4,642	(2,296)	(2,239)
Prepaid expenses	(209)	37	(58)
Accrued dividends	(766)	(15,479)	(189)
Increase (decrease) in			
Deferred and accrued income taxes	36,883	38,135	23,372
Other liabilities	(2,138)	2,138	-
Net cash provided by operating activities	$ 4,384,190	$ 3,107,192	$ 3,301,737

20. Quarterly Results of Operations (unaudited)

	Three months ended			
	December 31	September 30	June 30	March 31
2017				
Interest and dividend revenue	$ 4,302,101	$ 4,241,523	$ 4,079,887	$ 3,903,858
Interest expense	89,500	90,652	86,808	85,422
Net interest income	4,212,601	4,150,871	3,993,079	3,818,436
Provision for loan losses	15,000	-	(5,000)	25,000
Net income	1,284,176	1,502,608	1,444,309	1,273,722
Comprehensive income	1,034,781	1,379,966	1,459,190	1,250,640
Earnings per share	$ 0.46	$ 0.53	$ 0.52	$ 0.44
2016				
Interest and dividend revenue	$ 3,884,132	$ 3,899,561	$ 3,847,137	$ 3,735,593
Interest expense	89,121	90,339	88,138	88,546
Net interest income	3,795,011	3,809,222	3,758,999	3,647,047
Provision for loan losses	(300,000)	(50,000)	58,000	332,000
Net income	1,233,079	1,367,192	1,312,325	1,015,517
Comprehensive income	1,052,856	1,180,412	1,498,273	1,135,005
Earnings per share	$ 0.42	$ 0.48	$ 0.45	$ 0.35
2015				
Interest and dividend revenue	$ 3,612,267	$ 3,610,580	$ 3,549,481	$ 3,451,931
Interest expense	89,592	90,760	88,426	91,607
Net interest income	3,522,675	3,519,820	3,461,055	3,360,324
Provision for loan losses	(108,000)	-	85,000	80,000
Net income	1,188,294	1,182,230	1,145,327	1,099,130
Comprehensive income	1,057,756	1,287,022	1,082,809	1,119,090
Earnings per share	$ 0.41	$ 0.41	$ 0.39	$ 0.38

CALVIN B. TAYLOR BANKSHARES, INC.
CALVIN B. TAYLOR BANKING COMPANY

BOARD OF DIRECTORS

James R. Bergey, Jr.
James R. Bergey, III
John H. Burbage, Jr.
Todd E. Burbage
Charlotte K. Cathell
Thomas K. Coates
Reese F. Cropper, III
John P. Custis
G. Hale Harrison
Hale Harrison
M. Dean Lewis
Joseph E. Moore
Louis H. Taylor
Raymond M. Thompson

DIRECTORS EMERITI

Richard L. Bunting
Reese F. Cropper, Jr., Chairman Emeritus
William H. Mitchell
Michael L. Quillin, Sr.
Hugh F. Wilde, Sr.

EXECUTIVE COMMITTEE

Douglass M. Cook
Tina B. Kolarik
M. Dean Lewis*
Raymond M. Thompson
Outside Directors** (3)

* Alternate member

** Outside directors, those directors who are not officers of the Bank or Company, serve as rotating members of the Executive Committee. All outside directors serve as a rotating member of the Executive Committee during the year.

CALVIN B. TAYLOR BANKING COMPANY

Officers and Managers

EXECUTIVE OFFICERS

Raymond M. Thompson	President and Chief Executive Officer
Tina B. Kolarik	Executive Vice President and Chief Operating Officer
Douglass M. Cook	Executive Vice President and Chief Lending Officer
M. Dean Lewis	Vice President and Chief Financial Officer

BRANCH MANAGEMENT

Raymond I. Robinson, Jr.	Senior Vice President, Manager of 20th Street Branch, Security Officer
Margaret M. Mudron	Assistant Vice President, Manager of North Ocean City/Fenwick Branch
Lori A. Simon	Assistant Vice President, Manager of Ocean Landing Branch, CRA Officer
C. Ray Daisey	Assistant Vice President, Manager of Pocomoke Branch
Jennifer L. Figgs	Manager of West Ocean City Branch
Lynne A. Nicodemus	Manager of Ocean View, Delaware Branch
Casey E. Robinson	Manager of Ocean Pines Branch
Jennifer W. Scott	Manager of Main Office Branch
Jamie N. Hill	Manager of Snow Hill Branch
Marie E. Hickman	Manager of Chincoteague, Virginia Branch

LENDING AND BUSINESS DEVELOPMENT

V. Wesley McCabe, III	Vice President, Loan and Business Development Officer
Adam W. James	Vice President, Loan and Business Development Officer
Lee I. Chisholm	Assistant Vice President, Loan and Business Development Officer
Cory B. Walsh	Assistant Vice President, Loan and Business Development Officer
Ross A. Bergey	Loan and Business Development Officer
Kathy M. Warren	Loan Operations Supervisor
Scott P. Williams	Credit Administrator

OPERATIONS AND ADMINISTRATION

Alysson E. DuPont	Vice President and Director of Human Resources
Sandra H. Duncan	Assistant Vice President and Deposit Operations Manager
Kathleen J. Allam	Assistant Vice President and IT/Electronic Services Manager
Carl A. Vandivier	Information Systems Administrator
Victoria L. Cross	Marketing Manager

COMPLIANCE / AUDIT

Donna E. Weaver	Assistant Vice President, Compliance Officer and Internal Auditor

CALVIN B. TAYLOR BANKING COMPANY

Locations

Maryland

Berlin		
Main Office	24 N. Main Street Berlin, MD 21811	Phone: 410-641-1700 Fax: 410-641-0543
Ocean Pines	11103 Cathell Road Berlin, MD 21811	Phone: 410-641-5111 Fax: 410-641-6084
Ocean Landing	11359 Samuel Bowen Blvd Berlin, MD 21811	Phone: 410-641-1728 Fax: 410-641-2078
Ocean City		
20th Street	100 20th Street Ocean City, MD 21842	Phone: 410-289-8171 Fax: 410-289-6507
North Ocean City/Fenwick	14200 Coastal Highway Ocean City, MD 21842	Phone: 410-250-1405 Fax: 410-250-1379
Midtown Ocean City	9105 Coastal Highway Ocean City, MD 21842	Phone: 410-723-2044 Fax: 410-723-3870
West Ocean City	9923 Golf Course Road Ocean City, MD 21842	Phone: 410-213-1700 Fax: 410-213-2887
Pocomoke	2140 Old Snow Hill Road Pocomoke, MD 21851	Phone: 410-957-3200 Fax: 410-957-2125
Snow Hill	108 West Market Street Snow Hill, MD 21863	Phone: 410-632-1700 Fax: 410-632-1524

Delaware

Ocean View	50 Atlantic Avenue Ocean View, DE 19970	Phone: 302-541-0500 Fax: 302-541-0665

Virginia

Chincoteague	4116 Main Street Chincoteague, VA 23336	Phone: 757-336-6622 Fax: 757-336-6625
Loan Production Office	25020 Shore Parkway, Suite 1C Onley, VA 23418	Phone: 757-787-4183 Fax: 757-787-4327

Market for Common Stock and Related Matters

Stock Listing Information

The Company's common stock is traded in the "over the counter" (OTC) market under the ticker symbol TYCB. Stock quotes, trade prices, and volume information can be found on the OTCQX marketplace which is an electronic inter-dealer quotation system registered with the Securities and Exchange Commission (SEC) and Financial Industry Regulatory Authority (FINRA).

Transfer Agent

American Stock Transfer & Trust Company, LLC
6201 15th Avenue
Brooklyn, New York 11219
Phone (800) 937-5449, toll free

Additional Information

The following officers of the Company can provide additional information:

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(410) 641-1700
Email: rthompson@taylorbank.com

Mr. M. Dean Lewis, Treasurer
(410) 641-1700
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