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FRB RICHMOND

Board of Governors of the Federal Reserve System

Annual Report of Holding Companies—FR Y-6

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

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

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

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

I, Frank J. Cole, Jr.
Name of the Holding Company Director and Official

CEO/Director
Title of the Holding Company Director and Official

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

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

F J Cole Jr.
Signature of Holding Company Director and Official

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 3836385
C.I.

Date of Report (top-tier holding company's fiscal year-end):
December 31, 2017
Month / Day / Year

none
Reporter's Legal Entity Identifier (LEI) (20-Character LEI Code)

Reporter's Name, Street, and Mailing Address

First Capital Bancshares
Legal Title of Holding Company

PO Box 529
(Mailing Address of the Holding Company) Street / P.O. Box

City	State	Zip Code
Laurinburg	NC	28353

909 S. Main Street, Laurinburg, NC 28352
Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Name	Title
Winston Dwyer	CFO

910-610-4343
Area Code / Phone Number / Extension

910-610-1227
Area Code / FAX Number

winston.dwyer@fcbcarolinas.com
E-mail Address

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

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

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

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

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

For Use By Tiered Holding Companies

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

N/A

Legal Title of Subsidiary Holding Company

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

City State Zip Code

Physical Location (if different from mailing address)

Legal Title of Subsidiary Holding Company

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

City State Zip Code

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City State Zip Code

Physical Location (if different from mailing address)

FORM FR-Y-6
FIRST CAPITAL BANCSHARES, INC.
BENNETTSVILLE, SC

REPORT ITEM 1 FIRST CAPITAL PREPARES AN ANNUAL REPORT FOR ITS SECURITY HOLDERS. IT IS NOT REGISTERED WITH THE SEC. THE REPORT WILL BE SENT AS SOON AS AVAILABLE.

REPORT ITEM 2A ORGANIZATIONAL CHART

FIRST CAPITAL BANCSHARES, INC.
LAURINBURG, NC NO LEI
INCORPORATED IN SOUTH CAROLINA

100%

FIRST CAPITAL BANK
LAURINBURG, NC NO LEI
INCORPORATED IN NORTH CAROLINA

REPORT ITEM 2B DOMESTIC BRANCH LISTING
THERE ARE NO CHANGES TO THE BRANCH LISTING

Results: A list of branches for your depository institution: FIRST CAPITAL BANK (ID_RSSD: 2849463).
This depository institution is held by FIRST CAPITAL BANCSHARES, INC. (3836385) of LAURINBURG, NC.
The data are as of 03/31/2017. Data reflects information that was received and processed through 07/06/2017.

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

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

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

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

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

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

Data Action	Effective Date	Branch Service Type	Branch ID_RSSD*	Popular Name	Street Address	City	State	Zip Code	County	Country	FDIC UNINUM*	Office Number*	Head Office	Head Office ID_RSSD*	Comments
ok		Full Service (Head Office)	2849463	FIRST CAPITAL BANK	509 SOUTH MAIN STREET	LAURINBURG	NC	28352	SCOTLAND	UNITED STATES	Not Required	Not Required	FIRST CAPITAL BANK	2849463	
ok		Full Service	4161703	BENNETTSVILLE BRANCH	207 HIGHWAY 15/401	BENNETTSVILLE	SC	29512	MARLBORO	UNITED STATES	Not Required	Not Required	FIRST CAPITAL BANK	2849463	

FORM FR Y-6
FIRST CAPITAL BANCSHARES, INC
FISCAL YEAR ENDING DECEMBER 31, 2017

Item 3: (1)Securities holders **N/A** (None 5% or more at year end)

(2) Security holders 5% or more at any time during year

Name city, state, country	country of citizenship	number and percentage of each voting securities	
Joe D. Manis Laurinburg, NC USA	USA	76,013	13.5%
Harry L Howell Laurinburg, NC USA	USA	148,200	26.3%

FORM FRY-6
FIRST CAPITAL BANCSHARES
FISCAL YEAR ENDING DECEMBER 31, 2017

REPORT ITEM 4: INSIDERS

1 NAME, CITY STATE, COUNTRY	2 PRINC. OCCUPATION OTHER THAN HOLD. CO	3A TITLE /POS. W/HOLD. CO	3B TITLE/POS W/SUBSIDIARIES	3C Title/Position w/other businesses	4A % voting H. Company	4B N/A	4C more than 25% voting sec held
Frank J. Cole, Jr Charleston, SC	First Capital Bank	CEO/Director	Director	Owner- Tax Store1, LLC	3.36%	N/A	70%
Raymond N DuBois Mt. Pleasant, SC	MUSC College of Medicine	Director	Director	Dean	0.34%	N/A	
Harvey Glick Sullivans Island, SC	Retired	Director/Chairman of the Board	Director	none	3.36%	N/A	
Harry L. Howell Laurinburg, NC USA	Scotland Motors, Inc.	Director	Director	Owner/President Scotland Motors, Inc. Owner/President Howell Land Co, LLC Academy Farrms and Land LLC Owner/President Scotland Leasing, Inc. Owner/President MSK LLC Howell Family Holdings, LLC Lee Howell, Inc.	3.77%	N/A	 100% 100% 50% 100% 50% 50% 100%
James W. Mason, III Laruinburg, NC USA	The Mason Company Appraisals	Director	None	Owner, President The Mason Company	1.45%	N/A	100%
John B McCoy	Retired	Director	None	None	1.66%	N/A	none
John Russ	Retired	Director/Vice Chairman of Board	Director/Chairman of the Board	Owner-Cobblestone Companies	3.36%	N/A	100%
Winston Dwyer Gibson, NC USA	First Capital Bank	CFO/Asst. Secretary	CFO/Asst Secretary	none	none	N/A	none

First Capital Bancshares, Inc.

Report on Consolidated Financial Statements

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

elliott davis

Independent Auditor's Report

The Board of Directors
First Capital Bancshares, Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of First Capital Bancshares, Inc. and its subsidiary (the "Company"), which comprise the consolidated balance sheet as of December 31, 2017, the related consolidated statements of income, changes in shareholders' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the "financial statements").

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 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 financial statements referred to above present fairly, in all material respects, the financial position of First Capital Bancshares, Inc. and its subsidiary as of December 31, 2017, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of the Company, as of and for the year ended December 31, 2016, were audited by other auditors, whose report, dated April 4, 2017, expressed an unqualified opinion on those statements.

Elliott Davis, LLC

Columbia, South Carolina
March 29, 2018

First Capital Bancshares, Inc.

Consolidated Balance Sheets

As of December 31, 2017 and 2016

	2017	2016
Assets:		
Cash and cash equivalents:		
Cash and due from banks	$ 3,924,228	$ 1,854,582
Federal funds sold	25,347,216	8,477,446
Total cash and cash equivalents	29,271,444	10,332,028
Loans receivable	46,505,073	43,850,241
Less allowance for loan losses	(599,704)	(742,439)
Loans receivable, net	45,905,369	43,107,802
Premises, furniture and equipment, net	119,807	152,362
Accrued interest receivable	286,166	300,800
Other real estate owned	-	247,060
Stock in Federal Home Loan Bank of Atlanta, at cost	49,000	46,800
Other assets	280,792	307,808
Total assets	$ 75,912,578	$ 54,494,660
Liabilities:		
Deposits:		
Noninterest-bearing transaction accounts	$ 4,244,829	$ 4,272,453
Interest-bearing transaction accounts	12,985,677	12,125,586
Savings	1,644,598	1,095,480
Time deposits	26,288,272	28,367,273
Total deposits	45,163,376	45,860,792
Accrued interest payable	32,366	28,070
Other liabilities	453,729	226,790
Total liabilities	45,649,471	46,115,652
Shareholders' equity:		
Preferred stock, $.01 par value; 10,000,000 shares authorized and unissued	-	-
Common stock, $.01 par value; 10,000,000 shares authorized; 4,711,611 and 563,728 shares issued and outstanding at December 31, 2017 and 2016, respectively	47,113	5,634
Capital surplus	26,869,168	5,110,554
Retained earnings	3,350,326	3,266,320
Treasury stock	(3,500)	(3,500)
Total shareholders' equity	30,263,107	8,379,008
Total liabilities and shareholders' equity	$ 75,912,578	$ 54,494,660

See Notes to Consolidated Financial Statements

First Capital Bancshares, Inc.

Consolidated Statements of Income

For the years ended December 31, 2017 and 2016

	2017	2016
Interest income:		
Loans, including fees	$ 3,137,208	$ 3,112,414
Federal funds sold	76,099	19,885
Other	7,116	6,026
Total interest income	3,220,423	3,138,325
Interest expense:		
Deposits	347,879	324,948
Total interest expense	347,879	324,948
Net interest income	2,872,544	2,813,377
Provision for loan losses	-	-
Net interest income after provision for loan losses	2,872,544	2,813,377
Noninterest income:		
Service charges on deposit accounts	43,470	40,321
Loan service charges and fees	17,014	38,252
(Loss) gain on sale of other real estate owned and repossessions	(4,473)	44,166
Credit life insurance commissions	17,178	18,422
Other	82,129	62,219
Total noninterest income	155,318	203,380
Noninterest expense:		
Salaries and employee benefits	1,357,140	1,364,191
Occupancy	153,016	156,474
Furniture and equipment	86,472	108,315
FDIC deposit insurance	16,078	52,433
Data processing fees	247,535	256,178
Dues and memberships	80,862	60,588
Professional fees	130,596	137,962
Reorganization costs	244,434	-
Other	389,498	324,053
Total noninterest expense	2,705,631	2,460,194
Income before income taxes	322,231	556,563
Income tax expense:		
Income tax expense related to ordinary operations	157,424	232,830
Income tax expense related to change in tax rate	80,801	-
Total income tax expense	238,225	232,830
Net income	$ 84,006	$ 323,733
Net income per common share	$ 0.12	$ 0.57
Weighted average common shares outstanding	713,412	563,728

See Notes to Consolidated Financial Statements

First Capital Bancshares, Inc.

Consolidated Statements of Changes in Shareholders' Equity

For the years ended December 31, 2017 and 2016

	Common Stock		Capital	Retained	Treasury	
	Shares	Amount	Surplus	Earnings	Stock	Total
Balance, December 31, 2015	563,728	$ 5,634	$ 5,110,554	$ 2,942,587	$ (3,500)	$ 8,055,275
Net income	-	-	-	323,733	-	323,733
Balance, December 31, 2016	563,728	5,634	5,110,554	3,266,320	(3,500)	8,379,008
Net income	-	-	-	84,006	-	84,006
Stock options exercised	30,000	300	233,700	-	-	234,000
Stock issuance, net	4,117,883	41,179	27,458,694	-	-	27,499,873
Dividend paid ($10.00 per share)	-	-	(5,933,780)	-	-	(5,933,780)
Balance, December 31, 2017	4,711,611	$ 47,113	$ 26,869,168	$ 3,350,326	$ (3,500)	$ 30,263,107

See Notes to Consolidated Financial Statements

First Capital Bancshares, Inc.
Consolidated Statements of Cash Flows
For the years ended December 31, 2017 and 2016

		2017		2016
Operating activities:				
Net income	$	84,006	$	323,733
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization expense		35,827		40,426
Loss on disposal of premises and equipment		-		2,687
Losses (gains) on sales and valuation adjustments of other real estate owned		4,473		(46,852)
Deferred income tax expense		54,512		26,310
Decrease (increase) in accrued interest receivable		14,634		(25,879)
Increase in accrued interest payable		4,296		4,649
Increase in other assets		(41,803)		(28,808)
Increase in other liabilities		226,939		48,067
Net cash provided by operating activities		382,884		344,333
Cash flows from investing activities:				
Net (increase) decrease in loans		(2,783,260)		1,211,679
Proceeds from sale of other real estate owned and repossessions		242,587		140
Purchase of premises and equipment		(3,272)		(39,567)
Proceeds from sale of premises and equipment		-		350
(Purchase) redemption of Federal Home Loan Bank stock		(2,200)		1,000
Net cash (used) provided by investing activities		(2,546,145)		1,173,602
Cash flows from financing activities:				
Net increase in demand deposits, interest-bearing transaction accounts and savings accounts		1,381,585		2,029,317
Net (decrease) increase in time deposits		(2,079,001)		21,671
Dividends paid		(5,933,780)		-
Stock options exercised		234,000		-
Proceeds from common stock issuance, net		27,499,873		-
Net cash provided by financing activities		21,102,677		2,050,988
Net increase in cash and cash equivalents		18,939,416		3,568,923
Cash and cash equivalents, beginning of year		10,332,028		6,763,105
Cash and cash equivalents, end of year	$	29,271,444	$	10,332,028
Cash paid during the year for:				
Interest	$	343,583	$	320,299
Income tax		206,300		217,696
Supplemental noncash investing financing activities:				
Transfer of loans receivable to other real estate owned and other assets	$	14,307	$	397,162

See Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies

Basis of Presentation and Consolidation:

First Capital Bancshares, Inc., (the "Company") was incorporated on December 19, 1997 to organize and own all of the common stock of First Capital Bank (the "Bank"). First Capital Bank, a commercial bank, opened for business on September 27, 1999. The principal business activity of the Bank is to provide banking services to domestic markets, principally in Marlboro County, South Carolina and Scotland County, North Carolina. The Bank also operates a loan production office in Moore County, North Carolina. The consolidated financial statements include the accounts of the Company and the Bank. All significant intercompany balances and transactions have been eliminated in the consolidation.

The accounting and reporting policies of the Company reflect industry practices and conform to generally accepted accounting principles in all material respects.

Management's Estimates:

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for losses on loans, including valuation allowances for impaired loans, and the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans. In connection with the determination of the allowances for losses on loans and valuation of foreclosed real estate, management obtains independent appraisals for significant properties. 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 allowances or losses 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 valuation of foreclosed real estate. Such agencies may require the Company to recognize additions to the allowances for losses based on their judgments about information available to them at the time of their examination. Because of these factors, it is reasonably possible that the allowances for losses on loans and valuation of 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, federal funds sold and amounts due from banks.

The Company makes loans to individuals and small businesses for various personal and commercial purposes primarily in Marlboro County, South Carolina and customers located within Scotland and Moore Counties, North 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.

Note 1. Summary of Significant Accounting Policies, Continued

Concentrations of Credit Risk (continued):

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.

The Company places its deposits and correspondent accounts with high quality institutions. Management believes credit risk associated with correspondent accounts is not significant.

Statement of Cash Flows:

For purposes of reporting cash flows, the Company considers certain highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents include amounts due from banks, interest-bearing bank balances, and federal funds sold.

Loans Receivable:

Interest income on loans receivable is computed based upon the unpaid principal balance, net of charge offs. Interest income is recorded in the period earned.

The accrual of interest income is discontinued when a loan becomes contractually ninety days past due as to principal or interest and unpaid interest is reversed from interest income in the statement of income. Management may elect to continue the accrual of interest when the estimated net realizable value of collateral exceeds the principal balance and accrued interest. Loans are removed from nonaccrual status when they become current as to both principal and interest, when concern no longer exists as to the collectability of the principal and interest, and sufficient history of satisfactory payment performance has been established. Impaired loans are measured based on the present value of discounted expected cash flows, observable market prices, or the fair value of collateral less any adjustments or selling costs. When it is determined that a loan is impaired, a direct charge to bad debt expense is made for the difference between the fair value and the Company's recorded investment in the related loan. The corresponding entry is to a related allowance account. Interest is discontinued on impaired loans when management determines that a borrower may be unable to meet payments as they become due.

Allowance for Loan Losses:

The allowance for loan losses is established as losses that are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

Note 1. Summary of Significant Accounting Policies, Continued

Allowance for Loan Losses (continued):

The allowance for loan losses is evaluated on a regular basis by management and is based upon the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

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

In situations where, for economic or legal reasons related to a borrower's financial difficulties, a concession to the borrower is granted that the Company would not otherwise consider, the related loan is classified as a troubled debt restructuring. The restructuring of a loan may include the transfer from the borrower to the Company of real estate, receivables from third parties, other assets, or an equity interest in the borrower in full or partial satisfaction of the loan, modification of the loan terms, or a combination of the above.

Premises, Furniture and Equipment:

Premises, furniture and equipment are stated at cost less accumulated depreciation. The provision for depreciation is computed using the straight-line method allowed for income tax reporting purposes if there are no material differences from generally accepted accounting principles. Rates of depreciation are generally based on the following estimated useful lives: leasehold improvements – 10 to 20 years and furniture and equipment - 5 to 10 years. The cost of assets sold or otherwise disposed of and the related accumulated depreciation is eliminated from the accounts, and the resulting gains or losses are reflected in the income statement. Maintenance and repairs are charged to current expense as incurred, and the costs of major renewals and improvements are capitalized.

Note 1. Summary of Significant Accounting Policies, Continued

Other Real Estate Owned:

Real estate properties acquired through foreclosure or other proceedings are initially recorded at fair value upon foreclosure. After foreclosure, valuations are performed and the foreclosed property is adjusted to the lower of cost or fair market value of the properties, less costs to sell. Any write-down at the time of transfer to foreclosed properties is charged to the allowance for loan losses. Subsequent write-downs are charged to other expenses. Property is evaluated regularly to ensure that the recorded amount is supported by its current fair market value.

Federal Home Loan Bank Stock:

As a requirement for membership, the Company invests in stock of the Federal Home Loan Bank of Atlanta ("FHLB"). This investment is carried at cost because they have no quoted market value and no ready market exists. Dividends and income received from these investments are included as a separate component in interest income. The investment in FHLB stock totaled $49,000 and $46,800 at December 31, 2017 and 2016, respectively.

Income Taxes:

Income taxes are the sum of amounts currently payable to taxing authorities and the net changes in income taxes payable or refundable in future years. Income taxes deferred to future years are determined utilizing an asset and liability approach. This method gives consideration to the future tax consequences associated with differences between financial accounting and tax bases of certain assets and liabilities which are principally the allowance for loan losses, depreciable premises and equipment, prepaid expenses and loss carryforwards available to offset future state income taxes. Deferred tax assets are offset by a valuation allowance to the extent it is determined to be more likely than not that such deferred tax assets will not be realized.

It is the Company's policy to recognize interest and penalties associated with uncertain tax positions as components of income taxes. The Company did not recognize any interest or penalties related to income tax during the years ended December 31, 2017 and 2016, and did not accrue any interest or penalties as of December 31, 2017 and 2016. The Company did not have an accrual for uncertain tax positions as deductions taken and benefits accrued are based on widely understood administrative practices and procedures, and are based on clear and unambiguous tax law. Tax returns for all years 2014 and thereafter are subject to possible future examinations by tax authorities.

Income Per Share:

Basic income per share represents income available to shareholders divided by the weighted-average number of common shares outstanding during the period. The Company has no dilutive common equivalent shares outstanding.

Comprehensive Income:

The Company's only source of comprehensive income for the years ended December 31, 2017 and 2016 was net income. A consolidated statement of comprehensive income has therefore not been included in these financial statements.

Note 1. Summary of Significant Accounting Policies, Continued

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.

Off-Balance-Sheet Financial Instruments:

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

Recently Issued Accounting Pronouncements:

The following is a summary of recent authoritative pronouncements that could impact the accounting, reporting, and/or disclosure of financial information by the Company.

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 August 2015, the FASB deferred the effective date of ASU 2014-09, Revenue from Contracts with Customers. As a result of the deferral, the guidance in ASU 2014-09 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 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.

Note 1. Summary of Significant Accounting Policies and Activities, Continued

Recently Issued Accounting Pronouncements (continued):

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. We expect to adopt the guidance using the modified retrospective method and practical expedients for transition. The practical expedients allow us to largely account for our existing leases consistent with current guidance except for the incremental balance sheet recognition for lessees. We have started an initial evaluation of our leasing contracts and activities. We have also started developing our 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. We do not expect a material change to the timing of expense recognition, but we are early in the implementation process and will continue to evaluate the impact. We are evaluating our existing disclosures and may need to provide additional information as a result of adoption of the ASU.

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 March 2016, the FASB issued guidance to simplify several aspects of the accounting for share-based payment award transactions including the income tax consequences, the classification of awards as either equity or liabilities, and the classification on the statement of cash flows. Additionally, the guidance simplifies two areas specific to entities other than public business entities allowing them apply a practical expedient to estimate the expected term for all awards with performance or service conditions that have certain characteristics and also allowing them to make a one-time election to switch from measuring all liability-classified awards at fair value to measuring them at intrinsic value. The amendments will be effective for the Company for annual periods beginning after December 15, 2017, and interim periods within annual reporting periods 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 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.

Note 1. Summary of Significant Accounting Policies and Activities, Continued

Recently Issued Accounting Pronouncements (continued):

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.

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.

Note 1. Summary of Significant Accounting Policies and Activities, Continued

Recently Issued Accounting Pronouncements (continued):

In January 2017, the FASB issued guidance to clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The amendment to the Business Combinations Topic is intended to address concerns that the existing definition of a business has been applied too broadly and has resulted in many transactions being recorded as business acquisitions that in substance are more akin to asset acquisitions. 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. Early adoption is permitted. 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 May 2017, the FASB amended the requirements in the Compensation - Stock Compensation Topic of the Accounting Standards Codification related to changes to the terms or conditions of a share-based payment award. The amendments provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. The amendments will be effective for the Company for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Early adoption is permitted. The Company does not expect these amendments to have a material effect on its financial statements.

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.

Retirement Plan:

The Bank has a profit sharing plan covering all full-time employees with at least six months of service and who have obtained the age of twenty-one. Expenses charged to earnings for the years ended December 31, 2017 and 2016 totaled $26,282 and $24,543, respectively, and are included within salaries and employee benefits.

Note 1. Summary of Significant Accounting Policies and Activities, 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 basis, 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. The reclassifications did not have an impact on net income or shareholders' equity.

Note 2. Cash and Due From Banks

The Company is required to maintain cash balances with their correspondent bank sufficient to cover all cash letter transactions. At December 31, 2017, the requirement was met by the cash balance in the account and by the available federal funds line.

Note 3. Loans Receivable

Loans receivable consisted of the following at December 31, 2017 and 2016:

	2017	2016
Real estate construction	$ 606,596	$ 523,483
Real estate residential	25,285,180	21,992,334
Real estate commercial	14,648,632	13,084,352
Commercial and industrial	1,695,799	4,748,268
Consumer and other	4,268,866	3,501,804
	46,505,073	43,850,241
Less allowance for loan losses	(599,704)	(742,439)
Loans, net	$ 45,905,369	$ 43,107,802

Note 3. Loans Receivable, Continued

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

	Real Estate Construction	Real Estate Residential	Real Estate Commercial	Commercial and Industrial	Consumer and Other	Total
Allowance for loan losses:						
Beginning balance	$ 4,219	$ 373,821	$ 222,404	$ 64,540	$ 77,455	$ 742,439
Charge-offs	-	(22,259)	-	(116,169)	(20,479)	(158,907)
Recoveries	-	16,172	-	-	-	16,172
Provisions	(3,075)	(45,070)	(82,023)	127,326	2,842	-
Ending balance	$ 1,144	$ 322,664	$ 140,381	$ 75,697	$ 59,818	$ 599,704
Ending balances:						
Individually evaluated for impairment	$ -	$ 19,144	$ 34,331	$ -	$ 2,885	$ 56,360
Collectively evaluated for impairment	$ 1,144	$ 303,520	$ 106,050	$ 75,697	$ 56,933	$ 543,344
Loans receivable:						
Ending balance - total	$ 606,596	$ 25,285,180	$ 14,648,632	$ 1,695,799	$ 4,268,866	$ 46,505,073
Ending balances:						
Individually evaluated for impairment	$ 11,822	$ 1,312,123	$ 691,458	$ -	$ 136,494	$ 2,151,897
Collectively evaluated for impairment	$ 594,774	$ 23,973,057	$ 13,957,174	$ 1,695,799	$ 4,132,372	$ 44,353,176

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

	Real Estate Construction	Real Estate Residential	Real Estate Commercial	Commercial and Industrial	Consumer and Other	Total
Allowance for loan losses:						
Beginning balance	$ 8,764	$ 629,018	$ 374,235	$ 55,857	$ 155,945	$ 1,223,819
Charge-offs	-	(262,456)	(156,149)	(34,091)	(91,302)	(543,998)
Recoveries	25,150	23,110	13,749	-	609	62,618
Provisions	(29,695)	(15,851)	(9,431)	42,774	12,203	-
Ending balance	$ 4,219	$ 373,821	$ 222,404	$ 64,540	$ 77,455	$ 742,439
Ending balances:						
Individually evaluated for impairment	$ -	$ 33,093	$ 4,321	$ -	$ 483	$ 37,897
Collectively evaluated for impairment	$ 4,219	$ 340,728	$ 218,083	$ 64,540	$ 76,972	$ 704,542
Loans receivable:						
Ending balance - total	$ 523,483	$ 21,992,334	$ 13,084,352	$ 4,748,268	$ 3,501,804	$ 43,850,241
Ending balances:						
Individually evaluated for impairment	$ 18,703	$ 1,562,992	$ 763,732	$ 130,027	$ 174,683	$ 2,650,137
Collectively evaluated for impairment	$ 504,780	$ 20,429,342	$ 12,320,620	$ 4,618,241	$ 3,327,121	$ 41,200,104

Note 3. Loans Receivable, Continued

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.

Pass Loans are deemed to be loans that are performing and are deemed adequately protected by the net worth of the borrower or the underlying collateral value. These loans are considered the least risky in terms of determining the allowance for loan losses.

Special Mention Loans are deemed to be loans that 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 position at some future date.

Substandard Loans are deemed to be loans that are considered the most risky. These loans typically have an identified weakness or weaknesses and are inadequately protected by the net worth of the borrower or collateral value.

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

Loss Loans are considered uncollectable and of such little value that their continuance as bankable assets is not warranted. Such loans are to be charged off. This classification does not mean the loan has absolutely no recovery value, but that it is neither practical nor desirable to defer writing off this loan even though partial recovery may be obtained in the future.

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

	Pass	Special Mention	Substandard	Total
Real estate construction	$ 594,774	$ 11,822	$ -	$ 606,596
Real estate residential	24,260,694	319,157	705,329	25,285,180
Real estate commercial	14,326,032	-	322,600	14,648,632
Commercial and industrial	1,695,799	-	-	1,695,799
Consumer and other	4,144,786	53,226	70,854	4,268,866
	$ 45,022,085	$ 384,205	$ 1,098,783	$ 46,505,073

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

	Pass	Special Mention	Substandard	Total
Real estate construction	$ 504,780	$ 18,703	$ -	$ 523,483
Real estate residential	20,805,287	285,076	901,971	21,992,334
Real estate commercial	12,719,967	-	364,385	13,084,352
Commercial and industrial	4,618,241	-	130,027	4,748,268
Consumer and other	3,297,590	66,114	138,100	3,501,804
	$ 41,945,865	$ 369,893	$ 1,534,483	$ 43,850,241

Note 3. Loans Receivable, Continued

The following is an analysis of nonaccrual loans as of December 31, 2017 and 2016:

	2017	2016
Real estate construction	$ 11,822	$ 18,703
Real estate residential	856,107	1,052,573
Real estate commercial	322,600	364,385
Commercial and industrial	-	130,027
Consumer and other	117,673	148,067
Total	$ 1,308,202	$ 1,713,755

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

	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Current and Performing	Total Loans
Real estate construction	$ -	$ -	$ -	$ -	$ 606,596	$ 606,596
Real estate residential	1,021,657	156,134	249,752	1,427,543	23,857,637	25,285,180
Real estate commercial	342,835	-	239,266	582,101	14,066,531	14,648,632
Commercial and industrial	204,590	-	-	204,590	1,491,209	1,695,799
Consumer and other	406,271	45,983	64,937	517,191	3,751,675	4,268,866
	$ 1,975,353	$ 202,117	$ 553,955	$ 2,731,425	$ 43,773,648	$ 46,505,073

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

	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Current and Performing	Total Loans
Real estate construction	$ -	$ -	$ -	$ -	$ 523,483	$ 523,483
Real estate residential	799,060	165,612	231,961	1,196,633	20,795,701	21,992,334
Real estate commercial	20,008	-	70,324	90,332	12,994,020	13,084,352
Commercial and industrial	51,299	78,728	-	130,027	4,618,241	4,748,268
Consumer and other	437,842	39,268	89,363	566,473	2,935,331	3,501,804
	$ 1,308,209	$ 283,608	$ 391,648	$ 1,983,465	$ 41,866,776	$ 43,850,241

As of December 31, 2017 and 2016, the Bank had no loans over 90 days past due and still accruing.

Note 3. Loans Receivable, Continued

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

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance needed:					
Real estate construction	$ 11,822	$ 17,496	$ -	$ 15,263	$ -
Real estate residential	1,009,354	1,277,154	-	1,066,503	58,107
Real estate commercial	482,027	765,627	-	507,958	42,155
Consumer and other	101,216	154,654		108,464	5,099
	1,604,419	2,214,931	-	1,698,188	105,361
With an allowance recorded:					
Real estate residential	302,769	349,311	19,144	319,711	6,273
Real estate commercial	209,431	246,255	34,331	219,637	-
Consumer and other	35,278	35,278	2,885	36,010	-
	547,478	630,844	56,360	575,358	6,273
Total					
Real estate construction	$ 11,822	$ 17,496	$ -	$ 15,263	$ -
Real estate residential	1,312,123	1,626,465	19,144	1,386,214	64,380
Real estate commercial	691,458	1,011,882	34,331	727,595	42,155
Consumer and other	136,494	189,932	2,885	144,474	5,099
	$ 2,151,897	$ 2,845,775	$ 56,360	$ 2,273,546	$ 111,634

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

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance needed:					
Real estate construction	$ 18,703	$ 30,963	$ -	$ 9,352	$ -
Real estate residential	1,353,543	1,749,233	-	1,087,740	65,856
Real estate commercial	733,896	1,163,748	-	616,203	30,804
Commercial and industrial	130,027	287,460	-	152,832	-
Consumer and other	161,240	296,229	-	114,335	7,797
	2,397,409	3,527,633	-	1,980,462	104,457
With an allowance recorded:					
Real estate residential	209,449	335,425	33,093	693,738	11,868
Real estate commercial	29,836	50,580	4,321	210,061	-
Consumer and other	13,443	13,857	483	152,496	122
	252,728	399,862	37,897	1,056,295	11,990
Total					
Real estate construction	$ 18,703	$ 30,963	$ -	$ 9,352	$ -
Real estate residential	1,562,992	2,084,658	33,093	1,781,478	65,856
Real estate commercial	763,732	1,214,328	4,321	826,264	30,804
Commercial and industrial	130,027	287,460	-	152,832	-
Consumer and other	174,683	310,086	483	266,831	7,919
	$ 2,650,137	$ 3,927,495	$ 37,897	$ 3,036,757	$ 116,447

Note 3. Loans Receivable, Continued

The following is an analysis of our troubled debt restructured loans (TDRs) at December 31, 2017 and 2016:

	2017	2016
Performing	$ 1,259,657	$ 1,499,582
Nonperforming	108,733	67,291
	$ 1,368,390	$ 1,566,873

TDRs are those for which concessions have been granted due to the borrower's weakened financial condition. Interest on restructured loans is accrued at the restructured rates when it is anticipated that no loss of original principal will occur and a sustained payment performance period is obtained.

There were no loans identified as TDRs during the years ended December 31, 2017 or 2016. No loans during 2017 or 2016 were in default that were previously restructured within the last twelve months.

As of December 31, 2017 and 2016, loans totaling $20.5 million and $20.6 million, respectively were pledged securing the Company's Federal Home Loan Bank line of credit.

Note 4. Premises, Furniture and Equipment

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

	2017	2016
Leasehold improvements	$ 193,030	$ 193,030
Furniture and equipment	607,477	604,205
Total	800,507	797,235
Less accumulated depreciation	(680,700)	(644,873)
Premises, furniture and equipment, net	$ 119,807	$ 152,362

Depreciation and amortization expense for the years ended December 31, 2017 and 2016 was $35,827 and $40,426, respectively.

Note 5. Deposits

At December 31, 2017, the scheduled maturities of certificates of deposit are as follows:

	Amount
2018	$ 13,827,996
2019	4,677,717
2020	1,526,274
2021	1,812,616
2022 and thereafter	4,443,669
Total	$ 26,288,272

Certificates of deposits with balances in excess of federal deposit insurance limits of $250,000 were $7,373,381 and $6,597,160 at December 31, 2017 and 2016, respectively.

Note 6. Shareholder's Equity

During 2017, the Company initiated a capital raise where by 4,117,883 shares of common stock were issued at $6.75 per share for total proceeds of $27,795,710. Costs associated with the capital raise totaled $295,837, and are netted against proceeds received within the statement of shareholders' equity. In connection with the capital raise, the Company paid dividends in the amount of $10.00 per share.

In addition 30,000 stock options were issued on August 31, 2000 at an exercise price of $7.80 per share, vesting over a 5 year period and were fully vested during 2006. The stock options were exercised during 2017 for total proceeds of $234,000.

Note 7. 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.

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

	2017	2016
Current income tax expense:		
Federal	$ 171,705	$ 183,012
State	12,008	23,508
Total current	183,713	206,520
Deferred income taxes:		
Federal	39,112	22,100
State	15,400	4,210
Total deferred	54,512	26,310
Income tax expense	$ 238,225	$ 232,830

The components of the net deferred tax asset are reported in other assets as follows as of December 31:

	2017	2016
Deferred tax assets:		
Allowance for loan losses	$ 98,363	$ 220,015
Nonaccrual loan interest income	2,498	5,700
State loss carryforwards	6,254	11,000
Deferred compensation	42,221	-
Gross deferred tax assets	149,336	236,715
Deferred tax liabilities:		
Accumulated depreciation	15,622	37,000
Prepaid expenses	13,511	25,000
Total deferred tax liabilities	29,133	62,000
Net deferred tax asset	$ 120,203	$ 174,715

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

Note 7. Income Taxes, Continued

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	2016
Tax expense at statutory rate	$ 109,559	$ 189,231
State income tax, net of federal income tax benefit	18,089	26,491
Tax impact of rate change on deferred taxes	80,801	-
Nondeductible expenses	30,027	17,108
Other, net	(251)	-
Total	$ 238,225	$ 232,830

Note 8. Leases

The Company leases its banking facility in Bennettsville, South Carolina from a director. The initial lease agreement was for a term of five years, beginning October 1, 2011 and ended September 30, 2016. During 2016, the Company exercised an option to renew the lease for a period of five years, expiring on September 30, 2021. The monthly rental rate is $3,175.

The Company entered into a ten year lease agreement with an unaffiliated third party for the Laurinburg, North Carolina banking facility beginning December 1, 2011. The initial lease term was for a period of five years, which expired on November 30, 2016. During 2016, the Company exercised an option to renew the lease for five years, expiring on November 30, 2021. The monthly rental rate is $3,900.

The Company also leases a loan production office in Southern Pines, North Carolina on a month-to-month basis. The monthly rental rate is $625.

Future minimum rental commitments under all of the Company's non-cancellable operating lease agreements at December 31, 2017 were as follows:

2018	$ 84,900
2019	84,900
2020	84,900
2021	71,475
	$ 326,175

Total rental expense for all operating leases amounted to $92,400 in 2017 and 2016.

Note 9. Related Party Transactions

Certain parties (principally certain directors and executive 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 the normal risk of collectability.

Note 9. Related Party Transactions, Continued

The Company has related party loans as of December 31, 2017 and 2016 totaling $38,374 and $790,998, respectively. Additionally, as described in Note 8, the Company leases its banking facility in Bennettsville, South Carolina from a director. Lease expense totaled $38,100 for the years ended December 31, 2017 and 2016.

The Company had related party deposit accounts as of December 31, 2017 and 2016 totaling $1,650,067 and $2,158,729, respectively.

Note 10. Commitments and Contingencies

In the ordinary course of business, the Company may, from time to time, become a party to legal claims and disputes. At December 31, 2017, management is not aware of any pending or threatened litigation or unasserted claims or assessments that could result in losses, if any, that would be material to the financial statements.

Note 11. Financial Instruments With Off-Balance Sheet Risk

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 include commitments to extend credit and standby letters of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheet. The contract or notional amounts of those instruments reflect the extent of involvement the Company has in particular classes of financial instruments. The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual or notional amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

Collateral held for commitments to extend credit and 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 contract amounts represent credit risk as of December 31:

	2017	2016
Commitments to extend credit	$ 1,659,108	$ 2,881,621

Note 12. Capital Requirements and 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 Company'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.

Note 12. Capital Requirements and Regulatory Matters, Continued

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. All others are subject to maintaining ratios 1% to 2% above the minimum.

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, beginning January 1, 2016 at 0.625% and becoming 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.

To be considered "well-capitalized," the Bank must maintain total risk-based capital of at least 10%, Tier 1 capital of at least 6%, and a leverage ratio of at least 5%. To be considered "adequately capitalized" under these capital guidelines, the Bank must maintain a minimum total risk-based capital of 8%, with at least 4% being Tier 1 capital. In addition, the Bank must maintain a minimum Tier 1 leverage ratio of at least 4%.

Note 12. Capital Requirements and Regulatory Matters, Continued

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

(Dollars in thousands)	Actual		For capital adequacy purposes		To be well capitalized under prompt corrective action provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2017						
Total capital (to risk weighted assets)	$ 20,551	49.53%	$ 3,320	8.00%	$ 4,149	10.00%
Tier 1 capital (to risk weighted assets)	20,032	48.28%	2,490	6.00%	3,320	8.00%
Tier 1 capital (to average assets)	20,032	36.27%	2,209	4.00%	2,761	5.00%
Common Equity Tier 1 Capital (to risk-weighted assets)	20,032	48.28%	1,867	4.50%	2,697	6.50%
December 31, 2016						
Total capital (to risk weighted assets)	$ 8,391	22.41%	$ 3,230	8.00%	$ 3,745	10.00%
Tier 1 capital (to risk weighted assets)	7,919	21.15%	2,481	6.00%	2,996	8.00%
Tier 1 capital (to average assets)	7,919	14.77%	2,144	4.00%	2,680	5.00%
Common Equity Tier 1 Capital (to risk-weighted assets)	7,919	21.15%	1,919	4.50%	2,434	6.50%

Note 13. Unused Lines of Credit

At December 31, 2017, the Company had unused lines of credit to purchase federal funds from an unrelated bank totaling $1,350,000. This line of credit is available on a one to fourteen day basis for general corporate purposes. 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 $18,920,250, of which none has been advanced to the Bank. The Company had loans pledged securing the Federal Home Loan Bank line of credit as of December 31, 2017 and 2016 totaling $20.5 million and $20.6 million, respectively, in addition to the Company's Federal Home Loan Bank stock.

Note 14. Fair Value of Financial Instruments

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 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. 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.

Note 14. Fair Value of Financial Instruments, 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 Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2 Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include the use of option pricing models, discounted cash flow models and similar techniques.

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

Loans: Loans that are considered impaired are recorded at fair value on a non-recurring basis. Once a loan is considered impaired, the fair value is measured using one of several methods, including collateral liquidation value, market value of similar debt and discounted cash flows. Those impaired loans not requiring a specific charge against the allowance represent loans for which the fair value of the expected repayments or collateral meet or exceed the recorded investment in the loan. At December 31, 2017 and 2016, substantially all of the total impaired loans were evaluated based on the fair value of the underlying collateral. When the Company records the fair value based upon an appraisal, the fair value measurement is considered a Level 2 measurement. When an appraisal is not available or there is estimated further impairment the measurement is considered a Level 3 measurement.

Other Real Estate Owned (OREO): Other real estate owned is adjusted to fair value upon transfer of the loans to foreclosed assets. Subsequently, other real estate owned is carried at the lower of carrying value or fair value. Fair value is based upon independent market prices, appraised values of the collateral or management's estimation of the value of the collateral. When the fair value of the collateral is based on an observable market price or an appraised value, the Bank records the other real estate owned 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 other real estate owned as nonrecurring Level 3.

Note 14. Fair Value of Financial Instruments, Continued

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

	December 31, 2017			
	Total	Level 1	Level 2	Level 3
Impaired loans, net	$ 2,095,537	$ -	$ -	$ 2,095,537
Total	$ 2,095,537	$ -	$ -	$ 2,095,537

	December 31, 2016			
	Total	Level 1	Level 2	Level 3
Impaired loans, net	$ 2,612,240	$ -	$ -	$ 2,612,240
Other real estate owned	247,060	-	-	247,060
Total	$ 2,859,300	$ -	$ -	$ 2,859,300

Below is a table that presents the valuation and unobservable inputs for Level 3 assets and liabilities measured at fair value on a nonrecurring basis at December 31, 2017 and 2016:

Description	Fair Value 12/31/2017	Valuation Methodology	Unobservable Inputs	Range of Inputs
Impaired loans	$ 2,095,537	Appraised value	Discount to reflect current market conditions and ultimate collectability	4% - 40%

Description	Fair Value 12/31/2016	Valuation Methodology	Unobservable Inputs	Range of Inputs
Impaired loans	$ 2,612,240	Appraised value	Discount to reflect current market conditions and ultimate collectability	4% - 40%
Other real estate owned	247,060	Appraised value	Discount to reflect current market conditions	10% - 15%

The Company has no liabilities measured at fair value on a nonrecurring basis.

Note 15. 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. During 2018, the Company completed its capital raise where an additional 357,325 shares of common stock were issued at $6.75 per share for total proceeds of $2,411,944.

Note 16. First Capital Bancshares, Inc. (Parent Company Only)

Following is condensed financial information of First Capital Bancshares, Inc. (parent company only) as of and for the years ended December 31:

Condensed Balance Sheets

	December 31,	
	2017	2016
Assets		
Cash and due from banks	$ 10,223,196	$ 237,640
Investment in banking subsidiary	20,032,675	8,130,149
Other assets	7,236	11,219
Total assets	30,263,107	8,379,008
Shareholders' equity	$ 30,263,107	$ 8,379,008

Condensed Statements of Income

	For the years ended December 31,	
	2017	2016
Income		
Interest	$ 2,970	$ 2,387
Expenses		
Other	-	2,199
Total expenses	-	2,199
Income before income taxes and equity in undistributed earnings of banking subsidiary	2,970	188
Income tax expense	9,053	-
Net equity in undistributed earnings of bank	90,089	323,545
Net income	$ 84,006	$ 323,733

Note 16. First Capital Bancshares, Inc. (Parent Company Only), Continued

Condensed Statements of Cash Flows

	For the years ended December 31,	
	2017	**2016**
Operating activities		
Net income	$ 84,006	$ 323,733
Adjustments to reconcile net income to net cash provided by operating activities:		
Net equity in undistributed earnings of the Bank	(90,089)	(323,545)
Decrease (increase) in other assets	3,983	(47)
Net cash (used) provided by operating activities	(2,100)	141
Financing activities		
Dividends paid	(5,933,780)	-
Stock options exercised	234,000	-
Capital contributions to subsidiary	(11,812,437)	
Proceeds from common stock issuance, net	27,499,873	-
Net cash provided by financing activities	9,987,656	-
Net increase in cash and cash equivalents	9,985,556	141
Cash and cash equivalents, beginning of year	237,640	237,499
Cash and cash equivalents, ending of year	$ 10,223,196	$ 237,640

Board of Directors

Jules Anderson* .... Owner
.... Anderson Insurance Associates of Charleston/Charleston, SC

Frank J. Cole, Jr. .... Chief Executive Officer and President
.... First Capital Bancshares, Inc. (CEO/President) and First Capital Bank (CEO)/Charleston, SC

Raymond N. DuBois, MD, PhD .... Dean
.... MUSC College of Medicine/Charleston, SC

Barry Emerson, CPA* .... Owner
.... Barry A. Emerson, CPA, LLC/Charleston, SC

Harvey Glick .... Retired Founder and Director
.... Insigna Bank/Sarasota, FL

Harry L. Howell, Jr .... Owner and President
.... Scotland Motors, Inc./Laurinburg, NC

James W. Mason III .... Owner and President
.... The Mason Company/Laurinburg, NC

James B. McCoy .... Retired/Chairman
.... BancOne Corporation/Chicago, IL

Mike Robinson* .... Owner and President
.... Charleston Appraisal Service, Inc./Charleston, SC

John D. Russ .... Retired/CEO and President
.... Carolina Financial Corporation/Mt. Pleasant, SC

* Approved January 17, 2018

Officers

Frank J. Cole, Jr. .... Chief Executive Officer and President

Winston Dwyer .... Chief Financial Officer and Principal Accounting Officer

James D. Nance .... Controller and Assistant Financial Officer

Michele Hunter .... Vice President

Terri Melton .... Vice President

Deanna Sparkman .... Compliance Officer

Whit Gibson .... Security Officer

First Capital Bank

Annual Financial Disclosure Statement
furnished pursuant to Part 350 of the Federal Deposit
Insurance Corporation's rules and regulations

For the year ended December 31, 2017

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