

Board of Governors of the Federal Reserve System



Annual Report of Holding Companies—FR Y-6

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

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

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

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

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

I, **Peden B. McLeod**

Name of the Holding Company Director and Official

Chairman of the Board

Title of the Holding Company Director and Official

Communitycorp

Legal Title of Holding Company

Post Office Box 1707

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

Walterboro SC 29488

City State Zip Code

1100 North Jefferies Boulevard, Walterboro, SC 29488

Physical Location (if different from mailing address)

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.

Person to whom questions about this report should be directed:

Melissa T. Smyly AVP/ISO/Operations Officer

Name Title

843-782-5511

Area Code / Phone Number / Extension

843-782-3692

Area Code / FAX Number

msmyly@bankofwalterboro.com

E-mail Address

www.bankofwalterboro.com

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

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.

*[Signature]*  
 Signature of Holding Company Director and Official

03/19/2018

Date of Signature

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

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

For Federal Reserve Bank Use Only

RSSD ID \_\_\_\_\_

C.I. \_\_\_\_\_

Is confidential treatment requested for any portion of this report submission?  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)
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City State Zip Code	City State Zip Code
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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)

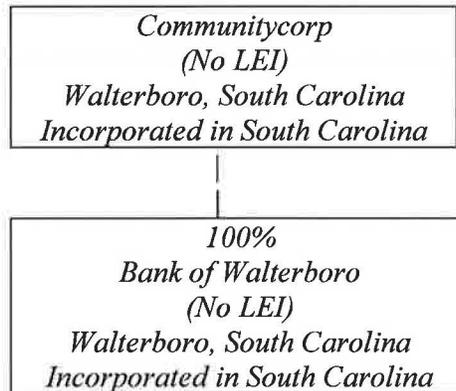
**Form FR Y-6**

**Bank of Walterboro  
Walterboro, South Carolina  
Year Ending December 31, 2017**

**Report Item**

- 1:** The bank holding company prepares an annual report for its securities holders and is not registered with the SEC. A copy is enclosed.

**2a: Organizational Chart**



- 2b:** Submitted early via email 03/07/2018.

**Results:** A list of branches for your depository institution: BANK OF WALTERBORO (ID\_RSSD: 1404481).  
 This depository institution is held by COMMUNITYCORP (2352842) of WALTERBORO, SC.  
 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)	1404481	BANK OF WALTERBORO	1100 NORTH JEFFERIES BLVD	WALTERBORO	SC	29488	COLLETON	UNITED STATES	Not Required	Not Required	BANK OF WALTERBORO	1404481	
OK		Full Service	2636672	RAVENEL OFFICE	6225 SAVANNAH HWY	RAVENEL	SC	29470	CHARLESTON	UNITED STATES	Not Required	Not Required	BANK OF WALTERBORO	1404481	
OK		Full Service	3366668	RIDGELAND BRANCH	8058 EAST MAIN STREET	RIDGELAND	SC	29936	JASPER	UNITED STATES	Not Required	Not Required	BANK OF WALTERBORO	1404481	
OK		Full Service	3285853	FOREST HILLS BRANCH	110 FOREST HILLS RD	WALTERBORO	SC	29488	COLLETON	UNITED STATES	Not Required	Not Required	BANK OF WALTERBORO	1404481	

Report Item 3: Security holders

Current securities holders with ownership, control or holdings of 5% or more with power to vote as of fiscal year ending 12/31/2017.				Securities holders not listed in 3(1a) through 3(1c) that had ownership, control or holdings of 5% or more with power to vote <u>during</u> the fiscal year ending 12/31/2017.		
1a Name City, State, Country	1b Country of Citizenship or Incorporation	1c Number & Percentage of each class of voting securities		2a Name City, State, Country	2b Country of Citizenship or Incorporation	2c Number & Percentage of each class of voting securities
Peden B. McLeod Walterboro, SC USA	USA	26,795	11.77%	none		
George W. Cone Walterboro, SC USA	USA	13,915	6.11%			
Pamela Robertson Columbia, SC USA	USA	13,230	5.81%			

Form FR Y-6  
Communitycorp  
December 31, 2017

Report Item 4: Insiders

1 Name City, State, Country	2 Principal Occupation if other than with Communitycorp	3a Title & Position with Communitycorp	3b Title & Position with Subsidiaries (include names of subsidiaries)	3c Title & Position with other businesses (include names of other businesses)	4a Percentage of voting shares in Communitycorp	4b Percentage of voting shares in Subsidiaries (include names of subsidiaries)	4c List names of other companies (includes partnerships) if 25% or more of voting securities are held (list names of companies and percentage voting securities held)
George W. Cone Walterboro, SC USA	Partner in Law Firm- McLeod, Fraser & Cone	Secretary	Secretary-Board of Directors- Bank of Walterboro	N/A	6.11%	6.11% Bank of Walterboro	49.0%- McLeod, Fraser & Cone
E. Lawton Huggins Walterboro, SC USA	N/A	Vice President	Vice President- Bank of Walterboro	N/A	0.04%	0.04% Bank of Walterboro	N/A
J. Barnwell Fishburne Walterboro, SC USA	Owner- Fishburne & Co.- Real Estate Sales & Rentals Member - Sunnyside Up LLC	Director	Director- Bank of Walterboro	N/A	0.63%	0.63% Bank of Walterboro	100.0%- Fishburne & Co. 25.0%- FHL, Inc. 50%- Sunnyside Up LLC
Harry L. Hill Florence, SC USA	Retired	Director	Director- Bank of Walterboro	N/A	1.41%	1.41% Bank of Walterboro	N/A
Peden B. McLeod Walterboro, SC USA	Partner in Law Firm- McLeod, Fraser & Cone Retired Code Commissioner & Director- SC Legislative Council	Chairman	Chairman of the Board- Bank of Walterboro	N/A	11.77%	11.77% Bank of Walterboro	51.0%- McLeod, Fraser & Cone
Pamela J. Robertson Columbia, SC USA	Admin. Asst. SC Senate	Director	Director- Bank of Walterboro	N/A	5.81%	5.81% Bank of Walterboro	N/A
John Reaves McLeod Walterboro, SC USA	Legislative Liason South Carolina Dept. of Juvenile Justice	Director	Director - Bank of Walterboro	N/A	1.26%	1.26% Bank of Walterboro	N/A
Gwendolyn P. Bunton Walterboro, SC USA	N/A	President	President- Bank of Walterboro	N/A	0.79%	0.79% Bank of Walterboro	N/A
Joseph S. Kassim Charleston, SC USA	N/A	Exec. Vice President	Exec. Vice President Bank of Walterboro	N/A	0.03%	0.03% Bank of Walterboro	N/A
D. Scott Rizer Walterboro, SC USA	President- Rizer Chevrolet Oldsmobile	Director	Director- Bank of Walterboro	N/A	0.59%	0.59% Bank of Walterboro	N/A
James M. Bunton Jr. Walterboro, SC USA	N/A	Vice-President	Vice-President Bank of Walterboro	N/A	1.01%	1.01% Bank of Walterboro	N/A

# **Communitycorp and Subsidiary**

## ***Report on Consolidated Financial Statements***

***For the years ended December 31, 2017 and 2016***

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# Communitycorp and Subsidiary

## Contents

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	<u>Page</u>
Letter to Shareholders .....	1
Selected Consolidated Financial Data .....	2
Independent Auditor's Report .....	3-4
<b>Consolidated Financial Statements</b>	
Consolidated Balance Sheets .....	5
Consolidated Statements of Operations .....	6
Consolidated Statements of Comprehensive Income .....	7
Consolidated Statements of Changes in Shareholders' Equity .....	8
Consolidated Statements of Cash Flows .....	9
Notes to Consolidated Financial Statements .....	10-38
Corporate Data .....	39-41

## COMMUNITYCORP AND SUBSIDIARY

Dear Shareholder,

We are pleased to report the progress of Communitycorp and its subsidiary, the Bank of Walterboro, during 2018, as we continue to create value for our shareholders. Our significant accomplishments reflect the loyalty of our customers and the dedication of our directors, management, and staff.

Net income for 2017 was \$1,155,376, or \$5.08 per share, compared to a net income of \$1,228,543, or \$5.38 per share for 2016. The slight decrease in net income is directly attributable to the recently enacted Tax Cut and Jobs Act, which was signed by President Trump on December 22, 2017. Under the new legislation, the corporate tax rate was reduced from 34% to 21%. As such, generally accepted accounting standards required the immediate write down of the deferred tax assets, through income tax expense, to a value reflective of the new corporate tax rate. Deferred tax assets for the Company are primarily comprised of timing differences in tax deductions. The resulting adjustment to tax expense was \$250,000. While the new tax law had a negative impact on the Company's earnings for 2017, we are excited about the long term benefit that we will recognize going forward due to the lower tax rate.

With the improvement in the economy in our markets, we have succeeded in maintaining strong capital ratios during 2017 and 2016.

Our total assets increased from \$185,856,640 on December 31, 2016 to \$201,375,144 as of year-end 2017, an increase of \$15,518,504, or 8.35%.

Loans receivable increased from \$87,207,030, to \$99,241,810, an increase of \$12,034,780, or 13.80%. The allowance for loan losses was 1.32% and 1.76% of gross loans at December 31, 2017 and 2016, respectively. During 2017, the Company opened a loan production office in downtown Charleston operating under the name Bank of the Lowcountry, a division of Bank of Walterboro. The Company also hired a senior lender with strong Charleston ties to lead the lending efforts at the newly opened loan production office.

Deposits increased in 2017 and were \$174,876,995 at year-end, compared to \$165,618,740 at year-end 2016, representing an increase of \$9,258,255, or 5.59%.

Our net interest margin increased from to 3.02% in 2016 to 3.15% in 2017.

Please review the financial information presented so that you may become aware of our progress. We believe this Annual Report shows that a local, well-managed independent bank can compete successfully in a deregulated market against national, regional, and statewide banking institutions. Our success can be attributed to the teamwork of our shareholders, directors, officers, and employees. Most importantly, we want to thank our customers for allowing us to be of service to them.

The Board of Directors, officers, and employees thank you for your past support. We are committed to earning your ongoing support as we continue our efforts to provide prompt, efficient, and courteous service to our customers. We welcome any suggestions you may have.

We invite and encourage you to attend our Annual Meeting on Tuesday, April 24, 2018.

Very truly yours,

Gwendolyn P. Bunton  
President

Peden B. McLeod  
Chairman of the Board and CEO

## Communitycorp and Subsidiary

### Selected Consolidated Financial Data

As of and for the years ended December 31, 2017, 2016, 2015, 2014 and 2013

#### Comparative Balance Sheet Information

(Dollars in thousands, except per share data)

	2017	2016	2015	2014	2013
<b>Results of Operations</b>					
Interest income	\$ 6,454	\$ 6,011	\$ 5,775	\$ 5,394	\$ 5,749
Interest expense	638	636	641	625	707
Net interest income	5,816	5,375	5,134	4,769	5,042
Provision for (recovery of) loan losses	(100)	122	72	60	720
Net interest income after provision for loan losses	5,916	5,253	5,062	4,709	4,322
Noninterest income	326	438	437	483	553
Noninterest expense	4,350	4,012	4,108	4,179	4,010
Income before income taxes	1,892	1,679	1,391	1,013	865
Income tax expense	737	450	370	244	205
Net income	\$ 1,155	\$ 1,229	\$ 1,021	\$ 769	\$ 660
<b>Balance Sheet Data</b>					
Securities available-for-sale	\$ 64,891	\$ 49,742	\$ 39,784	\$ 33,711	\$ 22,735
Securities held-to-maturity	-	-	200	200	200
Allowance for loan losses	1,309	1,532	1,596	1,748	2,075
Net loans	97,933	85,675	87,799	82,009	84,114
Premises and equipment, net	2,435	2,417	2,569	2,696	2,796
Total assets	201,375	185,857	187,905	165,521	156,059
Noninterest-bearing deposits	28,046	24,856	22,405	18,640	16,430
Interest-bearing deposits	146,831	140,763	145,060	127,118	120,897
Total deposits	174,877	165,619	167,465	145,758	137,327
Total liabilities	180,086	165,894	167,743	146,149	137,718
Total shareholders' equity	21,289	19,963	20,163	19,372	18,340
<b>Per Share Data</b>					
Weighted-average common shares outstanding	227,584	228,185	231,301	232,761	233,003
Net income	\$ 5.08	\$ 5.38	\$ 4.42	\$ 3.30	\$ 2.83
Cash dividends paid	1.25	1.00	0.75	0.50	0.50
Period end book value	93.54	87.72	87.80	83.32	78.71
<b>Equity and Assets Ratios</b>					
Return on average assets	0.59%	0.64%	0.58%	0.48%	0.42%
Return on average equity	5.61%	6.02%	5.20%	4.08%	3.59%
Equity to assets ratio	10.57%	10.74%	10.73%	11.70%	11.75%
Dividend payout ratio	24.62%	18.68%	17.07%	15.15%	17.66%



## Independent Auditor's Report

The Board of Directors  
Communitycorp and Subsidiary  
Walterboro, South Carolina

### Report on the Financial Statements

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

### Management's Responsibility for the Financial Statements

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

### 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 entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Communitycorp and Subsidiary as of December 31, 2017 and 2016, 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.

*Elliott Davis, LLC*

Columbia, South Carolina  
March 12, 2018

## Communitycorp and Subsidiary

### Consolidated Balance Sheets

As of December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Assets:</b>		
Cash and due from banks	\$ 3,864,261	\$ 4,646,587
Interest-bearing deposits	20,940,826	26,865,054
Federal funds sold	<u>5,000,000</u>	<u>5,000,000</u>
Cash and cash equivalents	<u>29,805,087</u>	<u>36,511,641</u>
Time deposits with other banks	1,750,000	5,000,000
Investment securities:		
Securities available-for-sale	64,890,596	49,742,241
Nonmarketable equity securities	<u>384,300</u>	<u>173,800</u>
Total investment securities	<u>65,274,896</u>	<u>49,916,041</u>
Loans receivable	99,241,810	87,207,030
Less allowance for loan losses	<u>(1,308,644)</u>	<u>(1,532,421)</u>
Loans, net	<u>97,933,166</u>	<u>85,674,609</u>
Premises and equipment, net	2,434,579	2,416,506
Accrued interest receivable	842,089	642,036
Other real estate owned	2,412,969	4,190,954
Other assets	<u>922,358</u>	<u>1,504,853</u>
Total assets	<u>\$ 201,375,144</u>	<u>\$ 185,856,640</u>
<b>Liabilities:</b>		
Deposits:		
Noninterest-bearing transaction accounts	\$ 28,046,136	\$ 24,586,133
Interest-bearing transaction accounts	48,387,323	38,329,187
Money market savings accounts	6,464,494	6,746,743
Savings	26,499,374	25,752,538
Time deposits \$250,000 and over	14,631,514	16,308,679
Other time deposits	<u>50,848,154</u>	<u>53,895,460</u>
Total deposits	174,876,995	165,618,740
Advances from the Federal Home Loan Bank	5,000,000	-
Accrued interest payable	120,978	118,392
Other liabilities	<u>88,079</u>	<u>156,483</u>
Total liabilities	<u>180,086,052</u>	<u>165,893,615</u>
Commitments and contingencies (Notes 4, 10 and 11)		
<b>Shareholders' equity:</b>		
Preferred stock, \$5 par value, 3,000,000 shares authorized and unissued	-	-
Common stock, \$5 par value, 3,000,000 shares authorized; 300,000 shares issued	1,500,000	1,500,000
Capital surplus	1,737,924	1,737,924
Retained earnings	23,301,162	22,346,579
Accumulated other comprehensive loss	(665,102)	(1,036,586)
Treasury stock, 72,416 shares at December 31, 2017 and 2016	<u>(4,584,892)</u>	<u>(4,584,892)</u>
Total shareholders' equity	<u>21,289,092</u>	<u>19,963,025</u>
Total liabilities and shareholders' equity	<u>\$ 201,375,144</u>	<u>\$ 185,856,640</u>

See Notes to Consolidated Financial Statements

**Communitycorp and Subsidiary**  
**Consolidated Statements of Operations**  
**For the years ended December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Interest income:</b>		
Loans, including fees	\$ 4,752,174	\$ 4,615,412
Investment securities:		
Taxable	707,343	793,004
Tax-exempt	522,555	317,786
Nonmarketable	8,182	7,503
Interest-bearing deposits	336,429	198,147
Time deposits with other banks	68,910	60,738
Federal funds sold	57,847	19,210
Total interest income	<u>6,453,440</u>	<u>6,011,800</u>
<b>Interest expense:</b>		
Deposits	633,234	636,304
Other interest expense	4,528	-
Total interest expense	<u>637,762</u>	<u>636,304</u>
<b>Net interest income</b>	5,815,678	5,375,496
Provision for (recovery of) loan losses	<u>(100,000)</u>	<u>122,000</u>
<b>Net interest income after provision for (recovery of) loan losses</b>	<u>5,915,678</u>	<u>5,253,496</u>
<b>Noninterest income:</b>		
Service charges on deposit accounts	223,099	251,263
Other charges, commissions, and fees	128,539	125,436
Gain (loss) on sale of available-for-sale securities	(43,451)	48,363
Other operating	17,870	12,531
Total noninterest income	<u>326,057</u>	<u>437,593</u>
<b>Noninterest expenses:</b>		
Salaries and employee benefits	2,062,227	1,841,928
Net occupancy	305,741	282,675
Equipment	471,698	461,604
Other operating	1,510,059	1,425,864
Total noninterest expenses	<u>4,349,725</u>	<u>4,012,071</u>
<b>Income before taxes</b>	1,892,010	1,679,018
Income tax expense related to ordinary operations	556,911	450,475
Income tax expense related to change in tax rate	179,723	-
Total income tax expense	<u>736,634</u>	<u>450,475</u>
<b>Net income</b>	<u>\$ 1,155,376</u>	<u>\$ 1,228,543</u>
Weighted-average common shares outstanding	<u>227,584</u>	<u>228,185</u>
Net income per share of common stock	<u>\$ 5.08</u>	<u>\$ 5.38</u>

See Notes to Consolidated Financial Statements

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**Communitycorp and Subsidiary**  
*Consolidated Statements of Comprehensive Income*  
*For the years ended December 31, 2017 and 2016*

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	<u>2017</u>	<u>2016</u>
<b>Net income</b>	\$ 1,155,376	\$ 1,228,543
<b>Other comprehensive income (loss)</b>		
Unrealized holding gains (losses) arising during the period	658,193	(1,620,730)
Tax effect	(231,265)	559,152
Reclassification adjustment for realized (gains) losses included in net income	43,451	(48,363)
Tax effect	<u>(15,208)</u>	<u>16,685</u>
<b>Other comprehensive income (loss), net of tax</b>	455,171	(1,093,256)
<b>Comprehensive income</b>	<u>\$ 1,610,547</u>	<u>\$ 135,287</u>

*See Notes to Consolidated Financial Statements*

**Communitycorp and Subsidiary**  
**Consolidated Statements of Changes in Shareholders' Equity**  
**For the years ended December 31, 2017 and 2016**

	Common Stock		Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income (loss)	Treasury Stock	Total
	Shares	Amount					
<b>Balance,</b>							
<b>December 31, 2015</b>	300,000	\$ 1,500,000	\$ 1,737,924	\$ 21,347,589	\$ 56,670	\$ (4,479,642)	\$ 20,162,541
Net income	-	-	-	1,228,543	-	-	1,228,543
Other comprehensive income, net of tax benefit of \$575,837	-	-	-	-	(1,093,256)	-	(1,093,256)
Purchase of treasury stock	-	-	-	-	-	(105,250)	(105,250)
Cash dividends paid (\$1.00 per share)	-	-	-	(229,553)	-	-	(229,553)
<b>Balance,</b>							
<b>December 31, 2016</b>	300,000	1,500,000	1,737,924	22,346,579	(1,036,586)	(4,584,892)	19,963,025
Net income	-	-	-	1,155,376	-	-	1,155,376
Other comprehensive income, net of tax expense of \$246,473	-	-	-	-	455,171	-	455,171
Reclassification of accumulated other comprehensive income due to tax rate change	-	-	-	83,687	(83,687)	-	-
Cash dividends paid (\$1.25 per share)	-	-	-	(284,480)	-	-	(284,480)
<b>Balance,</b>							
<b>December 31, 2017</b>	<u>300,000</u>	<u>\$ 1,500,000</u>	<u>\$ 1,737,924</u>	<u>\$ 23,301,162</u>	<u>\$ (665,102)</u>	<u>\$ (4,584,892)</u>	<u>\$ 21,289,092</u>

See Notes to Consolidated Financial Statements

**Communitycorp and Subsidiary**  
**Consolidated Statements of Cash Flows**  
**For the years ended December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Operating activities:</b>		
Net income	\$ 1,155,376	\$ 1,228,543
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for (recovery of) loan losses	(100,000)	122,000
Depreciation	169,278	203,525
Premium amortization less discount accretion on investment securities	313,918	60,550
(Gain) loss on sales of securities available-for-sale	43,451	(48,363)
Gain on sale of other real estate owned	(42,091)	(131,381)
Writedown of other real estate owned	13,800	90,500
Deferred income tax expense	363,792	40,167
Increase in accrued interest receivable	(200,053)	(32,412)
(Decrease) increase in accrued interest payable	2,586	(13,564)
Increase in other assets	(27,770)	(178,617)
Increase (decrease) in other liabilities	(68,404)	40,147
Net cash provided by operating activities	<u>1,623,883</u>	<u>1,381,095</u>
<b>Cash flows from investing activities:</b>		
Calls, maturities and paydowns of securities available-for-sale	4,229,022	32,413,112
Proceeds from sales of securities available-for-sale	30,788,660	1,387,964
Purchase of securities available-for-sale	(49,821,762)	(45,440,741)
Proceeds from maturities of securities held-to-maturity	-	200,000
Net (increase) decrease in loans to customers	(12,158,557)	1,258,364
Net increase in nonmarketable equity securities	(210,500)	(20,200)
Net (increase) decrease in time deposits with other banks	3,250,000	(2,000,000)
Proceeds from sale of other real estate owned	1,806,276	1,366,000
Purchases of premises and equipment	(187,351)	(51,143)
Net cash used by investing activities	<u>(22,304,212)</u>	<u>(10,886,644)</u>
<b>Cash flows from financing activities:</b>		
Net increase in demand deposits, interest-bearing transaction accounts and savings accounts	13,982,726	673,519
Net decrease in time deposits	(4,724,471)	(2,519,426)
Proceeds from advances from Federal Home Loan Bank	5,000,000	-
Purchase of treasury stock	-	(105,250)
Cash dividends paid	(284,480)	(229,553)
Net cash provided (used) by financing activities	<u>13,973,775</u>	<u>(2,180,710)</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(6,706,554)</u>	<u>(11,686,259)</u>
<b>Cash and cash equivalents, beginning of year</b>	<u>36,511,641</u>	<u>48,197,900</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 29,805,087</u>	<u>\$ 36,511,641</u>
<b>Cash paid during the year for:</b>		
Income taxes	\$ 382,814	\$ 525,770
Interest	635,176	649,868
<b>Supplemental non cash activities</b>		
Changes in unrealized gains (losses) on securities available-for-sale, net	\$ 455,171	\$ (1,093,256)
Foreclosures on loans	-	744,254

See Notes to Consolidated Financial Statements

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## **Communitycorp and Subsidiary**

### **Notes to Consolidated Financial Statements**

#### **December 31, 2017 and 2016**

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#### **Note 1. Organization and Significant Accounting Policies**

##### *Basis of presentation:*

Communitycorp, a bank holding company (the "Company"), and its subsidiary, Bank of Walterboro (the "Bank"), provide commercial banking services to domestic markets principally in Colleton, Charleston, and Jasper Counties, South Carolina. The consolidated financial statements include the accounts of the parent company and its wholly-owned subsidiary after elimination of all significant intercompany balances and transactions.

##### *Management's estimates:*

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the balance sheet date, and the reported amounts of income and expenses for the period. Actual results could differ significantly from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses, including valuation allowances for impaired loans, and the carrying amount of real estate acquired in connection with foreclosures or in satisfaction of loans, and income tax assets and liabilities. Management must also make estimates in determining the estimated useful lives and methods for depreciating premises and equipment.

While management uses available information to recognize losses on loans and foreclosed real estate, future additions to the allowance may be necessary based on changes in local economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the Company's allowances for losses on loans and foreclosed real estate. Such agencies may require the Company to recognize additions to the allowances based on their judgments about information available to them at the time of their examination. Because of these factors, it is reasonably possible that the allowances for losses on loans and foreclosed real estate may change materially in the near term.

##### *Concentrations of credit risk:*

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of loans receivable, investment securities, federal funds sold and amounts due from banks.

The Company makes loans to individuals and small businesses for various personal and commercial purposes principally in Colleton, Charleston, and Jasper Counties, South Carolina. The Company's loan portfolio is not concentrated in loans to any single borrower or a relatively small number of borrowers. Additionally, management is not aware of any concentrations of loans to classes of borrowers or industries that would be similarly affected by economic conditions.

In addition to monitoring potential concentrations of loans to particular borrowers or groups of borrowers, industries and geographic regions, management monitors exposure to credit risk from concentrations of lending products and practices such as loans that subject borrowers to substantial payment increases (e.g. principal deferral periods, loans with initial interest-only periods, etc.), and loans with high loan-to-value ratios. Additionally, there are industry practices that could subject the Company to increased credit risk should economic conditions change over the course of a loan's life. For example, the Company makes variable rate loans and fixed rate principal-amortizing loans with maturities prior to the loan being fully paid (i.e. balloon payment loans). These loans are underwritten and monitored to manage the associated risks. Therefore, management believes that these particular practices do not subject the Company to unusual credit risk.

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**Communitycorp and Subsidiary**  
*Notes to Consolidated Financial Statements*  
*December 31, 2017 and 2016*

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**Note 1. Organization and Significant Accounting Policies, Continued**

Concentrations of credit risk (continued):

The Company's investment portfolio consists principally of obligations of the United States, its agencies or its corporations, mortgage-backed securities, corporate bonds and general obligation municipal securities. In the opinion of management, there is no concentration of credit risk in its investment portfolio. The Company places its deposits and correspondent accounts with and sells its federal funds to high quality institutions. Management believes credit risk associated with correspondent accounts is not significant.

Cash, cash equivalents and cash flows:

For purposes of reporting cash flows, cash and cash equivalents includes cash on hand, due from banks, and demand deposits at other financial institutions. The Company considers certain highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash equivalents also include federal funds sold. Federal funds are generally sold for one-day periods.

Investment securities:

Management classified investment securities, including mortgage-backed securities issued by government-sponsored enterprises (GSE's), as available-for-sale. Securities available-for-sale are carried at amortized cost and adjusted to estimated market value by recognizing the aggregate unrealized gains or losses in a valuation account. Unrealized gains and losses are excluded from earnings and reported in other comprehensive income, net of deferred income taxes. Reductions in market value considered by management to be other than temporary are reported as a realized loss and a reduction in the cost basis of the security. The adjusted cost basis of securities available-for-sale is determined by specific identification and is used in computing the gain or loss upon sale. Securities available-for-sale are accounted for on a trade date basis.

As of December 31, 2017, the Company had no investment securities classified as held to maturity. In addition, no securities are held for short-term resale; therefore, the Company does not currently use a trading account classification.

Nonmarketable equity securities:

At December 31, 2017 and 2016, non-marketable equity securities consist of the following:

	<u>2017</u>	<u>2016</u>
Federal Home Loan Bank	\$ 379,800	\$ 169,300
Investment in community banks	<u>4,500</u>	<u>4,500</u>
	<u>\$ 384,300</u>	<u>\$ 173,800</u>

Nonmarketable equity securities are carried at cost since no quoted market value and no ready market exists. Investment in the Federal Home Loan Bank is a condition of borrowing from the Federal Home Loan Bank, and the stock is pledged to collateralize such borrowings. Dividends received on nonmarketable equity securities are included as a separate component of interest income.

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**Communitycorp and Subsidiary**  
*Notes to Consolidated Financial Statements*  
*December 31, 2017 and 2016*

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**Note 1. Organization and Significant Accounting Policies, Continued**

*Impairment of investment securities:*

Declines in the fair value of individual securities classified as either held-to-maturity or available-for-sale below their amortized cost that are deemed to be other-than-temporary result in write-downs included in operations as realized losses. In estimating other-than-temporary impairment, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for an anticipated recovery in fair value.

*Loans receivable and interest income:*

Loans are stated at the amount of unpaid principal reduced by an allowance for loan losses. Interest income on all loans is computed based upon the unpaid principal balance. Interest income is computed using the simple interest method and is recorded in the period earned.

The Company determines a loan to be delinquent when payments have not been made according to contractual terms, typically evidenced by nonpayment of a monthly installment by the due date. The accrual of interest income is discontinued when a loan becomes 90 days past due as to principal or interest. Management may elect to continue the accrual of interest when the estimated net realizable value of collateral exceeds the principal balance and accrued interest.

Loan origination and commitment fees and certain direct loan origination costs (principally salaries and employee benefits) are being deferred and amortized to income over the contractual life of the related loans or commitments, adjusted for prepayments using the level yield method.

*Allowance for loan losses:*

An allowance for loan losses is maintained at a level deemed appropriate by management to provide adequately for known and inherent risks in the loan portfolio. The allowance is based upon a continuing review of past loan loss experience, current economic conditions which may affect the borrowers' ability to pay, and the underlying collateral value of the loans. Loans or portions of loans that are deemed to be uncollectible are charged-off and deducted from the allowance. The provision for loan losses and recoveries on loans previously charged-off are added to the allowance.

The allowance consists of specific, general and unallocated components. The specific component relates to loans that are classified as impaired. For such loans an allowance is established when the discounted cash flows, or collateral value, less estimated selling costs, or observable market price of the impaired loan is lower than the carrying value of the loan. The general component covers loans not considered to be impaired and is based on historical loss experience adjusted for qualitative factors. An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

A loan is considered impaired when it is probable that the Bank will be unable to collect all amounts due according to the terms of the loan agreement. Impairment may be determined based upon the present value of expected cash flows, market price of the loan, if available, or value of the underlying collateral less estimated selling costs. Expected cash flows are required to be discounted at the loan's effective interest rate.

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**Communitycorp and Subsidiary**  
*Notes to Consolidated Financial Statements*  
*December 31, 2017 and 2016*

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**Note 1. Organization and Significant Accounting Policies, Continued**

Allowance for loan losses (continued):

When the ultimate collectability of an impaired loan's principal is in doubt, wholly or partially, cash receipts are applied to principal. Once the reported principal balance has been reduced to the loan's estimated net realized value, future cash receipts are applied to interest income, to the extent that any interest has been foregone. Further cash receipts are recorded as recoveries of any amounts previously charged-off. When this doubt does not exist, cash receipts are applied under the contractual terms of the loan agreement.

A loan is also considered impaired if its terms are modified in a troubled debt restructuring. For these accruing impaired loans, cash receipts are typically applied to principal and interest receivable in accordance with the terms of the restructured loan agreement. Interest income is recognized on these loans using the accrual method of accounting.

Loan fees and costs:

Nonrefundable fees and certain direct costs associated with the origination of loans are deferred and recognized as a yield adjustment over the contractual life of the related loans, or if the related loan is held for resale, until such time that the loan is sold. As of December 31, 2017 and 2016, the Bank did not have any loans held for sale. Recognition of deferred fees and costs is discontinued on nonaccrual loans until they return to accrual status or are charged off.

Premises and equipment:

Premises and equipment are stated at cost, less accumulated depreciation. The provision for depreciation is computed using the straight-line method, based on the following estimated useful lives: buildings - 40 years; furniture and equipment - 5 to 10 years. The cost of assets sold or otherwise disposed of, and the related allowance for depreciation are eliminated from the accounts and the resulting gains or losses are reflected in the statement of income when incurred. Maintenance and repairs are charged to current expense. The costs of major renewals and improvements are capitalized.

Other real estate owned:

Other real estate owned includes real estate acquired through foreclosure. Other real estate owned is initially recorded at the lower of cost or fair value at the date of foreclosure less estimated costs of disposal, which establishes a new cost basis. After foreclosure, valuations are periodically performed by management and properties are carried at the lower of cost or fair value less estimated costs of disposal. Any write-downs at the date of foreclosure or in-substance foreclosure are charged to the allowance for loan losses. Expenses to maintain the property, subsequent changes in the valuation allowance, and gains and losses on disposal are included in other operating expenses.

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**Communitycorp and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 31, 2017 and 2016**

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**Note 1. Organization and Significant Accounting Policies, Continued**

Fair value measurements:

The Company follows the guidance for Financial Instruments and Fair Value Measurements and Disclosures. This guidance permits entities to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This guidance clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Under this guidance, fair value measurements are not adjusted for transaction costs. This guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Income and expense recognition:

The accrual method of accounting is used for all significant categories of income and expense. Immaterial amounts of insurance commissions and other miscellaneous fees are reported when received.

Advertising expense:

Advertising and public relations costs are generally expensed as incurred. External costs incurred in producing media advertising are expensed the first time the advertising takes place. External costs relating to direct mailing costs are expensed in the period in which the direct mailings are sent. Advertising and public relations costs of \$46,586 and \$51,986, were included in the Company's other operating expense for 2017 and 2016, respectively.

Income taxes:

The Company accounts for income taxes in accordance with ASC 740, "Income Taxes." Under ASC 740, deferred tax assets or liabilities are computed based upon the difference between financial statement and income tax bases of assets and liabilities using the enacted marginal tax rate. The Company has provided a valuation allowance on its net deferred tax assets where it is more likely than not such assets will not be realized.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon settlement. See Note 14, "Income Taxes" for additional information. The Company records any penalties and interest attributed to uncertain tax positions as a component of income tax expense.

The Company has adopted ASU 2018-02, "Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income" which is considered a change in accounting principle. Because the required adjustment of deferred taxes is required to be included in income from continuing operations, the tax effects of items within accumulated other comprehensive income (commonly referred to as "stranded" tax effects) would not reflect the appropriate tax rate. Adoption of this ASU eliminates the "stranded" tax effects associated with the change in the federal corporate income tax rate in the Tax Cuts and Jobs Act of 2017. The Company has reclassified "stranded" tax effects totaling \$83,687 from accumulated other comprehensive loss to retained earnings and these reclassified amounts are reflected in the accompanying consolidated balance sheets and consolidated statements of changes in shareholders' equity.

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**Communitycorp and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 31, 2017 and 2016**

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**Note 1. Organization and Significant Accounting Policies, Continued**

Retirement and deferred compensation plans:

The Company has a trustee noncontributory profit-sharing plan, which provides retirement and other benefits to all full-time employees who have worked 1,000 or more hours during the calendar year and have put in one year of service. All eligible employees must be at least age 21. Contributions are determined annually by the Board of Directors. Expenses charged to earnings for the profit-sharing plan were \$61,968 and \$64,518 in 2017 and 2016, respectively. The Company's policy is to fund contributions to the profit-sharing plan in the amount approved by the Board of Directors. In addition, the plan includes a "salary reduction" feature pursuant to Section 401(k) of the Internal Revenue Code. Under the plan and present policies, participants are permitted to make discretionary contributions up to 10% of annual compensation.

Additionally, the Company has a nonqualified voluntary salary deferral plan for certain officers of the Company. Under the plan, these officers may defer up to 25% of their compensation and earn interest on the deferred amount. Upon retirement, the total amount deferred and interest earned is to be paid to each participant over a period not to exceed 15 years. The total amount deferred and unpaid under this plan was \$273,028 and \$322,013 at December 31, 2017 and 2016, respectively. No expenses were charged to earnings for the salary deferral plan in either 2017 or 2016. The Company does not provide post-employment benefits to employees beyond the plans described above.

Per share amounts:

Net income per-share is computed by dividing net income by the weighted average number of common shares outstanding during the period. The Company has no instruments considered common stock equivalents and therefore, diluted earnings per share is not presented.

Comprehensive income:

Accounting principles generally accepted in the United States of America require that recognized revenue, expenses, gains, and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the equity section of the balance sheet, such items, along with net income, are components of comprehensive income.

Off-balance sheet financial instruments:

In the ordinary course of business, the Company has entered into off-balance-sheet financial instruments consisting of commitments to extend credit, commitments under credit card arrangements, and letters of credit. These financial instruments are recorded in the financial statements when they become payable by the customer.

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**Communitycorp and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 31, 2017 and 2016**

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**Note 1. Organization and Significant Accounting Policies, Continued**

Recently issued accounting pronouncements:

The following is a summary of recent authoritative pronouncements:

In May 2014, the Financial Accounting Standards Board (FASB) issued guidance to change the recognition of revenue from contracts with customers. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. The guidance will be effective for the Company for annual periods beginning after December 15, 2018, and interim periods within annual reporting periods beginning after December 15, 2019. The Company will apply the guidance using a modified retrospective approach. The Company's revenue is comprised of net interest income and noninterest income. The scope of the guidance explicitly excludes net interest income as well as many other revenues for financial assets and liabilities including loans, leases, securities, and derivatives. Accordingly, the majority of the Company's revenues will not be affected. The Company is currently assessing revenue contracts related to revenue streams that are within the scope of the standard. The Company's accounting policies will not change materially since the principles of revenue recognition from the Accounting Standards Update (ASU) are largely consistent with existing guidance and current practices applied by the Company's businesses. The Company has not identified material changes to the timing or amount of revenue recognition. Based on the updated guidance, the Company does anticipate changes in disclosures associated with revenues. The Company will provide qualitative disclosures of performance obligations related to revenue recognition and will continue to evaluate disaggregation for significant categories of revenue in the scope of the guidance.

In January 2016, the FASB amended the Financial Instruments topic of the Accounting Standards Codification (ASC) to address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The amendments will be effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The Company will apply the guidance by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. The amendments related to equity securities without readily determinable fair values will be applied prospectively to equity investments that exist as of the date of adoption of the amendments. The Company does not expect these amendments to have a material effect on its financial statements.

In February 2016, the FASB amended the Leases topic of the ASC to revise certain aspects of recognition, measurement, presentation, and disclosure of leasing transactions. The amendments will be effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted. The Company expects to adopt the guidance using the modified retrospective method and practical expedients for transition. The practical expedients allow the Company to largely account for existing leases consistent with current guidance except for the incremental balance sheet recognition for lessees. The Company has started an initial evaluation of leasing contracts and activities. The Company has also started developing the methodology to estimate the right-of use assets and lease liabilities, which is based on the present value of lease payments; however, as of December 31, 2017, the Company does not expect these future minimum lease payments to have a material effect on its financial statements. The Company does not expect a material change to the timing of expense recognition, but is early in the implementation process and will continue to evaluate the impact. The Company is evaluating existing disclosures and may need to provide additional information as a result of adoption of the ASU.

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**Communitycorp and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 31, 2017 and 2016**

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**Note 1. Organization and Significant Accounting Policies, Continued**

Recently Issued Accounting Pronouncements, continued:

In March 2016, the FASB amended the Revenue from Contracts with Customers topic of the ASC to clarify the implementation guidance on principal versus agent considerations and address how an entity should assess whether it is the principal or the agent in contracts that include three or more parties. The amendments will be effective for the Company for annual periods beginning after December 15, 2018, and interim periods within annual reporting periods beginning after December 15, 2019. The Company does not expect these amendments to have a material effect on its financial statements.

In April 2016, the FASB amended the Revenue from Contracts with Customers topic of the ASC to clarify guidance related to identifying performance obligations and accounting for licenses of intellectual property. The amendments will be effective for the Company for annual periods beginning after December 15, 2018, and interim periods within annual reporting periods beginning after December 15, 2019. The Company does not expect these amendments to have a material effect on its financial statements.

In May 2016, the FASB amended the Revenue from Contracts with Customers topic of the ASC to clarify guidance related to collectability, noncash consideration, presentation of sales tax, and transition. The amendments will be effective for the Company for annual periods beginning after December 15, 2018, and interim periods within annual reporting periods beginning after December 15, 2019. The Company does not expect these amendments to have a material effect on its financial statements.

In June 2016, the FASB issued guidance to change the accounting for credit losses and modify the impairment model for certain debt securities. The amendments will be effective for the Company for annual periods beginning after December 15, 2020, and interim periods within annual reporting periods beginning after December 15, 2021. Early adoption is permitted for all organizations for periods beginning after December 15, 2018. The Company will apply the amendments to the ASU through a cumulative-effect adjustment to retained earnings as of the beginning of the year of adoption. While early adoption is permitted beginning in first quarter 2019, the Company does not expect to elect that option. The Company is evaluating the impact of the ASU on the consolidated financial statements with regards to the impact on the recorded allowance for loan losses given the change to estimated losses over the contractual life of the loans adjusted for expected prepayments. In addition to the allowance for loan losses, the Company will also record an allowance for credit losses on debt securities instead of applying the impairment model currently utilized. The amount of the adjustments will be impacted by each portfolio's composition and credit quality at the adoption date as well as economic conditions and forecasts at that time.

In August 2016, the FASB amended the Statement of Cash Flows topic of the ASC to clarify how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The amendments will be effective for the Company for fiscal years beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted. The Company does not expect these amendments to have a material effect on its financial statements.

In October 2016, the FASB amended the Income Taxes topic of the ASC to modify the accounting for intra-entity transfers of assets other than inventory. The amendments will be effective for the Company for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted. The Company does not expect these amendments to have a material effect on its financial statements.

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**Communitycorp and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 31, 2017 and 2016**

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**Note 1. Organization and Significant Accounting Policies, Continued**

Recently Issued Accounting Pronouncements, continued:

In November 2016, the FASB amended the Statement of Cash Flows topic of the ASC to clarify how restricted cash is presented and classified in the statement of cash flows. The amendments will be effective for the Company for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted. The Company does not expect these amendments to have a material effect on its financial statements.

In December 2016, the FASB issued technical corrections and improvements to the Revenue from Contracts with Customers Topic. These corrections make a limited number of revisions to several pieces of the revenue recognition standard issued in 2014. The effective date and transition requirements for the technical corrections will be effective for the Company for annual periods beginning after December 15, 2018, and interim periods within annual reporting periods beginning after December 15, 2019. The Company will apply the guidance using a modified retrospective approach. The Company does not expect these amendments to have a material effect on its financial statements.

In February 2017, the FASB amended the Other Income Topic of the ASC to clarify the scope of the guidance on nonfinancial asset derecognition as well as the accounting for partial sales of nonfinancial assets. The amendments conform the derecognition guidance on nonfinancial assets with the model for transactions in the new revenue standard. The amendments will be effective for the Company for annual periods beginning after December 15, 2018, and interim periods within annual reporting periods beginning after December 15, 2019. The Company does not expect these amendments to have a material effect on its financial statements.

In March 2017, the FASB amended the requirements in the Receivables-Nonrefundable Fees and Other Costs Topic of the ASC related to the amortization period for certain purchased callable debt securities held at a premium. The amendments shorten the amortization period for the premium to the earliest call date. The amendments will be effective for the Company for annual periods beginning after December 15, 2019, and interim periods within annual reporting periods beginning after December 15, 2020. Early adoption is permitted. The Company does not expect these amendments to have a material effect on its financial statements.

In February 2018, the FASB Issued (2018-02), *Income Statement (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*, which requires Companies to reclassify the stranded effects in other comprehensive income (loss) to retained earnings as a result of the change in the tax rates under the Tax Cuts and Jobs Act. The Company has opted to early adopt this pronouncement by retrospective application to each period (or periods) in which the effect of the change in the tax rate under the Tax Cuts and Jobs Act is recognized. The impact of the reclassification from other comprehensive loss to retained earnings is \$83,687.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies are not expected to have a material impact on the Company's financial position, results of operations or cash flows.

**Communitycorp and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 31, 2017 and 2016**

**Note 1. Organization and Significant Accounting Policies, Continued**

Risks and Uncertainties:

In the normal course of its business, the Company encounters two significant types of risks: economic and regulatory. There are three main components of economic risk: interest rate risk, credit risk and market risk. The Company is subject to interest rate risk to the degree that its interest-bearing liabilities mature or reprice at different speeds, or on different bases, than its interest-earning assets. Credit risk is the risk of default on the Company's loan portfolio that results from a borrower's inability or unwillingness to make contractually required payments. Market risk reflects changes in the value of collateral underlying loans receivable and the valuation of real estate held by the Company.

The Company is subject to the regulations of various governmental agencies. These regulations can and do change significantly from period to period. The Company also undergoes periodic examinations by the regulatory agencies, which may subject it to further changes with respect to asset valuations, amounts of required loss allowances and operating restrictions from the regulators' judgments based on information available to them at the time of their examination.

Reclassifications:

Certain captions and amounts in the 2016 consolidated financial statements were reclassified to conform with the 2017 presentation. Any such reclassifications had no impact on net income, earnings per common share, or shareholders' equity.

**Note 2. Cash and Due From Banks**

At December 31, 2017 and 2016, the Company was not required to maintain cash balances with its correspondent banks to cover cash letter transactions.

**Note 3. Investment Securities**

The amortized cost and fair values of securities available-for-sale are as follows:

	<b>December 31, 2017</b>			<b>Estimated Fair Value</b>
	<b>Amortized Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	
U.S. government agencies	\$ 23,869,544	\$ 12,417	\$ 560,645	\$ 23,321,316
Mortgage-backed securities	11,927,191	3,496	146,882	11,783,805
Municipals	29,974,791	69,853	259,169	29,785,475
Total	<u>\$ 65,771,526</u>	<u>\$ 85,766</u>	<u>\$ 966,696</u>	<u>\$ 64,890,596</u>

**Communitycorp and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 31, 2017 and 2016**

**Note 3. Investment Securities, Continued**

	<b>December 31, 2016</b>			<b>Estimated Fair Value</b>
	<b>Amortized Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	
U.S. government agencies	\$ 31,366,152	\$ 693	\$ 1,103,718	\$ 30,263,127
Mortgage-backed securities	5,531,959	4,298	156,696	5,379,561
Municipals	13,419,903	63,573	367,079	13,116,397
Corporate bonds	<u>1,006,801</u>	<u>-</u>	<u>23,645</u>	<u>983,156</u>
Total	<u>\$ 51,324,815</u>	<u>\$ 68,564</u>	<u>\$ 1,651,138</u>	<u>\$ 49,742,241</u>

The following is a summary of maturities of securities available-for-sale. The amortized cost and estimated fair values are based on the contractual maturity dates, with the exception of mortgage-backed securities, which may mature earlier than their average maturity lives due to principal prepayments.

<b>December 31, 2017</b>	<b>Amortized Cost</b>	<b>Estimated Fair Value</b>
Due after five years but within ten years	\$ 23,506,636	\$ 22,821,909
Due after ten years	<u>30,337,699</u>	<u>30,284,882</u>
	53,844,335	53,106,791
Mortgage-backed securities	<u>11,927,191</u>	<u>11,783,805</u>
Total	<u>\$ 65,771,526</u>	<u>\$ 64,890,596</u>

Gross proceeds from the sale of investment securities in 2017 and 2016 totaled \$30,788,660 and \$1,387,964, respectively. Sales of securities during 2017 resulted in gross realized gains of \$100,911 and gross realized losses of \$144,362. Sales of securities during 2016 resulted in gross realized gains of \$48,363.

At December 31, 2017 and 2016, investment securities with an amortized cost of \$23,669,341 and \$22,889,503, respectively, and a fair value of \$23,135,893 and \$22,407,231, respectively, were pledged as collateral to secure public deposits and short-term borrowings.

**Communitycorp and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 31, 2017 and 2016**

**Note 3. Investment Securities, Continued**

The following table shows gross unrealized losses and fair value, aggregated by investment category, and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2017 and 2016.

**Securities available-for-sale**

	December 31, 2017					
	Less than twelve months		Twelve months or more		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
U.S. government agencies	\$ 4,605,129	\$ 46,473	\$11,813,879	\$ 514,172	\$ 16,419,008	\$ 560,645
Mortgage-backed securities	7,926,772	73,906	3,747,104	72,976	11,673,876	146,882
Municipals	16,349,287	163,172	3,017,976	95,997	19,367,263	259,169
Total	<u>\$ 28,881,188</u>	<u>\$ 283,551</u>	<u>\$18,578,959</u>	<u>\$ 683,145</u>	<u>\$ 47,460,147</u>	<u>\$ 966,696</u>

	December 31, 2016					
	Less than twelve months		Twelve months or more		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
U.S. government agencies	\$ 28,218,225	\$ 1,103,718	\$ -	\$ -	\$ 28,218,225	\$ 1,103,718
Mortgage-backed securities	5,267,338	156,696	-	-	5,267,338	156,696
Municipals	8,282,864	367,079	-	-	8,282,864	367,079
Corporate bonds	983,156	23,645	-	-	983,156	23,645
Total	<u>\$ 42,751,583</u>	<u>\$ 1,651,138</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,751,583</u>	<u>\$ 1,651,138</u>

The Company believes that the deterioration in value is attributable to changes in market interest rates and not in credit quality; therefore, it considers these losses temporary. The Company does not intend to sell these securities and it is more likely than not that the Company will not be required to sell these securities before recovery of their amortized costs. At December 31, 2017 there were 25 securities in a loss position for more than 12 months. At December 31, 2016 there were no securities in a loss position for more than 12 months. Management evaluates investment securities in a loss position based on length of impairment, severity of impairment, and other factors.

**Communitycorp and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 31, 2017 and 2016**

**Note 4. Loans Receivable**

Following is a summary of loans receivable at December 31:

	<u>2017</u>	<u>2016</u>
Real estate - construction	\$ 7,546,126	\$ 8,800,085
Real estate - mortgage	67,998,010	67,450,040
Real estate - agricultural	7,659,879	-
Commercial and industrial	10,939,909	5,554,378
Consumer and other	5,097,886	5,402,527
Total gross loans	<u>\$ 99,241,810</u>	<u>\$ 87,207,030</u>

Consumer and other loans include overdrafts of demand deposits which have been reclassified to loans in the amount of \$72,603 and \$66,842 at December 31, 2017 and 2016, respectively. The Company had pledged \$19,360,958 and \$20,793,435 of loans as collateral for advances from the Federal Home Loan Bank as of December 31, 2017 and 2016, respectively (see Note 8).

The loan portfolio consisted of loans having:

	<u>2017</u>	<u>2016</u>
Variable rates	\$ 9,163,558	\$ 13,081,371
Fixed rates	90,078,252	74,125,659
Total gross loans	<u>\$ 99,241,810</u>	<u>\$ 87,207,030</u>

The following is a summary of information pertaining to our allowance for loan losses at December 31, 2017:

<i>(Dollars in thousands)</i>	<u>Real estate- construction</u>	<u>Real estate- mortgage</u>	<u>Real estate- agricultural</u>	<u>Commercial and industrial</u>	<u>Consumer and other</u>	<u>Total</u>
<b>Allowance for loan losses:</b>						
Beginning balance:	\$ 362	\$ 1,053	\$ -	\$ 46	\$ 71	\$ 1,532
Provisions	(259)	(19)	94	93	(9)	(100)
Recoveries	1	3	-	-	2	6
Charge-offs	-	(111)	-	(12)	(6)	(129)
Ending balance	<u>\$ 104</u>	<u>\$ 926</u>	<u>\$ 94</u>	<u>\$ 127</u>	<u>\$ 58</u>	<u>\$ 1,309</u>
Ending balances:						
Individually evaluated for impairment	<u>\$ -</u>	<u>\$ 81</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 81</u>
Collectively evaluated for impairment	<u>\$ 104</u>	<u>\$ 845</u>	<u>\$ 94</u>	<u>\$ 127</u>	<u>\$ 58</u>	<u>\$ 1,228</u>
<b>Loans receivable:</b>						
Ending balance - total	<u>\$ 7,546</u>	<u>\$ 67,998</u>	<u>\$ 7,660</u>	<u>\$ 10,940</u>	<u>\$ 5,098</u>	<u>\$ 99,242</u>
Ending balances:						
Individually evaluated for impairment	<u>\$ 266</u>	<u>\$ 3,152</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,418</u>
Collectively evaluated for impairment	<u>\$ 7,280</u>	<u>\$ 64,846</u>	<u>\$ 7,660</u>	<u>\$ 10,940</u>	<u>\$ 5,098</u>	<u>\$ 95,824</u>

**Communitycorp and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 31, 2017 and 2016**

**Note 4. Loans Receivable, Continued**

The following is a summary of information pertaining to our allowance for loan losses at December 31, 2016:

<i>(Dollars in thousands)</i>	<u>Real estate- construction</u>	<u>Real estate- mortgage</u>	<u>Real estate- agricultural</u>	<u>Commercial and industrial</u>	<u>Consumer and other</u>	<u>Total</u>
<b>Allowance for loan losses:</b>						
Beginning balance:	\$ 632	\$ 827	\$ -	\$ 111	\$ 26	\$ 1,596
Provisions	(268)	392	-	(47)	45	122
Recoveries	45	46	-	-	-	91
Charge-offs	(47)	(212)	-	(18)	-	(277)
Ending balance	<u>\$ 362</u>	<u>\$ 1,053</u>	<u>\$ -</u>	<u>\$ 46</u>	<u>\$ 71</u>	<u>\$ 1,532</u>
Ending balances:						
Individually evaluated for impairment	<u>\$ 46</u>	<u>\$ 55</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 101</u>
Collectively evaluated for impairment	<u>\$ 36</u>	<u>\$ 998</u>	<u>\$ -</u>	<u>\$ 46</u>	<u>\$ 71</u>	<u>\$ 1,431</u>
<b>Loans receivable:</b>						
Ending balance - total	<u>\$ 8,800</u>	<u>\$ 67,450</u>	<u>\$ -</u>	<u>\$ 5,554</u>	<u>\$ 5,403</u>	<u>\$ 87,207</u>
Ending balances:						
Individually evaluated for impairment	<u>\$ 81</u>	<u>\$ 3,991</u>	<u>\$ -</u>	<u>\$ 12</u>	<u>\$ -</u>	<u>\$ 4,084</u>
Collectively evaluated for impairment	<u>\$ 8,719</u>	<u>\$ 63,459</u>	<u>\$ -</u>	<u>\$ 5,542</u>	<u>\$ 5,403</u>	<u>\$ 83,123</u>

**Credit Quality Indicators**

The Company uses a risk based approach based on the following credit quality measures when analyzing the loan portfolio: pass, watch, special mention, and substandard. These indicators are used to rate the credit quality of loans for the purposes of determining the Company's allowance for loan losses.

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

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

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

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

**Communitycorp and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 31, 2017 and 2016**

**Note 4. Loans Receivable, Continued**

The following is an analysis of our loan portfolio by credit quality indicators at December 31, 2017:

<i>(Dollars in thousands)</i>	<u>Real estate- construction</u>	<u>Real estate- mortgage</u>	<u>Real estate- agricultural</u>	<u>Commercial and industrial</u>	<u>Consumer and other</u>	<u>Total</u>
Pass	\$ 7,269	\$ 64,812	\$ 7,660	\$ 10,901	\$ 5,066	\$ 95,708
Special mention	11	805	-	39	20	875
Substandard	266	2,381	-	-	12	2,659
Doubtful	-	-	-	-	-	-
Total	<u>\$ 7,546</u>	<u>\$ 67,998</u>	<u>\$ 7,660</u>	<u>\$ 10,940</u>	<u>\$ 5,098</u>	<u>\$ 99,242</u>

The following is an analysis of our loan portfolio by credit quality indicators at December 31, 2016:

<i>(Dollars in thousands)</i>	<u>Real estate- construction</u>	<u>Real estate- mortgage</u>	<u>Real estate- agricultural</u>	<u>Commercial and industrial</u>	<u>Consumer and other</u>	<u>Total</u>
Pass	\$ 7,579	\$ 63,154	\$ -	\$ 5,498	\$ 5,365	\$ 81,596
Special mention	148	1,731	-	43	22	1,944
Substandard	1,073	2,565	-	13	16	3,667
Doubtful	-	-	-	-	-	-
Total	<u>\$ 8,800</u>	<u>\$ 67,450</u>	<u>\$ -</u>	<u>\$ 5,554</u>	<u>\$ 5,403</u>	<u>\$ 87,207</u>

The following is an aging analysis of our loan portfolio at December 31, 2017:

<i>(Dollars in thousands)</i>	<u>30 - 59 Days Past Due</u>	<u>60 - 89 Days Past Due</u>	<u>Greater Than 90 Days</u>	<u>Total Past Due</u>	<u>Current</u>	<u>Total Loans Receivable</u>	<u>Recorded Investment &gt;90 Days and Accruing</u>
Real estate - construction	\$ -	\$ -	\$ -	\$ -	\$ 7,546	\$ 7,546	\$ -
Real estate - mortgage	32	-	151	183	67,815	67,998	-
Real estate - agricultural	-	-	-	-	7,660	7,660	-
Commercial and industrial	13	-	-	13	10,927	10,940	-
Consumer and other	-	-	-	-	5,098	5,098	-
	<u>\$ 45</u>	<u>\$ -</u>	<u>\$ 151</u>	<u>\$ 196</u>	<u>\$ 99,046</u>	<u>\$ 99,242</u>	<u>\$ -</u>

The following is an aging analysis of our loan portfolio at December 31, 2016:

<i>(Dollars in thousands)</i>	<u>30 - 59 Days Past Due</u>	<u>60 - 89 Days Past Due</u>	<u>Greater Than 90 Days</u>	<u>Total Past Due</u>	<u>Current</u>	<u>Total Loans Receivable</u>	<u>Recorded Investment &gt;90 Days and Accruing</u>
Real estate - construction	\$ -	\$ -	\$ -	\$ -	\$ 8,800	\$ 8,800	\$ -
Real estate - mortgage	67	-	214	281	67,169	67,450	-
Real estate - agricultural	-	-	-	-	-	-	-
Commercial and industrial	20	-	12	32	5,522	5,554	-
Consumer and other	8	2	2	12	5,391	5,403	-
	<u>\$ 95</u>	<u>\$ 2</u>	<u>\$ 228</u>	<u>\$ 325</u>	<u>\$ 86,882</u>	<u>\$ 87,207</u>	<u>\$ -</u>

The Company identifies impaired loans through its normal internal loan review process. Loans on the Company's problem loan watch list are considered potentially impaired loans. These loans are evaluated in determining whether all outstanding principal and interest are expected to be collected. Loans are not considered impaired if a minimal delay occurs and all amounts due including accrued interest at the contractual interest rate for the period of delay are expected to be collected.

**Communitycorp and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 31, 2017 and 2016**

**Note 4. Loans Receivable, Continued**

The following is an analysis of our impaired loan portfolio detailing the related allowance recorded at December 31, 2017:

<i>(Dollars in thousands)</i>	<b>Recorded Investment</b>	<b>Unpaid Principal Balance</b>	<b>Related Allowance</b>	<b>Average Recorded Investment</b>	<b>Interest Income Recognized</b>
With no related allowance needed:					
Real estate-construction	\$ 266	\$ 266	\$ -	\$ 471	\$ 41
Real estate-mortgage	1,265	1,320	-	1,338	60
Real estate-agricultural	-	-	-	-	-
Commercial and industrial	-	-	-	-	-
Consumer and other	-	-	-	-	-
	<u>1,531</u>	<u>1,586</u>	<u>-</u>	<u>1,809</u>	<u>101</u>
With an allowance recorded:					
Real estate construction	\$ -	\$ -	\$ -	\$ -	\$ -
Real estate-mortgage	1,887	1,887	81	1,902	109
Real estate-agricultural	-	-	-	-	-
Commercial and industrial	-	-	-	-	-
Consumer and other	-	-	-	-	-
	<u>1,887</u>	<u>1,887</u>	<u>81</u>	<u>1,902</u>	<u>109</u>
Total:					
Real estate construction	\$ 266	\$ 266	\$ -	\$ 471	\$ 41
Real estate-mortgage	3,152	3,207	81	3,420	169
Real estate-agricultural	-	-	-	-	-
Commercial and industrial	-	-	-	-	-
Consumer and other	-	-	-	-	-
	<u>\$ 3,418</u>	<u>\$ 3,473</u>	<u>\$ 81</u>	<u>\$ 3,711</u>	<u>\$ 210</u>

The following is an analysis of our impaired loan portfolio detailing the related allowance recorded at December 31, 2016:

	<b>Recorded Investment</b>	<b>Unpaid Principal Balance</b>	<b>Related Allowance</b>	<b>Average Recorded Investment</b>	<b>Interest Income Recognized</b>
With no related allowance needed:					
Real estate-construction	\$ -	\$ -	\$ -	\$ -	\$ -
Real estate-mortgage	1,878	2,065	-	1,774	86
Real estate-agricultural	-	-	-	-	-
Commercial and industrial	12	27	-	20	1
Consumer and other	-	-	-	-	-
	<u>1,890</u>	<u>2,092</u>	<u>-</u>	<u>1,794</u>	<u>87</u>
With an allowance recorded:					
Real estate construction	\$ 81	\$ 81	\$ 46	\$ 80	\$ 3
Real estate-mortgage	2,113	2,113	55	2,144	109
Real estate-agricultural	-	-	-	-	-
Commercial and industrial	-	-	-	-	-
Consumer and other	-	-	-	-	-
	<u>2,194</u>	<u>2,194</u>	<u>101</u>	<u>2,224</u>	<u>112</u>
Total:					
Real estate construction	\$ 81	\$ 81	\$ 46	\$ 80	\$ 3
Real estate-mortgage	3,991	4,178	55	3,918	195
Real estate-agricultural	-	-	-	20	1
Commercial and industrial	12	27	-	-	-
Consumer and other	-	-	-	-	-
	<u>\$ 4,084</u>	<u>\$ 4,286</u>	<u>\$ 101</u>	<u>\$ 4,018</u>	<u>\$ 199</u>

**Communitycorp and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 31, 2017 and 2016**

**Note 4. Loans Receivable, Continued**

Loans totaling \$339,479 and \$431,057 were in nonaccruing status at December 31, 2017 and 2016, respectively. When the ultimate collectability of loan principal is in doubt, wholly or partially, the loan is placed on nonaccrual status and all cash receipts are applied to the principal. When this doubt does not exist, cash receipts are applied under the contractual terms of the loan agreement.

Included in the impaired loans above are particular loans that have been modified in order to maximize the collection of loan balances. If, for economic or legal reasons related to the customer's financial difficulties, the Company grants a concession compared to the original terms and conditions on the loan, the modified loan is classified as a troubled debt restructuring ("TDR").

The following table summarizes the carrying balance of TDRs as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Performing TDRs	\$ 2,385,186	\$ 2,393,029
Nonperforming TDRs	<u>188,328</u>	<u>202,728</u>
Total TDRs	<u>\$ 2,573,514</u>	<u>\$ 2,595,757</u>

Loans classified as TDRs may be removed from this status for disclosure purposes after a specified period of time if the restructured agreement specifies an interest rate equal to or greater than the rate that the lender was willing to accept at the time of the restructuring for a new loan with comparable risk, and the loan is performing in accordance with the terms specified by the restructured agreement.

The following is an analysis of TDRs identified during 2017:

	<u>For the year ended December 31, 2017</u>		
	<u>Number of Contracts</u>	<u>Pre-Modification Outstanding Recorded Investment</u>	<u>Post-Modification Outstanding Recorded Investment</u>
<b>Troubled Debt Restructurings</b>			
Real estate - mortgage	1	\$ 518,270	\$ 518,270

During the year ended December 31, 2017, the Company modified one loan that was considered to be a TDR as a result of changes to payment terms. No loans were in default that were previously restructured within the last twelve months. A default is considered to be any loan greater than ninety days past due.

**Communitycorp and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 31, 2017 and 2016**

**Note 4. Loans Receivable, Continued**

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments consist of commitments to extend credit and standby letters of credit. Commitments to extend credit are legally binding agreements to lend to a customer at predetermined interest rates as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. A commitment involves, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheets. The Company's exposure to credit loss in the event of nonperformance by the other party to the instrument is represented by the contractual notional amount of the instrument. Since certain commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Standby letters of credit are conditional commitments issued to guarantee a customer's performance to a third party and have essentially the same credit risk as other lending facilities. Standby letters of credit often expire without being used. The Company believes that through various sources of liquidity, it has the necessary resources to meet obligations arising from these financial instruments.

The Company uses the same credit underwriting procedures for commitments to extend credit and standby letters of credit as it does for on-balance sheet instruments. The credit worthiness of each borrower is evaluated and the amount of collateral, if deemed necessary, is based on the credit evaluation. Collateral held for commitments to extend credit and standby letters of credit varies but may include accounts receivable, inventory, property, plant, equipment, and income-producing commercial properties.

The following table summarizes the Company's off-balance-sheet financial instruments whose contractual amounts represent credit risk at December 31:

	<u>2017</u>	<u>2016</u>
Commitments to extend credit	\$ 8,219,000	\$ 5,050,000
Standby letters of credit	1,831,000	1,981,000

Management is not aware of any significant concentrations of loans to classes of borrowers or industries that would be affected similarly by economic conditions. At December 31, 2017, the Company was not committed to lend additional funds to borrowers having loans in nonaccrual status.

**Note 5. Premises and Equipment**

Premises and equipment is summarized as follows as of December 31:

	<u>2017</u>	<u>2016</u>
Land	\$ 732,069	\$ 710,605
Building and leasehold improvements	2,755,689	2,745,708
Furniture and equipment	<u>1,178,806</u>	<u>1,129,401</u>
	4,666,564	4,585,714
Less accumulated depreciation	<u>(2,231,985)</u>	<u>(2,169,208)</u>
Premises and equipment, net	<u>\$ 2,434,579</u>	<u>\$ 2,416,506</u>

Depreciation expense was \$169,278 and \$203,525 for the years ended December 31, 2017 and 2016, respectively.

**Communitycorp and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 31, 2017 and 2016**

**Note 5. Premises and Equipment, Continued**

The Company opened a new Loan Production Office in 2017 under a one-year lease agreement. Lease expense for the year ended December 31, 2017 was \$12,722 and future minimum lease payments are \$39,280. The Company has the option to renew the lease agreement for a one-year term and a subsequent six-month term, with each renewal carrying a 3% increase in rental rate.

**Note 6. Other Real Estate Owned**

The following summarizes the activity in the other real estate owned for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 4,190,954	\$ 4,771,819
Additions	-	744,254
Sales	(1,764,185)	(1,234,619)
Writedowns	(13,800)	(90,500)
Balance, end of year	<u>\$ 2,412,969</u>	<u>\$ 4,190,954</u>

The Company recognized a net gain of \$42,091 and \$131,381 on the sale of other real estate owned for the years ended December 31, 2017 and 2016, respectively.

Other real estate owned expense for the years ended December 31, 2017 and 2016 was \$218,055 and \$312,989, respectively.

**Note 7. Deposits**

At December 31, 2017, the scheduled maturities of time deposits are as follows:

2018	\$ 54,744,764
2019	9,369,196
2020	1,264,257
2021	50,378
2022	51,073
	<u>\$ 65,479,668</u>

There were no brokered deposits included in time deposits at December 31, 2017 or 2016.

Interest expense on time deposits that meet or exceed the FDIC insurance limit of \$250,000 was \$66,993 and \$92,534 for the years ended December 31, 2017 and 2016, respectively.

**Communitycorp and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 31, 2017 and 2016**

**Note 8. Advances from Federal Home Loan Bank**

Advances from the Federal Home Loan Bank (FHLB) consisted of the following at December 31, 2017 and 2016:

<u>Description</u>	<u>Current Interest Rate</u>	<u>2017 Balance</u>	<u>2016 Balance</u>
FHLB advances maturing December 8, 2027	1.55%	\$ 5,000,000	\$ -
		<u>\$ 5,000,000</u>	<u>\$ -</u>

As collateral, the Company has pledged first mortgage loans on one to four family residential loans totaling \$19,360,958 at December 31, 2017. In addition, the Company's Federal Home Loan Bank stock is pledged to secure the borrowings. Certain advances are subject to prepayment penalties.

**Note 9. Related Party Transactions**

Certain parties (principally certain directors and officers of the Company, their immediate families and business interests) were loan customers of, and had other transactions in the normal course of business with, the Company. Related party loans are made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated persons and do not involve more than normal risk of collectability. The aggregate dollar amount of loans to related parties was \$2,150,784 and \$1,889,791 at December 31, 2017 and 2016, respectively.

Legal services were provided to the Company in the ordinary course of business by a law firm in which three of the partners are directors of the Company. The amount paid to this law firm for services rendered during 2017 and 2016 was \$6,120 and \$19,888, respectively.

**Note 10 Unused Lines of Credit**

At December 31, 2017 the Bank had unused lines of credit to purchase federal funds from other financial institutions totaling \$25,000,000. Under the terms of the agreements, the Bank may borrow at mutually agreed-upon rates for one to fourteen day periods. As of December 31, 2017, the Bank had not borrowed on these lines. The Bank has an additional line of credit to borrow funds from the Federal Home Loan Bank. As of December 31, 2017, the total line of credit with Federal Home Loan Bank was \$19,360,958 of which \$5,000,000 has been advanced and \$14,360,958 was available to the Bank.

**Note 11. Commitments and Contingencies**

The Company is subject to claims and lawsuits that arise primarily in the ordinary course of business. At December 31, 2017, management is not aware of any pending or threatened litigation or unasserted claims that would have a material adverse effect on the financial position or operating results of the Company.

The Company makes loans to individuals and small businesses for various personal and commercial purposes. Although the Company's loan portfolio is diversified, a substantial portion of its borrowers' ability to honor the terms of their loans is dependent on business and economic conditions in Colleton, Charleston, and Jasper Counties and surrounding areas. The Company's loan portfolio is not concentrated in loans to any single borrower or in a relatively small number of borrowers. Additionally, management is not aware of any concentrations of loans to classes of borrowers or industries that would be similarly affected by economic conditions.

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**Communitycorp and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 31, 2017 and 2016**

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**Note 12. Shareholders' Equity**

The Company had 72,416 shares held in treasury stock at both December 31, 2017 and 2016. The Company did not purchase any shares of treasury stock during 2017. During 2016, the Company purchased 2,069 shares of treasury stock for \$105,250.

The ability of the Company to pay cash dividends is dependent upon receiving cash in the form of dividends from the Bank. However, certain restrictions exist regarding the ability of the Bank to transfer funds to Communitycorp in the form of cash dividends. Dividends to the Company are payable only from the undivided profits of the Bank. At December 31, 2017, the Bank's undivided profits were \$18,471,659. The Bank is authorized to pay cash dividends up to 100% of net income in any calendar year without obtaining the prior approval of the S.C. Commissioner of Banking provided that the Bank received a composite rating of one or two at the last Federal or State regulatory examination. Under Federal Reserve Board regulations, the amounts of loans or advances from the Bank to the parent company are also restricted.

**Note 13. Other Operating Expenses**

Other operating expenses are summarized as follows for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Stationery, printing, and postage	\$ 176,440	\$ 167,971
Federal deposit insurance premiums	60,872	154,610
Professional fees	326,587	269,218
Directors' fees	112,000	93,000
Telephone	88,381	82,210
ATM surcharges	71,965	79,016
Other real estate owned	175,963	183,448
Other	497,851	396,391
Total	<u>\$ 1,510,059</u>	<u>\$ 1,425,864</u>

**Communitycorp and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 31, 2017 and 2016**

**Note 14. Income Taxes**

The Tax Cuts and Jobs Act (TCJA) was signed into law by the President on December 22, 2017. The TCJA includes the reduction in the corporate tax rate from a top rate of 35% to a flat rate of 21%, changes in business deductions, and many international provisions.

The components of the net deferred tax assets are as follows at December 31:

	<u>2017</u>	<u>2016</u>
Deferred tax assets:		
Allowance for loan losses	\$ 68,917	\$ 243,962
Deferred compensation	57,338	109,484
Nonaccrual loan interest income	17,198	28,309
Other real estate owned	49,026	184,030
Securities available-for-sale	216,312	545,988
Other	<u>30,753</u>	<u>40,971</u>
Total deferred tax assets	<u>439,544</u>	<u>1,152,744</u>
Deferred tax liabilities:		
Accumulated depreciation	51,806	72,553
Prepays	<u>15,495</u>	<u>97,684</u>
Total net deferred tax liabilities	<u>67,301</u>	<u>170,237</u>
Net deferred tax asset recognized	<u>\$ 372,243</u>	<u>\$ 982,507</u>

Deferred tax assets represent the future tax benefit of deductible differences, and, if it is more likely than not that a tax asset will not be realized, a valuation allowance is required to reduce the recorded deferred tax assets to net realizable value. Management has determined that a valuation allowance is needed for South Carolina net operating losses of the holding company.

A reconciliation between the income tax expense and the amount computed by applying the Federal statutory rate of 34% to income before income taxes follows for the years ended December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Tax expense at statutory rate	\$ 643,283	\$ 570,866
State income tax, net of federal income tax effect	1,323	36,810
Tax-exempt interest income	(153,856)	(127,854)
Disallowed interest expense	9,980	4,815
Impact of tax rate change	179,723	-
Other, net	<u>56,181</u>	<u>(34,162)</u>
Income tax expense	<u>\$ 736,634</u>	<u>\$ 450,475</u>

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**Communitycorp and Subsidiary**  
*Notes to Consolidated Financial Statements*  
*December 31, 2017 and 2016*

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**Note 14. Income Taxes, Continued**

Income tax expense is summarized as follows for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Current income tax expense:		
Federal	\$ 370,838	\$ 354,535
State	<u>2,004</u>	<u>55,773</u>
Total current	372,842	410,308
Deferred income tax	<u>363,792</u>	<u>40,167</u>
Income tax expense	<u>\$ 736,634</u>	<u>\$ 450,475</u>

The Company has analyzed the tax positions taken or expected to be taken in its tax returns and concluded it has no liability related to uncertain tax positions in accordance with ASC Topic 740.

Tax returns for 2014 and subsequent years are subject to examination by taxing authorities.

**Note 15. Fair Value Measurements**

Generally Accepted Accounting Principles (“GAAP”) provide a framework for measuring and disclosing fair value which requires disclosures about the fair value of assets and liabilities recognized in the balance sheet, whether the measurements are made on a recurring basis (for example, available-for-sale investment securities) or on a nonrecurring basis (for example, impaired loans).

Fair value is defined as the exchange in price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GAAP also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The Company utilizes fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. Securities available-for-sale are recorded at fair value on a recurring basis. Additionally, from time to time, the Company may be required to record at fair value other assets on a nonrecurring basis, such as loans held for sale, loans held for investment and certain other assets. These nonrecurring fair value adjustments typically involve application of lower of cost or market accounting or write-downs of individual assets.

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**Communitycorp and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 31, 2017 and 2016**

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**Note 15. Fair Value Measurements, Continued**

***Fair Value Hierarchy***

The Company groups assets and liabilities at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine the fair value. These levels are:

- Level 1 Quoted market prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market, as well as U.S. Treasuries, and money market funds.
- Level 2 Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments, mortgage-backed securities, municipal bonds, corporate debt securities, and derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes certain derivative contracts and impaired loans.
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. For example, this category generally includes certain private equity investments, retained residual interests in securitizations, residential mortgage servicing rights, and highly-structured or long-term derivative contracts.

Following is a description of valuation methodologies used for assets and liabilities recorded at fair value.

***Securities Available-for-Sale***

Securities available-for-sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions and other factors such as credit loss assumptions. Level 1 securities include those traded on an active exchange such as the New York Stock Exchange, Treasury securities that are traded by dealers or brokers in active over-the counter markets and money market funds. Level 2 securities include mortgage backed securities issued by government sponsored entities, municipal bonds and corporate debt securities. Securities classified as Level 3 include asset-backed securities in less liquid markets.

**Communitycorp and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 31, 2017 and 2016**

**Note 15. Fair Value Measurements, Continued**

**Impaired Loans**

The Company does not record loans at fair value on a recurring basis, however, from time to time, a loan is considered impaired and an allowance for loan loss is established. Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan are considered impaired. Once a loan is identified as individually impaired, management measures impairment. The fair value of impaired loans is estimated using one of several methods, including the collateral value, market value of similar debt, enterprise value, liquidation value and discounted cash flows. Those impaired loans not requiring a specific allowance represent loans for which the fair value of expected repayments or collateral exceed the recorded investment in such loans. For the years ended December 31, 2017 and 2016, impaired loans were valued using discounted cash flow analysis or the fair value of collateral less estimated selling costs. Impaired loans where an allowance is established based on the fair value of collateral require classification in the fair value hierarchy. When the fair value of the collateral is based on an observable market price or a current appraised value, the Company records the loan as nonrecurring Level 2. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the Company records the loan as nonrecurring Level 3.

**Other Real Estate Owned**

Foreclosed assets are adjusted to fair value upon transfer of the loans to other real estate owned. Real estate acquired in settlement of loans is recorded initially at estimated fair value of the property less estimated selling costs at the date of foreclosure. The initial recorded value may be subsequently reduced by additional allowances, which are charges to earnings if the estimated fair value of the property less estimated selling costs declines below the initial recorded value. Fair value is based upon independent market prices, appraised values of the collateral or management's estimation of the value of the collateral. When the fair value of the collateral is based on an observable market price or a current appraised value, the Company recorded the foreclosed asset as nonrecurring Level 2. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the Company records the foreclosed asset as nonrecurring Level 3.

The tables below present the balances of assets and liabilities measured at fair value on a recurring basis by level within the hierarchy.

	<b>December 31, 2017</b>			
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Government-sponsored enterprises	\$ 23,321,316	\$ -	\$ 23,321,316	\$ -
Mortgage-backed securities	11,783,805	-	11,783,805	-
Obligations of state and local governments	29,785,475	-	29,785,475	-
Total	<u>\$ 64,890,596</u>	<u>\$ -</u>	<u>\$ 64,890,596</u>	<u>\$ -</u>
	<b>December 31, 2016</b>			
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Government-sponsored enterprises	\$ 30,263,127	\$ -	\$ 30,263,127	\$ -
Mortgage-backed securities	5,379,561	-	5,379,561	-
Obligations of state and local governments	13,116,397	-	13,116,397	-
Corporate bonds	983,156	-	983,156	-
Total	<u>\$ 49,742,241</u>	<u>\$ -</u>	<u>\$ 49,742,241</u>	<u>\$ -</u>

There were no liabilities measured at fair value on a recurring basis at December 31, 2017 and 2016.

**Communitycorp and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 31, 2017 and 2016**

**Note 15. Fair Value Measurements, Continued**

Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis, but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). The following table presents the assets and liabilities measured at fair value on a nonrecurring basis at December 31, 2017 and 2016, aggregated by level in the fair value hierarchy within which those measurements fall:

	<b>December 31, 2017</b>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Impaired loans	\$ 3,336,686	\$ -	\$ -	\$ 3,336,686
Other real estate owned	2,412,969	-	-	2,412,969
Total assets at fair value	<u>\$ 5,749,655</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,749,655</u>
	<b>December 31, 2016</b>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Impaired loans	\$ 3,982,924	\$ -	\$ -	\$ 3,982,924
Other real estate owned	4,190,954	-	-	4,190,954
Total assets at fair value	<u>\$ 8,173,878</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,173,878</u>

There were no liabilities measured at fair value on a nonrecurring basis at December 31, 2017 and 2016.

**Note 16. Regulatory Matters**

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

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum ratios (set forth in the table below) of Tier 1, Common Equity Tier 1 (CET1), and total capital as a percentage of assets and off-balance-sheet exposures, adjusted for risk-weights ranging from 0% to 150%. Tier 1 capital of the Bank consists of common stockholders' equity, excluding the unrealized gain or loss on securities available-for-sale, minus certain intangible assets, while CET1 is comprised of Tier 1 capital, adjusted for certain regulatory deductions and limitations. Tier 2 capital consists of the allowance for loan losses subject to certain limitations. Total capital for purposes of computing the capital ratios consists of the sum of Tier 1 and Tier 2 capital. The Bank is also required to maintain capital at a minimum level based on average assets (as defined), which is known as the leverage ratio. Only the strongest institutions are allowed to maintain capital at the minimum requirement of 3%. All others are subject to maintaining ratios 1% to 2% above the minimum.

**Communitycorp and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 31, 2017 and 2016**

**Note 16. Regulatory Matters, Continued**

Effective March 31, 2015, quantitative measures established by applicable regulatory standards, including the newly implemented Basel III revised capital adequacy standards and relevant provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd Frank Act”), require the Bank to maintain (i) a minimum ratio of Tier 1 capital to average total assets, after certain adjustments, of 4.00%, (ii) a minimum ratio of Tier 1 capital to risk-weighted assets of 6.00%, (iii) a minimum ratio of total-capital to risk-weighted assets of 8.00% and (iv) a minimum ratio of CET1 to risk-weighted assets of 4.50%. A “well-capitalized” institution must generally maintain capital ratios 2% higher than the minimum guidelines.

In order to avoid restrictions on capital distributions or discretionary bonus payments to executives, the Bank will also be required to maintain a “capital conservation buffer” in addition to its minimum risk-based capital requirements. This buffer will be required to consist solely of CET1, but the buffer will apply to all three risk-based measurements (CET1, Tier 1 and total capital). The capital conservation buffer will be phased in incrementally over time, which began on January 1, 2016 at 0.625% and will be fully effective on January 1, 2019, and will ultimately consist of an additional amount of Tier 1 capital equal to 2.5% of risk-weighted assets. The capital conservation buffer in effect for the year ended December 31, 2017 was 1.25%.

The following table summarizes the capital amounts and ratios of the Bank and the regulatory minimum requirements:

<i>(Dollars in thousands)</i>	<u>Actual</u>		<u>For Capital Adequacy Purposes</u>		<u>To Be Well-Capitalized Under Prompt Corrective Action Provisions</u>	
	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>
<b>December 31, 2017</b>						
Total capital (to risk-weighted assets)	\$ 23,012	20.45%	\$ 9,000	8.00%	\$ 11,251	10.00%
Tier 1 capital (to risk-weighted assets)	21,704	19.29%	6,750	6.00%	9,000	8.00%
Tier 1 capital (to average assets)	21,704	10.94%	7,939	4.00%	5,625	5.00%
Common Equity Tier 1 Capital (to risk-weighted assets)	21,704	19.29%	5,063	4.50%	7,313	6.50%
<b>December 31, 2016</b>						
Total capital (to risk-weighted assets)	\$ 22,235	19.88%	\$ 8,947	8.00%	\$ 11,184	10.00%
Tier 1 capital (to risk-weighted assets)	20,835	18.63%	6,710	6.00%	8,947	8.00%
Tier 1 capital (to average assets)	20,835	11.07%	7,530	4.00%	9,413	5.00%
Common Equity Tier 1 Capital (to risk-weighted assets)	20,835	18.63%	5,033	4.50%	7,270	6.50%

**Communitycorp and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 31, 2017 and 2016**

**Note 17. Communitycorp (Parent Company Only)**

Following is condensed financial information for Communitycorp (Parent Company Only) as of and for the years ended December 31:

**Condensed Balance Sheets**

	<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>
<b>Assets:</b>		
Cash	\$ 241,455	\$ 140,186
Investment in banking subsidiary	21,038,264	19,802,453
Non-marketable equity securities	4,500	4,500
Other real estate owned	-	11,160
Other assets	4,873	4,726
Total assets	<u>\$ 21,289,092</u>	<u>\$ 19,963,025</u>
<b>Shareholders' equity</b>	<u>\$ 21,289,092</u>	<u>\$ 19,963,025</u>

**Condensed Statements of Income**

	<b>For the years ended</b>	
	<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>
<b>Income</b>		
Dividend from banking subsidiary	\$ 375,000	\$ 450,000
Other income	88	20
Total income	<u>375,088</u>	<u>450,020</u>
<b>Expenses</b>	<u>500</u>	<u>426</u>
<b>Income before income taxes and equity in undistributed earnings of banking subsidiary</b>	374,588	449,594
Income tax benefit	(148)	(143)
Equity in undistributed earnings of banking subsidiary	780,640	778,806
Net income	<u>\$ 1,155,376</u>	<u>\$ 1,228,543</u>

**Communitycorp and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 31, 2017 and 2016**

**Note 17. Communitycorp (Parent Company Only), Continued**

**Condensed Statements of Cash Flows**

	<b>For the years ended</b>	
	<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>
<b>Operating activities</b>		
Net income	\$ 1,155,376	\$ 1,228,543
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in undistributed earnings of banking subsidiary	(780,640)	(778,806)
Other	(147)	(143)
Net cash provided by operating activities	<u>374,589</u>	<u>449,594</u>
<b>Investing activities</b>		
Proceeds from sale of other real estate	<u>11,160</u>	-
Net cash provided by investing activities	<u>11,160</u>	-
<b>Financing activities</b>		
Cash dividends paid	(284,480)	(229,553)
Purchase of treasury stock	-	(105,250)
Net cash used by financing activities	<u>(284,480)</u>	<u>(334,803)</u>
Increase in cash	101,269	114,791
<b>Cash, beginning of year</b>	<u>140,186</u>	<u>25,395</u>
<b>Cash, end of year</b>	<u>\$ 241,455</u>	<u>\$ 140,186</u>

**Note 18. Subsequent Events**

Subsequent events are events or transactions that occur after the balance sheet date but before financial statements are issued. Recognized subsequent events are events or transactions that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after that date. Management has reviewed events occurring through March 12, 2018, the date the financial statements were available to be issued and no subsequent events occurred requiring accrual or disclosure.

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## **Communitycorp and Subsidiary**

### ***Corporate Data***

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#### **Annual Meeting**

The Annual Meeting of Shareholders of Communitycorp will be held at 6 p.m. on Tuesday, April 24, 2018, at Bank of Walterboro, 1100 North Jefferies Boulevard, Walterboro, South Carolina.

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#### **Corporate Data**

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##### **Corporate Office:**

P.O. Box 1707  
1100 North Jefferies Blvd.  
Walterboro, South Carolina 29488  
Phone: 843.549.2265

##### **Corporate Counsel:**

McLeod, Fraser & Cone  
P.O. Box 230  
Washington Street  
Walterboro, South Carolina 29488

##### **Stock Transfer Agent:**

Bank of Walterboro  
P.O. Box 1707  
Walterboro, South Carolina 29488

##### **Independent Auditors:**

Elliott Davis, LLC  
1901 Main Street, Suite 900  
P.O. Box 2227  
Columbia, South Carolina 29202

##### **Stock Information:**

The Common Stock of Communitycorp is not listed on any exchange, nor is there a recognized or established market. There is limited trading in the Company's shares of Common Stock. Management believes the Common Stock has traded between \$60.00 and \$65.00 per share, during the past two years. There were 523 shareholders of record as of December 31, 2017.

The ability of Communitycorp to pay cash dividends is dependent upon receiving cash in the form of dividends from Bank of Walterboro. However, certain restrictions exist regarding the ability of the Bank to transfer funds to Communitycorp in the form of cash dividends. All of the Bank's dividends to the Company are payable only from the undivided profits of the Bank.

This Annual Report serves as the annual financial disclosure statement furnished pursuant to Part 350 of the Federal Deposit Insurance Corporation's Rules and Regulations.

THIS STATEMENT HAS NOT BEEN REVIEWED OR CONFIRMED FOR ACCURACY OR RELEVANCE BY THE FEDERAL DEPOSIT INSURANCE CORPORATION.

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## Communitycorp and Subsidiary

### Corporate Data

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### Board of Directors

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**Peden B. McLeod**

Chairman of the Board and CEO  
Attorney  
McLeod, Fraser & Cone

**J. Barnwell Fishburne, Owner**

Fishburne & Co. Real Estate

**George W. Cone**

Attorney  
McLeod, Fraser & Cone

**Pamela J. Robertson**

Retired Administrative Assistant  
SC State Senate  
Administrative Assistant  
SC House of Representatives

**Harry L. Hill**

Retired

**J. Reaves McLeod**

Legislative Liaison  
SC Dept. of Juvenile Justice

**D. Scott Rizer**

President  
Rizer Chev. Buick GMC, Inc.

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### Officers

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**Gwendolyn P. Bunton**

President

**Joseph S. Kassim**

Executive Vice President  
Chief Banking and  
Strategic Planning Officer

**James M. Bunton, Jr.**

Vice President and  
Lending Officer

**E. Lawton Huggins**

Vice President and  
Senior Lending Officer

**Melissa T. Smyly**

AVP/ISO/Operations Officer

**Lynn H. Murdaugh**

AVP/Branch Manager and  
Lending Officer

**Sharon Mulligan**

AVP and Lending Officer

**Rose Walker**

Branch Manager and  
Lending Officer

**Pamela Nelson**

Internal Auditor

**Nicholas Smith**

Lending Officer

**Cynthia Mills**

Branch Manager and  
Lending Officer

**Marianne Hawkins**

Lending Officer

**Robert Tennyson**

Lending Officer

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### Bank Locations

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110 Forest Hill Road, Walterboro, South Carolina 29488  
1100 North Jefferies Boulevard, Walterboro, South Carolina 29488  
6225 Savannah Highway, Ravenel, South Carolina 29470  
8058 East Main Street, Ridgeland, South Carolina 29936

### Member FDIC

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## Communitycorp and Subsidiary

### Corporate Data

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### Staff Members

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Kathy Breland  
Anastasia Gillespie  
Jennifer Crosby  
Alicia Green  
Stephanie Gruber  
Sarah Herndon  
Sharon Hillier  
Brittnay Clark  
Rachel Jacques  
Francine Jenkins  
Isaac Eubanks  
Amber Herndon  
Eva Capers  
Brandie Boineau

Kevin Brown  
Macie Hughes  
Annette Lyons  
Pamela Malone  
Charlotte Stanfield  
Danielle McCaskill  
Stephanie O'Herien  
Pamela O'Quinn  
Natalie Powers  
Carolyn Rahn  
Kelly Strickland  
Donna Powell  
Shena Stephens  
Beth Boineau

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### Services

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ATM Service  
Bank by Mail  
Business Checking  
Image of Canceled Checks  
Returned with Statement  
Cashier's Checks  
Certificates of Deposit  
Christmas Clubs  
Collection Items  
Commercial Loans  
Debit Cards

Direct Deposits  
Drive-In Service  
eStatements  
Individual Retirement Accounts  
Interest Checking  
Internet Banking  
Letters of Credit  
Mobile Banking  
Money Market Accounts  
Mortgage Loans  
Night Depository

Overdraft Protection  
Personal Checking  
Personal Lines of Credit  
Personal Loans  
Regular Savings  
Safe Deposit Boxes  
Senior Checking  
Visa and Master Card  
Wire Transfers