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, R.W. DeMaurice III
Name of the Holding Company Director and Official

Secretary/ Treasurer
Title of the Holding Company Director and Official

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

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

RW DeMaurice
Signature of Holding Company Director and Official

3-25-2019
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.

Date of Report (top-tier holding company's fiscal year-end):
12/31/2018
Month / Day / Year

No LEI Identifier
Reporter's Legal Entity Identifier (LEI) (20-Character LEI Code)

Reporter's Name, Street, and Mailing Address

First Carolina Bancshares Corporation
Legal Title of Holding Company

P.O. Box 1028
(Mailing Address of the Holding Company) Street / P.O. Box

Darlington	South Carolina	29540
City	State	Zip Code

104 Orange Street, Darlington, South Carolina 29532
Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

R.W. DeMaurice III	Secretary/ Treasurer
Name	Title

843/398/2912
Area Code / Phone Number / Extension

843/398/8009
Area Code / FAX Number

bubba@carolinabank.net
E-mail Address

None
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.

None
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)

Report Item 1: attached.

Report Item 2a: 1. First Carolina Bancshares Corporation-incorporated in South Carolina
Orange Street, Darlington, SC 29532

100%

Carolina Bank & Trust Company-incorporated in South Carolina
Main Street, Lamar, SC 29069

2. LEI-549300U2ACJ0QKSFKY48

Report item 2b: Submitted electronically on March 12, 2019

Report Item 3: 1.

a. Richard Lewis Beasley
Florence, SC USA
b. USA
c. 17.4 % 23923 shares

a. Henry Wesley Beasley *
Florence, SC USA
b. USA
c. 13.0 % 17836 shares

a. R.W. DeMaurice III
Darlington, SC USA
b. USA
c. 5.4 % 7452 shares

2.

a. David Muldrow Beasley
Society Hill, SC USA
b. USA
c. 17.6 % 24165 shares

Report Item 4:

1. Richard Lewis Beasley
Florence, SC USA

2. President – Carolina Bank and Trust Company

3. a. President/Director/ Chairman
First Carolina Bancshares Corporation

b. President/Director/ Chairman
Carolina Bank and Trust Company

c. Darlington Properties, LTD – partner
500 Carolinians – President

4 a. 17.4 %

b. none

c. 30 % Darlington Properties, LTD
300 Shares 30% 500 Carolinians

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1. R. W. DeMaurice, III
Darlington, SC USA

2. Executive Vice President/Director
Carolina Bank and Trust Company

3. a. Secretary/Treasurer
First Carolina Bancshares Corp.

b. Secretary – Board of Directors
Executive Vice President
Carolina Bank and Trust Company

c. Darlington Properties, LTD-Partner
500 Carolinians- Secretary

4. a. 5.4 %

b. None

c. None

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1. Vera B. Herbert
Florence, S.C. USA

2. Senior Vice President/ Director
Carolina Bank and Trust Company

3. a. Vice President
First Carolina Bancshares Corp.

b. Director/officer
Carolina Bank and Trust Company

c. None

4. a. 1.24%

b. None

c. None

*Henry Wesley Beasley is deceased .His is stock has not been transferred out of his name and is still pending

Results: A list of branches for your holding company: FIRST CAROLINA BANCSHARES CORPORATION (1076525) of DARLINGTON, SC.
The data are as of 12/31/2018. Data reflects information that was received and processed through 01/06/2019.

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)	355120	CAROLINA BANK & TRUST COMPANY	112 MAIN STREET	LAMAR	SC	29069	DARLINGTON	UNITED STATES	Not Required	Not Required	CAROLINA BANK & TRUST COMPANY	355120	
ok		Full Service	1014228	MAIN STREET BRANCH	300 EAST MAIN ST	BENNETTSVILLE	SC	29512	MARLBORO	UNITED STATES	Not Required	Not Required	CAROLINA BANK & TRUST COMPANY	355120	
ok		Full Service	1934214	CHERAW BRANCH	320 CHESTERFIELD ROAD	CHERAW	SC	29520	CHESTERFIELD	UNITED STATES	Not Required	Not Required	CAROLINA BANK & TRUST COMPANY	355120	
ok		Full Service	463025	CHESTERFIELD BRANCH	166 OLDE TOWNE CENTER	CHESTERFIELD	SC	29709	CHESTERFIELD	UNITED STATES	Not Required	Not Required	CAROLINA BANK & TRUST COMPANY	355120	
ok		Full Service	3540972	101 EXPRESS LANE BRANCH	101 EXPRESS LANE	DARLINGTON	SC	29532	DARLINGTON	UNITED STATES	Not Required	Not Required	CAROLINA BANK & TRUST COMPANY	355120	
ok		Full Service	478922	DARLINGTON MAIN BRANCH	104 ORANGE ST	DARLINGTON	SC	29532	DARLINGTON	UNITED STATES	Not Required	Not Required	CAROLINA BANK & TRUST COMPANY	355120	
ok		Full Service	3286766	FLORENCE BRANCH	3037 W PALMETTO ST	FLORENCE	SC	29501	FLORENCE	UNITED STATES	Not Required	Not Required	CAROLINA BANK & TRUST COMPANY	355120	
ok		Full Service	3828782	IRBY STREET BRANCH	1538 SOUTH IRBY STREET	FLORENCE	SC	29505	FLORENCE	UNITED STATES	Not Required	Not Required	CAROLINA BANK & TRUST COMPANY	355120	
ok		Full Service	967327	QUINBY BRANCH	607 EAST ASHBY RD	FLORENCE	SC	29506	FLORENCE	UNITED STATES	Not Required	Not Required	CAROLINA BANK & TRUST COMPANY	355120	
ok		Full Service	539621	HARTSVILLE BRANCH	1042 NORTH FIFTH ST	HARTSVILLE	SC	29550	DARLINGTON	UNITED STATES	Not Required	Not Required	CAROLINA BANK & TRUST COMPANY	355120	
ok		Full Service	2124656	SOUTH HARTSVILLE BRANCH	525 SOUTH FIFTH STREET	HARTSVILLE	SC	29550	DARLINGTON	UNITED STATES	Not Required	Not Required	CAROLINA BANK & TRUST COMPANY	355120	
ok		Full Service	329121	MULLINS MAIN BRANCH	114 WEST MCINTYRE ST	MULLINS	SC	29574	MARION	UNITED STATES	Not Required	Not Required	CAROLINA BANK & TRUST COMPANY	355120	
ok		Full Service	3121586	SEA MOUNTAIN HIGHWAY BRANCH	1041 SEA MOUNTAIN HIGHWAY	NORTH MYRTLE BEACH	SC	29582	HORRY	UNITED STATES	Not Required	Not Required	CAROLINA BANK & TRUST COMPANY	355120	
ok		Full Service	417327	SOCIETY HILL BRANCH	121 SOUTH MAIN ST	SOCIETY HILL	SC	29593	DARLINGTON	UNITED STATES	Not Required	Not Required	CAROLINA BANK & TRUST COMPANY	355120	
ADD	12/17/2018	Full Service		FLORENCE DOWNTOWN	185 WEST EVANS STREET	FLORENCE	SC	29501	DARLINGTON	UNITED STATES	Not Required	Not Required	CAROLINA BANK & TRUST COMPANY	355120	NEW BRANCH

FIRST CAROLINA BANCSHARES CORPORATION AND SUBSIDIARY

Consolidated Financial Statements
Years Ended December 31, 2018 and 2017
and
Independent Auditor's Report

J. W. Hunt and Company
Certified Public Accountants

J. W. Hunt and Company
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
of First Carolina Bancshares Corporation
Darlington, South Carolina

We have audited the accompanying consolidated financial statements of First Carolina Bancshares Corporation and Subsidiary (the "Company"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the related consolidated statements of income and comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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.

1607 St. Julian Place • Post Office Box 265 • Columbia, SC 29202-0265 • 803-254-8196 • 866-299-8196 • Fax: 803-256-1524
Members American Institute of Certified Public Accountants Private Companies Practice Section

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of First Carolina Bancshares Corporation and Subsidiary as of December 31, 2018 and 2017, 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.

J.W. Hunt and Company, LLP

August 8, 2019

FIRST CAROLINA BANCSHARES CORPORATION AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS, DECEMBER 31, 2018 AND 2017

ASSETS

	2018	2017
Cash and due from banks	$ 37,131,337	$ 41,326,575
Federal funds sold and securities purchased under agreements to resell	45,567,909	46,912,917
Total cash and cash equivalents	82,699,246	88,239,492
Securities held-to-maturity, at amortized cost (fair value of $2,279,038 for 2018 and $2,360,811 for 2017)	2,279,038	2,360,811
Securities available-for-sale, at fair value	32,543,963	36,164,963
Other investments	8,685,167	8,510,444
Loans, net	330,328,661	316,660,166
Premises and equipment, net	8,569,720	5,867,246
Real estate owned other than bank premises	331,502	776,100
Bank owned life insurance	5,624,630	8,169,897
Other assets	4,060,811	3,893,904
Total assets	$ 475,122,738	$ 470,643,023

LIABILITIES AND STOCKHOLDERS' EQUITY

	2018	2017
Liabilities:		
Deposits:		
Noninterest bearing	$ 137,707,837	$ 139,832,631
Interest-bearing	274,546,006	272,040,723
Total deposits	412,253,843	411,873,354
Other liabilities	4,241,715	5,296,755
Total liabilities	416,495,558	417,170,109
Stockholders' equity:		
Capital stock - common $5 par value - authorized 500,000 shares, issued and outstanding 136,872 and 137,152 shares at December 31, 2018 and 2017 respectively	684,360	685,760
Retained earnings	58,182,141	52,964,426
Accumulated other comprehensive income	(239,321)	(177,272)
Total stockholders' equity	58,627,180	53,472,914
Total liabilities and stockholders' equity	$ 475,122,738	$ 470,643,023

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

FIRST CAROLINA BANCSHARES CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
INTEREST INCOME:		
Loans, including fees	$ 16,282,521	$ 15,209,942
Investment securities:		
Taxable	509,518	495,754
Tax exempt	376,582	226,119
Other	847,826	508,071
Total interest income	18,016,447	16,439,886
INTEREST EXPENSE:		
Deposits	1,476,426	897,096
Net interest income	16,540,021	15,542,790
Provision for loan losses	1,075,000	400,000
Net interest income after provision for loan losses	15,465,021	15,142,790
NON-INTEREST INCOME:		
Service charges on deposit accounts	1,460,312	1,430,811
ATM fees	985,937	973,855
Other fees and commissions	1,259,135	1,618,339
Other	1,359,735	497,288
Total non-interest income	5,065,119	4,520,293
NON-INTEREST EXPENSE:		
Salaries and employee benefits	6,868,116	7,284,193
Occupancy expense	3,273,056	2,030,368
FDIC insurance expense	134,327	151,343
Banker's club/ ATM expense	408,906	411,334
Other real estate expense	364,146	492,358
Telephone	243,684	246,317
Professional fees	222,141	182,608
Dues and subscriptions	141,318	130,478
Accrued expenses	538,000	391,000
Other	1,328,117	1,449,361
Total non-interest expense	13,521,811	12,769,360
Income before income taxes	7,008,329	6,893,723
Income taxes	1,293,780	3,727,939
Net income	$ 5,714,549	$ 3,165,784

FIRST CAROLINA BANCSHARES CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

	2018	2017
Other comprehensive loss:		
Net unrealized loss arising during period on available for sale securities	$ (78,543)	$ (87,473)
Tax effect	16,494	29,741
Total other comprehensive loss	(62,049)	(57,732)
Comprehensive income	$ 5,652,500	$ 3,108,052
Basic earnings per common share:		
Weighted average shares outstanding	136,884	137,168
Net income per weighted average number of shares outstanding	$ 41.75	$ 23.08

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

FIRST CAROLINA BANCSHARES CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2018 AND 2017

COMMON STOCK NUMBER OF SHARES	COMMON STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TOTAL STOCKHOLDERS' EQUITY
137,227	$ 686,135	$ -	$ 50,214,823	$ (119,540)	$ 50,781,418
-	-	-	3,165,784	(57,732)	3,108,052
-	-	-	(411,681)	-	(411,681)
(75)	(375)	-	(4,500)	-	(4,875)
137,152	685,760	-	52,964,426	(177,272)	53,472,914
-	-	-	5,714,549	(62,049)	5,652,500
-	-	-	(480,034)	-	(480,034)
(280)	(1,400)	-	(16,800)	-	(18,200)
136,872	$ 684,360	$ -	$ 58,182,141	$ (239,321)	$ 58,627,180

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

FIRST CAROLINA BANCSHARES CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Cash flows from operating activities:		
Net income	$ 5,714,549	$ 3,165,784
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,935,645	852,572
Loss on sale of other real estate owned	7,224	-
Amortization (accretion) of investment securities	72,864	(35,742)
Provision for loan losses	1,075,000	400,000
Provision for deferred taxes	(77,315)	2,511,879
Change in cash surrender value of life insurance	2,545,267	(183,304)
Change in other assets and liabilities:		
Interest receivable	(42,599)	(99,271)
Other assets	(205,780)	(5,098,145)
Interest payable	144,732	(4,506)
Other liabilities	(1,185,715)	298,492
Net cash provided by operating activities	9,983,872	1,807,759
Cash flows from investing activities:		
Purchases of securities available for sale	(10,079,142)	(1,585,100)
Proceeds from maturities and calls of securities available for sale	13,535,235	2,388,988
Purchases of securities held to maturity	-	(1,650,000)
Proceeds from maturities and calls of securities held to maturity	81,774	732,553
Purchases of premises and equipment	(4,305,054)	(1,377,508)
Proceeds from sale of premises and equipment	45,000	15,083
Proceeds from sales of other real estate owned	59,309	3,095,166
Net increase in customer loans	(14,743,495)	(20,406,124)
Net cash used by investing activities	(15,406,373)	(18,786,942)

FIRST CAROLINA BANCSHARES CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	2018	2017
Cash flows from financing activities:		
Net increase in demand, time, savings		
and certificates of deposit	$ 380,489	$ 15,164,330
Cash dividends paid	(480,034)	(411,681)
Repurchase of common stock	(18,200)	(4,875)
Net cash provided (used) by financing activities	(117,745)	14,747,774
Net decrease in cash and cash equivalents	(5,540,246)	(2,231,409)
Cash and cash equivalents at beginning of year	88,239,492	90,470,901
Cash and cash equivalents at end of year	$ 82,699,246	$ 88,239,492
Supplemental disclosures:		
Cash flow information:		
Cash paid during the year for:		
Interest	$ 1,331,696	$ 901,602
Income taxes	$ 1,990,000	$ 1,161,970
Non-cash investing activities:		
Real estate acquired in full or partial settlement of loans	$ -	$ 396,533

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

First Carolina Bancshares Corporation (the "Company"), a bank holding company and its wholly-owned subsidiary, Carolina Bank and Trust (the "Bank") , are engaged in providing domestic commercial banking services from their offices principally in Darlington, Chesterfield, Florence, and Marlboro Counties of South Carolina. The Company is a South Carolina corporation and the Bank is a state chartered commercial bank with its deposits insured by the Federal Deposit Insurance Corporation (the "FDIC"). Therefore, the Company and the Bank operate under the supervision, rules and regulations of the Board of Governors of the Federal Reserve System (the "Federal Reserve"), FDIC and South Carolina State Board of Financial Institutions. The Company was incorporated on March 1, 1984 and the Bank was organized and received its charter on January 23, 1936.

Date of Management's Review:

Subsequent events were evaluated through August 8, 2019, which is the date the financial statements were available to be issued.

Principles of Consolidation and Basis of Presentation:

The consolidated financial statements include the accounts of the Company and the Bank. All significant intercompany accounts have been eliminated in consolidation. The accounting and reporting policies of the Company and the Bank are in conformity with generally accepted accounting principles and general practices within the banking industry. In certain instances, amounts have been reclassified to conform to the current presentation. Such reclassifications had no effect on previously reported stockholders' equity or net income.

Accounting Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet 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 in the near term relate to the determination of the allowance for loan losses and deferred tax assets related thereto.

Significant Group Concentrations of Credit Risk:

The Bank's activities are with customers located primarily in South Carolina. Investments in municipal entities and local government securities involve governmental entities within the State of South Carolina. The Bank grants agribusiness, commercial, and residential loans to customers within the state. Although the Bank has a diversified loan portfolio and the loans are primarily collateralized by real estate, a substantial portion of its debtors' ability to honor their contracts is dependent upon local real estate and general economic conditions in the local and surrounding areas. The Bank's investment portfolio is further described in Note 3 and its loan portfolio is further described in Note 5. The Bank does not have any significant concentrations to any one industry or customer.

Cash and Cash Equivalents:

For the purposes of reporting cash flows, cash and cash equivalents include cash on hand, cash items in process of collection, and amounts due from banks and Federal funds sold all of which mature in 90 days or less. Due from bank balances are maintained in other financial institutions.

Securities:

Equity securities that have readily determinable fair values and all debts securities are classified generally at the time of purchase into one of three categories: held-to-maturity, trading or available-for-sale. Debt securities which the Company has the positive intent and ability to hold to ultimate maturity are classified as held-to-maturity and accounted for at amortized cost. Debt and equity securities that are bought and held primarily for sale in the near term are classified as trading and are accounted for on an estimated fair value basis, with unrealized gains and losses included in other income. However, the Company has never held any securities for trading purposes. Securities not classified as either held-to-maturity or trading are classified as available-for-sale and are accounted for at estimated fair value. Unrealized holding gains and losses on available-for-sale securities are excluded from net income and recorded as other comprehensive income, net of applicable income tax effects. Dividend and interest income, including amortization of any premium or accretion of discount arising at acquisition, are included in earnings for all three categories of securities. Realized gains and losses on all categories of securities are included in other operating income, based on the amortized cost of the specific security on a trade date basis.

Loans and Interest Income:

The recorded investment in a loan is generally carried at its principal amount outstanding, increased or reduced by deferred net loan cost or fees. Interest income on loans is recognized using the interest method based upon the principal amounts outstanding. Loan origination and commitment fees and certain direct loan origination costs (principally salaries and employee benefits) are deferred and amortized as an adjustment of the related loan's yield. Generally, these amounts are amortized over the contractual life of the related loans or commitments.
Past due status is determined according to the loan's contractual terms. A scheduled payment is considered to have been made only if all amounts due, including principal and interest, have been received. Any payments received in amounts exceeding the contractual amount due do not extend the next due date. Instead, any such payments are treated as curtailments and deducted from the last scheduled payment(s).

A loan is considered to be impaired when, in management's judgment based on current information and events, it is probable that the obligation's principal or interest will not be collectible in accordance with the terms of the original loan agreement. Impaired loans include nonaccrual loans and loans past due according to their contractual terms 90 days or more with respect to interest or principal payments and other loans where, based on current information and events, it is probable that we will be unable to collect principal and interest payments according to the contractual terms of the loan agreements. A loan is not considered to be impaired, however, if any periods of delay or shortfalls of amounts expected to be collected are insignificant or if we expect that we will collect all amounts due including accrued interest at the contractual interest rate during the period of delay. Impaired loans that individually have been evaluated under our normal loan review process are carried in the balance sheet at the lowest of (1) the present value of expected future cash flows discounted at the loan's effective interest rate, which is the contractual interest rate adjusted for any deferred loan fees or costs, premium or discount existing at the inception or acquisition of the loan, (2) a value not to exceed its observable market price or the fair value of the collateral if repayment of the loan is expected to be provided solely by the underlying collateral, or (3) its recorded amount. Generally, the accrual of interest is discontinued on nonaccrual loans and any previously accrued interest on such loans is reversed against current income. Any subsequent interest income is recognized on a cash basis when received unless collectability of a significant amount of principal is in serious doubt. In such cases, collections are credited first to the remaining principal balance on a cost recovery basis. A nonaccrual loan is not returned to accrual status unless principal and interest are current and the borrower has demonstrated the ability to continue making payments as agreed.

Allowance for Loan Losses:

An allowance for possible loan losses is maintained at a level deemed appropriate by management to provide adequately for known and inherent risks in the loan portfolio. When management determines that a loan will not perform substantially as agreed, a review of the loan is initiated to ascertain whether it is more likely than not that a loss has occurred. If it is determined that a loss is probable, the estimated amount of the loss is charged off and deducted from the allowance. The provision for possible loan losses and recoveries on loans previously charged off are added to the allowance. Determining the amount and adequacy of the allowance for loan losses involves estimating uncertain future events and their effects based on judgments applied to currently known facts and circumstances. Changes in the estimated allowance for loan losses necessitated as new events occur or more information is obtained are accounted for as changes in accounting estimates in the accounting period in which the change occurs.

The allowance for loan losses is composed of specific, general and unallocated amounts. Specific amounts are determined when necessary on individual loans based on management's evaluation of the Bank's credit loss exposure considering the current payment status, underlying collateral and other known information about the borrower's circumstances. Typically, these loans are considered impaired or have been assigned internal risk grades of management attention, special mention, substandard or doubtful. General amounts are provided for all other loans, excluding those of which specific amounts were determined, by applying estimated loss percentages to the portfolio categorized by risk grades. These percentages are based on management's current evaluation with consideration given to historical loss experience. The unallocated portion of the allowance consists of an amount deemed appropriate to provide for the elements of imprecision and estimation risk inherent in the specific and general amounts and is determined based on management's evaluation of various conditions that are not directly measured by the other components of the allowance.

This evaluation includes general national and local economic and business conditions affecting key lending market areas, credit quality trends, collateral values, loan volumes, portfolio seasoning, and any identified credit concentrations. The findings of internal credit reviews and results from external audits and regulatory examinations are also considered.

The Bank utilizes its risk grading system for all loans held in the portfolio. This system involves the Bank's lending officers assigning a risk grade, on a loan-by-loan basis, considering information about the borrower's capacity to repay, collateral, payment history, and other known factors. Risk grades assigned are updated periodically for any known changes in circumstances affecting the borrower or the loan. The risk grading system is monitored on a continuous basis by management and is upgraded for any known changes in circumstances affecting the borrower or the loan.

Restructured Loans:

Under accounting principles generally accepted in the United States of America, the Company is required to account for certain loan modifications or restructurings as a "troubled debt restructuring" (TDR). In general, the modification or restructuring of a debt constitutes a TDR if the Company for economic or legal reasons related to the borrower's financial difficulties grants a concession to the borrowers that the Company would not otherwise consider. Debt restructuring or loan modifications for a borrower does not necessarily constitute a TDR, and a TDR does not necessarily result in nonaccrual loans.

Credit Related Financial Instruments:

In the ordinary course of business, the Bank has entered into commitments to extend credit including commitments under standby letters of credit. Such financial instruments are recorded when they are funded.

Premises and Equipment:

Premises, furniture and equipment are stated at cost, less accumulated depreciation. The provision for depreciation is computed by the declining balance accelerated and the straight-line methods, based on the estimated useful lives for furniture and equipment of 5 to 7 years and buildings of 39 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 income statement when incurred. Maintenance and repairs are charged to current expense. The costs of major renewals and improvements are capitalized.

Other Real Estate Owned (OREO):

Real estate acquired in satisfaction of a loan and in-substance foreclosures are reported as other real estate owned. In-substance foreclosures are properties in which the borrower has little or no equity in the collateral. Property acquired by foreclosure or deed in lieu of foreclosure and in-substance foreclosure are transferred to OREO and recorded at the lower of outstanding loan balance or the estimated market value at the time of acquisition. Market value is determined on the basis of the property being disposed of in the normal course of business and not on a liquidation basis. Losses arising from the acquisition of such properties are charged against the allowance for loan losses. Revenue and expenses from the operation of other real estate and changes in valuation allowance are included in current operations.

Bank-Owned Life Insurance:

In accordance with applicable accounting standards, the Company presents the gross amounts of the liability to provide postretirement benefits and the cash surrender value of an endorsement split-dollar life insurance arrangement held to fund the benefit.

Advertising Costs:

The cost of advertising is expensed as incurred.

Income Taxes:

Income taxes are provided for the tax effects of the transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the book and tax basis of the allowance for loan losses, accumulated depreciation and deferred compensation. Deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

Deferred tax assets and liabilities are reported at income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

The Company recognizes interest and penalties as a component of income tax expense.

Basic Earnings per Common Share:

Basic earnings per common share represents income available to common stockholders divided by the weighted average number of shares outstanding. The Company does not have any dilutive instruments and therefore only basic earnings per share is presented.

Comprehensive Income:

Reporting standards related to comprehensive income generally 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 securities available-for-sale, 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.

New Accounting Policies:

In May 2014, the 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 our revenues will not be affected. Our accounting policies will not change materially since the principles of revenue recognition from the ASU are largely consistent with existing guidance and current practices applied by our 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 our disclosures associated with our revenues. The Company will provide qualitative disclosures of our performance obligations related to our 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 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 Accounting Standards Codification 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 us to largely account for our existing leases consistent with current guidance except for the incremental balance sheet recognition for lessees. The Company has started an initial evaluation of our leasing contracts and activities. The Company has 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. 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 our existing disclosures and may need to provide additional information as a result of adoption of the ASU.

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, 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 our consolidated financial statements. The Company expects the ASU will have no material 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 our 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 November 2018, the FASB issued guidance to amend the Financial Instruments – Credit Losses topic of the Accounting Standards Codification. The guidance aligns the implementation date of the topic for annual financial statements of nonpublic companies with the implementation date for their interim financial statements. The guidance also clarifies that receivables arising from operating leases are not within the scope of the topic, but rather, should be accounted for in accordance with the leases topic. The amendments will be effective for the Company for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption is permitted for all organizations for periods beginning after December 15, 2018. The Company is currently in the process of evaluating the impact of adoption of this guidance on the financial statements.

No other accounting standards that have been issued or proposed by the FASB or other standards setting bodies are expected to have a material impact on the Company's financial position, results of operations, and cash flows.

Other:

Certain amounts in the prior year consolidated financial statements have been reclassified to conform to the current year presentation and disclosure requirements. Such reclassifications had no effect previously reported stockholders' equity or on net income.

NOTE 2 - RESTRICTIONS ON CASH AND DUE FROM BANKS:

The Bank is required by regulation to maintain an average cash reserve balance. The average daily reserve balance requirement at December 31, 2018 and 2017 was approximately $6,045,000 and $7,056,000 respectively.

NOTE 3 - INVESTMENT SECURITIES:

The aggregate amortized cost and fair values of securities, as well as gross unrealized gains and losses of securities were as follows:

	December 31, 2018			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale				
Government sponsored enterprises (GSEs)	$ 24,375,000	$ 32,200	$ (264,587)	$ 24,142,613
Mortgage backed securities issued by GSEs	1,212,384	4,597	(4,437)	1,212,544
State, county and municipal	5,230,000	27,955	(57,549)	5,200,406
U.S. Treasury Notes	2,000,000	-	(11,600)	1,988,400
Total	$ 32,817,384	$ 64,752	$ (338,173)	$ 32,543,963
Held-to-maturity				
State, county and municipal	$ 2,279,038	$ -	$ -	$ 2,279,038

	December 31, 2017			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale				
Government sponsored enterprises (GSEs)	$ 24,375,000	$ 1,100	$ (303,400)	$ 24,072,700
Mortgage backed securities issued by GSEs	409,778	12,317	-	422,095
State, county and municipal	6,505,000	206,850	(5,882)	6,705,968
U.S. Treasury Notes	5,000,000	-	(35,800)	4,964,200
Total	$ 36,289,778	$ 220,267	$ (345,082)	$ 36,164,963
Held-to-maturity				
State, county and municipal	$ 2,360,811	$ -	$ -	$ 2,360,811

The following is a summary of contractual maturities of securities held-to-maturity and available-for sale as of December 31, 2018 and 2017:

	December 31, 2018			
	SECURITIES HELD-TO-MATURITY		SECURITIES AVALIABLE-FOR-SALE	
	AMORTIZED COST	FAIR VALUE	AMORTIZED COST	FAIR VALUE
Amounts maturing in:				
One year or less	$ -	$ -	$ 11,175,000	$ 11,107,653
After one year through five years	50,715	50,715	17,875,000	17,722,618
After five years through ten years	2,228,323	2,228,323	2,555,000	2,501,148
Over ten years	-	-	-	-
Mortgage backed securities issued by GSEs	-	-	1,212,384	1,212,544
Total	$2,279,038	$ 2,279,038	$ 32,817,384	$ 32,543,963

	December 31, 2017			
	SECURITIES HELD-TO-MATURITY		SECURITIES AVALIABLE-FOR-SALE	
	AMORTIZED COST	FAIR VALUE	AMORTIZED COST	FAIR VALUE
Amounts maturing in:				
One year or less	$ -	$ -	$ 10,370,000	$ 10,314,106
After one year through five years	62,485	62,485	22,050,271	21,859,039
After five years through ten years	2,298,326	2,298,326	2,830,000	2,912,085
Over ten years	-	-	630,000	657,909
Mortgage backed securities issued by GSEs	-	-	409,507	421,824
Total	$2,360,811	$ 2,360,811	$ 36,289,778	$ 36,164,963

Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay with or without call or prepayment penalties.

The fair value and gross unrealized losses of all the Company's investment securities whose estimated fair values were less than amortized cost as of December 31, 2018 and 2017 which had not been determined to be other-than-temporarily impaired are presented below. The securities have been aggregated by investment category and the length of time that individual securities have been in a continuous unrealized loss position.

	December 31, 2018					
	Continuously in Unrealized Loss Position for a Period of					
	Less than 12 Months		12 Months or more		Total	
Securities Available-for-sale	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Government sponsored enterprises (GSEs)	$ 1,373,213	$ 1,788	$13,737,200	$ 262,800	$ 15,110,413	$ 264,588
Mortgage-backed securities issued by GSEs	1,003,974	4,437	-	-	1,003,974	4,437
State, county and municipal securities	1,338,073	16,927	1,884,379	40,621	1,730,677	57,548
U.S. Treasury Notes	-	-	1,988,400	11,600	1,988,400	11,600
Total	$ 3,715,260	$ 23,152	$17,609,979	$ 315,021	$ 19,833,464	$ 338,173

	December 31, 2017					
	Continuously in Unrealized Loss Position for a Period of					
	Less than 12 Months		12 Months or more		Total	
Securities Available-for-sale	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Government sponsored enterprises (GSEs)	$ 998,500	$ 1,500	$21,968,100	$ 301,900	$ 22,966,600	$ 303,400
Mortgage-backed securities issued by GSEs	-	-	-	-	-	-
State, county and municipal securities	188,442	1,558	-	4,324	188,442	5,882
U.S. Treasury Notes	-	-	4,964,200	35,800	4,964,200	35,800
Total	$ 1,186,942	$ 3,058	$26,932,300	$ 342,024	$ 28,119,242	$ 345,082

The Company does not consider these investments to be other-than-temporarily impaired because the unrealized losses resulted primarily from the volatility of interest rates. Although the Company historically classifies a majority of its investment securities as available-for-sale, management has not determined that any specific securities will be disposed of prior to maturity. In addition, there have been no significant adverse changes in the credit ratings of any of the security issuers that would indicate the Company will be unable to collect all principal and interest amounts according to contractual terms.

There were no sales of securities during both 2018 and 2017.

At December 31, 2018 and 2017, securities with an amortized cost of $21,594,119 and $29,790,497, respectively, and a fair value of $21,342,376 and $29,385,180, respectively, were pledged as collateral to secure public deposits.

NOTE 4 - OTHER INVESTMENTS:

The Company is a member of the Federal Home Loan Bank of Atlanta ("FHLB") and, accordingly, is required to own restricted stock in that institution in amounts that may vary from time to time. Because of the restrictions imposed, the stock may not be sold to other parties, but is redeemable by the FHLB at the same price as that which it was acquired by the Company. This security is evaluated for impairment based on the probability of ultimate recoverability of the par value of the investment. No impairment has been recognized based on this evaluation.

NOTE 5 - LOANS AND ALLOWANCE FOR LOAN LOSSES:

The following summary reflects the classification of loans at December 31:

	2018	2017
Real estate - construction	$ 30,986,592	$ 24,618,489
Real estate - mortgage	247,202,289	249,235,182
Agricultural	5,636,939	5,043,836
Commercial	41,744,417	33,472,303
Consumer	7,377,385	6,591,378
All other loans	1,917,104	2,032,079
Total	334,864,726	320,993,267
Allowance for loan losses	(4,536,065)	(4,333,101)
Balance	$ 330,328,661	$ 316,660,166

Installment loans to individuals include overdrafts of demand deposits which have been reclassified to loans in the amount of $137,205 and $93,343 for 2018 and 2017, respectively.

A summary of transactions in the allowance for loan losses is detailed below:

	2018	2017
Balance at beginning of year	$ 4,333,101	$ 4,149,082
Provision charged to income	1,075,000	400,000
Loans charged off	(918,900)	(270,810)
Recoveries	46,864	54,829
Balance at end of year	$ 4,536,065	$ 4,333,101

The following table provides information about the payment status of loans:

	Days past due			Total		Total
	30-59	60-89	>90	past due	Current	Loans
As of December 31, 2018						
Real estate - construction	$ 147,250	$ -	$ 3,389,800	$ 3,537,050	$ 27,449,542	$ 30,986,592
Real estate - mortgage	943,102	516,663	4,080	1,463,845	245,738,444	247,202,289
Agricultural	-	-	-	-	5,636,939	5,636,939
Commercial	176,584	-	29,402	205,986	41,538,431	41,744,417
Consumer	121,804	28,013	33,717	183,534	7,193,851	7,377,385
All other loans	-	-	-	-	1,917,104	1,917,104
Total	$ 1,388,740	$ 544,676	$ 3,456,999	$ 5,390,415	$329,474,311	$ 334,864,726
As of December 31, 2017						
Real estate - construction	$ -	$ -	$ -	$ -	$ 24,618,489	$ 24,618,489
Real estate - mortgage	1,149,957	176,267	572,616	1,898,840	247,336,342	249,235,182
Agricultural	-	-	-	-	5,043,836	5,043,836
Commercial	105,043	1,477,870	-	1,582,913	31,889,390	33,472,303
Consumer	86,771	21,002	28,052	135,825	6,455,553	6,591,378
All other loans	-	-	-	-	2,032,079	2,032,079
Total	$ 1,341,771	$ 1,675,139	$ 600,668	$ 3,617,578	$317,375,689	$ 320,993,267

Impaired loans are generally nonaccrual loans, loans that are 90 days or more delinquent as to principal or interest payments, and other loans where, based on current information and events it is probable that the Company will be unable to collect principal and interest payments according to the contractual terms of the loan agreements. A loan is not considered to be impaired, however, if any periods of delay or shortfalls of amounts expected to be collected are insignificant or if the Company expects that it will collect all amounts due including interest accrued at the contractual interest rate during the period of delay.

The following is a summary of impaired loans, by class:

	At December 31, 2018			For the year ended December 31, 2018	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Real estate loans:					
Construction	$ 151,331	$ 326,400	$ -	$ 203,799	$ 140
Mortgage	4,680,375	6,532,405	-	4,206,103	172,306
Agricultural	-	-	-	-	-
Commercial	313,651	316,492	-	159,152	19,297
Consumer	7,188	7,188	-	10,983	588
All other loans	-	-	-	-	-
With an allowance recorded:					
Real estate loans:					
Construction	$ -	$ -	$ -	$ -	$ -
Mortgage	1,171,067	1,206,164	58,383	2,319,618	88,636
Agricultural	-	-	-	-	-
Commercial	466,855	470,213	230,344	633,737	32,852
Consumer	45,959	45,959	33,584	48,798	1,715
All other loans	-	-	-	-	-
Total:					
Real estate loans:					
Construction	$ 151,331	$ 326,400	$ -	203,799	$ 140
Mortgage	5,851,442	7,738,569	58,383	6,525,721	260,942
Agricultural	-	-	-	-	-
Commercial	780,506	786,705	230,344	792,889	52,149
Consumer	53,147	53,147	33,584	59,780	2,303
All other loans	-	-	-	-	-
Total	$ 6,836,426	$ 8,904,821	$ 322,311	$ 7,582,189	$ 315,534

	At December 31, 2017			For the year ended December 31, 2017	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Income Recognized
With no related allowance recorded:					
Real estate loans:					
Construction	$ 256,267	$ 431,239	$ -	$ 319,480	$ 10,690
Mortgage	3,731,831	4,740,138	-	6,821,828	102,305
Agricultural	-	-	-	-	-
Commercial	4,653	4,653	-	179,140	875
Consumer	14,777	14,996	-	17,706	1,318
All other loans	-	-	-	-	-
With an allowance recorded:					
Real estate loans:					
Construction	$ -	$ -	$ -	$ -	$ -
Mortgage	3,468,169	3,508,875	586,705	4,383,495	115,706
Agricultural	-	-	-	-	-
Commercial	800,619	800,619	247,155	737,662	50,400
Consumer	51,636	51,636	39,261	61,501	1,977
All other loans	-	-	-	-	-
Total:					
Real estate loans:					
Construction	$ 256,267	$ 431,239	$ -	$ 319,480	$ 10,690
Mortgage	7,200,000	8,249,013	586,705	11,205,323	218,011
Agricultural	-	-	-	-	-
Commercial	805,272	805,272	247,155	916,802	51,275
Consumer	66,413	66,632	39,261	79,207	3,295
All other loans	-	-	-	-	-
Total	$ 8,327,952	$ 9,552,156	$ 873,121	$ 12,520,812	$ 283,271

No additional funds are committed to be advanced in connection with impaired loans.

Interest income recognized for cash payments received on impaired loans during 2018 and 2017 was not significant.

Nonaccrual and past due loans at December 31, 2018 and 2017 were as follows:

	2018	2017
Nonaccrual loans (included in impaired loans)	$ 4,506,560	$ 5,432,635
Accruing 90 days or more past due	33,717	-
Total	$ 4,540,277	$ 5,432,635

Gross interest income that would have been recorded for the years ended December 31, 2018 and 2017 if nonaccrual loans had been performing in accordance with their original terms was $172,987 and $114,072, respectively.

The following table provides information about how loans are evaluated for impairment, the amount of the allowance for loan losses estimated for loans subjected to each type of evaluation, and the related total amounts, by loan portfolio segment:

	Real Estate - Construction	Real Estate - Mortgage	Agricultural	Commercial	Consumer	Other	Total
As of December 31, 2018							
Allowance for credit losses:							
Ending Balance	$ 181,776	$ 2,889,781	$ 30,787	$ 521,361	$ 91,291	$ 821,069	4,536,065
Ending balance - individually evaluated for impairment	-	58,383	-	230,344	33,584	-	322,311
Ending balance - collectively evaluated for impairment	$ 181,776	$ 2,831,398	$ 30,787	$ 291,017	$ 57,707	$ 821,069	$ 4,213,754
Loans:							
Ending Balance	$ 30,986,592	$ 247,202,289	$ 5,636,939	$ 41,744,417	$ 7,377,385	$ 1,917,104	$ 334,864,726
Ending balance - individually evaluated for impairment	151,331	5,851,442	-	780,506	53,147	-	6,836,426
Ending balance - collectively evaluated for impairment	$ 30,835,261	$ 241,350,847	$ 5,636,939	$ 40,963,911	$ 7,324,238	$ 1,917,104	$ 328,028,300

	Real Estate - Construction	Real Estate - Mortgage	Agricultural	Commercial	Consumer	Other	Total
As of December 31, 2017							
Allowance for credit losses:							
Ending Balance	$ 128,539	$ 3,076,873	$ 25,871	$ 430,090	$ 96,854	$ 574,874	$ 4,333,101
Ending balance - individually evaluated for impairment	-	586,705	-	247,155	39,261	-	873,121
Ending balance - collectively evaluated for impairment	$ 128,539	$ 2,490,168	$ 25,871	$ 182,935	$ 57,593	$ 574,874	$ 3,459,980
Loans:							
Ending Balance	$ 24,618,489	$ 249,235,182	$ 5,043,836	$ 33,472,303	$ 6,591,378	$ 2,032,079	$ 320,993,267
Ending balance - individually evaluated for impairment	256,267	7,200,000	-	805,272	66,413	-	8,327,952
Ending balance - collectively evaluated for impairment	$ 24,362,222	$ 242,035,182	$ 5,043,836	$ 32,667,031	$ 6,524,965	$ 2,032,079	$ 312,665,316

The Company utilizes a risk grading matrix to assign a risk grade to each loan. A description of the general characteristics of the risk grades is as follows:

- Pass – Loans that are graded Pass range from minimal credit risk to average however still acceptable credit risk.

- Special Mention – Loans that are graded Special Mention are not believed to represent more than a minimal likelihood of loss. That rating indicates that a change in the borrowers' circumstances, or some other event, has occurred such that an elevated level of monitoring is warranted. Such loans generally are evaluated collectively for purposes of estimating the allowance for loan losses.

- Substandard – Loans that are graded Substandard are believed to present moderate likelihood of loss due to the presence of a well-defined weakness in the borrower's financial condition, a change in the customer's demonstrated repayment history, the effects of lower collateral values combined with other financial difficulties that the borrower may be experiencing, and deterioration of other indicators of the borrower's ability to service the loan as agreed. Loans graded Substandard are evaluated individually for impairment.

- Doubtful – Loans that are graded Doubtful have all of the weaknesses inherent in loans 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.

Management updates its internal grading system at least quarterly and on a case by case basis. The following tables provide information about the credit quality of the Company's loans as indicated by its internal risk grading system as of December 31, 2018 and 2017:

	December 31, 2018				
	Pass	Special Mention	Substandard	Doubtful	Total
Real estate loans:					
Construction	$ 28,336,067	$ 2,503,274	$ 147,251	$ -	$ 30,986,592
Mortgage	242,515,160	-	4,687,129	-	247,202,289
Agricultutal	5,632,860	-	4,079	-	5,636,939
Commercial	41,231,357	-	513,060	-	41,744,417
Consumer	7,330,727	45,959	699	-	7,377,385
All Other Loans	1,917,104	-	-	-	1,917,104
	$ 326,963,275	$ 2,549,233	$ 5,352,218	$ -	$ 334,864,726

	December 31, 2017				
	Pass	Special Mention	Substandard	Doubtful	Total
Real estate loans:					
Construction	$ 21,629,502	$ 2,557,748	$ 431,239	$ -	$ 24,618,489
Mortgage	242,859,596	-	6,375,586	-	249,235,182
Agricultutal	5,043,836	-	-	-	5,043,836
Commercial	32,976,567	-	495,736	-	33,472,303
Consumer	6,539,113	51,636	629	-	6,591,378
All Other Loans	2,032,079	-	-	-	2,032,079
	$ 311,080,693	$ 2,609,384	$ 7,303,190	$ -	$ 320,993,267

	Modifications As of December 31, 2018			
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Losses Recognized Upon Modification
Troubled Debt Restructuring:				
Real estate loans:				
Mortgage	5	$ 3,220,458	$ 3,220,458	-
Commercial	1	46,206	46,206	-
Consumer	1	699	699	-

	Modifications As of December 31, 2017			
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Losses Recognized Upon Modification
Troubled Debt Restructuring:				
Real estate loans:				
Mortgage	2	$ 554,294	$ 554,294	-

TDRs, were $4,962,737 as of December 31, 2018, and included $3,975,027 in the total of non-accrual loans. No additional funds are committed to be advanced to debtors owing receivables whose terms have been modified in TDRs.

NOTE 6 - PREMISES AND EQUIPMENT:

Premises and equipment at December 31, 2018 and 2017, consists of the following:

	2018	2017
Land and buildings	$ 13,893,127	$ 10,665,436
Equipment	14,136,786	13,174,452
Total	28,029,913	23,839,888
Less, accumulated depreciation	19,460,193	17,972,642
Property and equipment - net	$ 8,569,720	$ 5,867,246

Depreciation expense for the years ended December 31, 2018 and 2017 was $1,557,580 and $402,572, respectively.

NOTE 7 - OTHER REAL ESTATE OWNED:

Included in the balance sheet under the caption, "Real estate owned other than bank premises", are certain real properties which were acquired as a result of completed foreclosure proceedings. Such foreclosed properties totaled $331,502 and $776,100 at December 31, 2018 and 2017, respectively.

NOTE 8 - DEPOSITS:

A summary of deposits follows:

	DECEMBER 31, 2018	DECEMBER 31, 2017
Noninterest bearing demand	$ 137,707,837	$ 139,832,631
Interest bearing transaction accounts	182,446,886	177,366,193
Savings	34,711,632	33,336,694
Time deposits $100,000 and over	27,426,026	28,347,186
Other time deposits	29,961,462	32,990,650
Total deposits	$ 412,253,843	$ 411,873,354

At December 31, 2018, the scheduled maturities of certificates of deposits for the next five years are as follows:

Year	Amount
2019	$ 50,456,884
2020	2,031,603
2021	1,593,811
2022	1,185,572
2023 and beyond	2,119,618
Total time deposits	57,387,488

NOTE 9 - INCOME TAXES:

The Company and the Bank file consolidated federal income tax returns on a calendar year basis. The consolidated provision for income taxes consisted of the following:

	2018	2017
Current:		
Federal	$ 1,117,373	$ 878,576
State	253,722	337,484
Deferred	(77,315)	2,511,879
Total	$ 1,293,780	$ 3,727,939

Deferred income taxes result from temporary differences in the recognition of income and expense for tax and financial reporting purposes. The principal sources of these differences and the related deferred tax effects are as follows:

	2018	2017
Provision for loan losses	$ (112,764)	$ 341,955
Deferred compensation expense	150,487	217,768
Other	(115,038)	1,952,156
Total	$ (77,315)	$ 2,511,879

The following is a reconciliation of the provision made for income taxes in the financial statements versus an amount computed by applying the federal income tax rate to income before income taxes:

	2018	2017
Computed "expected" tax expense	$ 1,471,749	$ 2,343,866
Increase (reduction) of taxes:		
Tax-exempt interest income	(63,244)	(109,910)
State income tax, net of federal income tax benefits	167,457	222,739
Provision for loan losses	(112,764)	341,955
Deferred compensation expense	150,487	217,768
Increase resulting from federal tax reform	-	834,447
Other	(319,905)	(122,926)
Total	$ 1,293,780	$ 3,727,939

The net deferred tax asset included in other assets in the accompanying consolidated financial statements includes the following components:

	2018	2017
Deferred tax assets	$ 2,355,580	$ 2,261,151
Deferred tax liabilities	11,429	(5,065)
Net deferred tax asset	$ 2,367,009	$ 2,256,086

The Company's 2017 results of operations include the impact of the enactment of the Tax Cuts and Jobs Act, which was signed into law on December 22, 2017. The law includes significant changes to the U.S. corporate tax system, including a federal corporate rate change reduction from 34% to 21%. In 2017, the Company applied the newly enacted corporate federal income tax rate of 21%, resulting in an increase of $834,447. The final impact of the tax rate change may differ due to changes in assumptions made by the Company or actions that the Company may take as a result of tax reform.

The Company has determined that there are no significant uncertain tax positions taken or expected to be taken requiring recognition as liabilities in the financial statements. In evaluating the company's tax provisions and accruals, future taxable income, and the reversal of temporary differences, interpretations and tax planning strategies are considered. Management believes its estimates are appropriate based on current facts and circumstances. The Company is subject to routine audits by taxing authorities; however, there are currently no audits for any tax periods in progress. Management believes the Company is no longer subject to federal and state examinations by tax authorities for years prior to 2015.

NOTE 10 - EMPLOYEE BENEFITS:

The Bank maintains a profit sharing plan under the provisions of Section 401(k) of the Internal Revenue Code. The plan covers all employees of the Bank who have completed one year of service and have reached their twenty-first birthday. The Bank contributes 50% of the first 5% of annual base compensation that an employee contributes to the plan. Contributions to the plan were $112,761 and $90,318 in 2018 and 2017, respectively.

The Company has entered into deferred compensation agreements with certain officers and directors of the Company.

Bank owned life insurance at December 31, 2018 and 2017 totals $5,624,630 and $8,169,897, respectively, and represents the funding of deferred compensation agreements with certain officers and directors. During 2018 and 2017, $59,401 and $286,339, respectively, was expensed under these agreements.

In general, bank policy does not provide for post-retirement health insurance benefits.

NOTE 11 - OTHER EXPENSES:

The following is a summary of the components of other non-interest expense for the years ended December 31:

	2018	2017
Postage	$ 124,087	$ 105,835
Auto expense and travel	54,750	56,905
Director's fees	62,144	75,300
Printing and stationery	80,724	76,391
Advertising	144,493	148,400
Entertainment	116,793	138,789
Miscellaneous	34,860	38,558
Courier service	76,244	67,682
Analysis fees	46,024	45,432
Other	587,998	696,069
Total	$ 1,328,117	$ 1,449,361

NOTE 12 - OPERATING LEASES:

The Bank was obligated at December 31, 2018, for operating leases extending to the year 2023, for land and buildings used primarily for banking purposes. The leases require the Bank to pay for maintenance, property taxes and insurance from February 1, 1993 through February 27, 2023, the rental payments shall be increased relative to the consumer price index. Accordingly, the following summary does not reflect increases in rental payments due to the consumer price index.

YEAR		APPROXIMATE REQUIRED ANNUAL RENTALS
2019	$	159,612
2020		159,612
2021		159,612
2022		159,612
2023		159,612
Later years		-
Total	$	798,060

Rental expense for the operating leases for the years ended December 31, 2018 and 2017, was $340,623 and $334,768, respectively.

NOTE 13 - RELATED PARTY TRANSACTIONS:

The Bank has entered into transactions with its directors and their business interests (related parties). Such transactions were made in the ordinary course of business on substantially the same terms and conditions, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other customers, and did not, in the opinion of management, involve more than normal credit risk or present other unfavorable features. The aggregate amount of loans to such related parties was $2,045,460 and $900,178 at December 31, 2018 and 2017, respectively. New loans in the amount of $1,240,000 were added during 2018. $94,718 and $19,193 was repaid during 2018 and 2017.

Deposits from related parties held by the Bank totaled $2,171,588 and $2,645,814 at December 31, 2018 and 2017, respectively.

The Bank leases land and buildings from certain officers of the Bank. The annual payments on these leases were $244,591 for the years ended December 31, 2018 and 2017. The leases continue through January 31, 2023, and are classified in the financial statements as operating leases.

NOTE 14 - OFF-BALANCE SHEET ACTIVITIES:

Credit-Related Financial Instruments:

The Bank is a party to credit-related financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers and to manage its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit and standby letters of credits. These instruments involve to varying degrees, elements of credit, interest rate, or liquidity risk in excess of the amounts recognized in the balance sheets. The contract amounts of these instruments express the extent of involvement the Bank has in particular classes of financial instruments. Such financial instruments are recorded in the financial statements when they are funded or related fees are incurred or received.

The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments. The Bank controls the credit risk through credit approvals, limits, and monitoring procedures. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the customer. Collateral held varies but may include personal residences, accounts receivable, inventory, property, plant and equipment and income-producing commercial properties.

At December 31, 2018 and 2017, the following financial instruments were outstanding whose contract represents credit risk:

	2018	2017
Commitments to extend credit	$ 40,055,819	$ 37,574,871
Standby letters of credit	1,846,393	1,887,352

Commitments to extend credit and standby letters of credit include exposure to some credit loss in the event of nonperformance of the customer.

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

Standby letters of credit are conditional commitments issued by the Bank guaranteeing the performance of a customer to a third party. Those guarantees are primarily issued to support private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Bank's policy for obtaining collateral, and the nature of such collateral, is essentially the same as that involved in making commitments to extend credit.

NOTE 15 - FAIR VALUES OF FINANCIAL INSTRUMENTS:

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly fashion between market participants at the measurement date, and establishes a framework for measuring fair value. It applies only to the fair value measurements that are already required or permitted by other accounting standards and is expected to increase the consistency of those measurements. It also establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date, eliminates the consideration of large position discounts for financial instruments quoted in active markets, requires consideration of the Bank's creditworthiness when valuing its liabilities, and expands disclosures about instruments measured at fair value. The three levels are defined as follows:

- Level 1 - inputs reflect quoted prices in active markets for identical assets or liabilities.
- Level 2 - inputs reflect observable inputs that may consist of quoted market prices for similar assets or liabilities, quoted prices that are not in an active market, or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets or liabilities being valued.
- Level 3 - inputs reflect the use of pricing models and/or discounted cash flow methodologies using other than contractual interest rates or methodologies that incorporate a significant amount of management judgment, use of the entity's own data, or other forms of unobservable data.

The following is a summary of the measurement attributes applicable to financial assets and liabilities that are measured at fair value on a recurring basis:

		Fair Value Measurement at Reporting Date Using		
Description	December 31, 2018	(Level 1)	(Level 2)	(Level 3)
Assets:				
Securities available-for-sale:				
Government sponsored enterprises (GSEs)		$ -	$ 24,142,613	$ -
Mortgage backed secuties issued by GSEs		-	1,212,544	-
State, county and municipal		-	5,200,406	-
U.S. Treasury Notes		-	1,988,400	-

Description	December 31, 2017	Fair Value Measurement at Reporting Date Using (Level 1)	(Level 2)	(Level 3)
Assets:				
Securities available-for-sale:				
Government sponsored enterprises (GSEs)		$ -	$ 24,072,700	$ -
Mortgage backed secuties issued by GSEs		-	422,095	-
State, county and municipal		-	6,705,968	-
U.S. Treasury Notes		-	4,964,200	-

Pricing for the Company's securities available-for-sale is obtained from an independent third-party that uses a process that may incorporate current prices, benchmark yields, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, other reference items and industry and economic events that a market participant would be expected to use as inputs in valuing the securities. Not all of the inputs listed apply to each individual security at each measurement date. The independent third party assigns specific securities into an "asset class" for the purpose of assigning the applicable level of the fair value hierarchy used to value the securities. The methods used are consistent with the methods used previously.

The following is a summary of the measurement attributes applicable to assets and liabilities that are measured at fair value on a non-recurring basis:

Description	December 31, 2018	Fair Value Measurement at Reporting Date Using (Level 1)	(Level 2)	(Level 3)
Impaired loans		$ -	$ -	$ 6,836,426
Other real estate owned		-	331,502	-

Description	December 31, 2017	Fair Value Measurement at Reporting Date Using (Level 1)	(Level 2)	(Level 3)
Impaired loans		$ -	$ -	$ 8,327,952
Other real estate owned		-	776,100	-

The following table reconciles the beginning and ending balances of impaired loans measured at fair value on a non-recurring basis using significant unobservable (Level 3) inputs during the period:

		2018
Balance beginning of period	$	8,327,952
Additions		514,869
Deletions		(72,621)
Settled by:		
Payment		(1,933,774)
Foreclosure or deed in lieu of foreclosure		-
Charged off		-
	$	6,836,426

Collateral dependent impaired loans consist of nonaccrual loans for which the underlying collateral provides the sole repayment source. The Bank measures the amount of the impairment for such loans by determining the difference between the fair value of the underlying collateral and the recorded amount of the loan. The fair value of the underlying collateral generally is based on appraisals performed in accordance with applicable appraisal standards by independent appraisers engaged by the Bank. In many cases, management updates values reflected in older appraisals obtained at the time of loan origination and already in the Bank's possession using its own knowledge, judgments and assumptions about current market and other conditions in lieu of obtaining a new recorded amount of the loan, a valuation allowance is established for the difference; otherwise, no valuation allowance is established. The valuation allowance for impaired loans is a component of the allowance for loan losses. Periodically, management reevaluates the fair value of the collateral and makes adjustments to the valuation allowance as appropriate. However, if the fair value of the collateral subsequently recovers in value such that it exceeds the recorded loan amount, no adjustment is made in the loan's value for the excess.

The Financial Accounting Standards Board Accounting Standards Codification (ASC) requires disclosure of the estimated fair value of certain on-balance sheet and off-balance sheet financial instruments and the methods and assumptions used to estimate their fair values. A financial instrument is defined as cash, evidence of an ownership interest in an entity or a contract that creates a contractual obligation or right to deliver or receive cash or another financial instrument from a second entity on potentially favorable or unfavorable terms. Financial instruments within the ASC's scope that are not carried at fair value on the consolidated balance sheets are discussed below. Accordingly, these fair value disclosures provide only a partial estimate of the Bank's fair value.

The following methods and assumptions were used by the Bank in estimating fair values of financial instruments as disclosed herein:

Cash and cash equivalents. The carrying amounts of cash and cash equivalents approximate fair values.

Securities available-for-sale and held-to-maturity. Pricing for the Company's securities available-for-sale is obtained from an independent third-party that uses a process that may incorporate current prices, benchmark yields, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, other reference items and industry and economic events that a market participant would be expected to use as inputs in valuing the securities. Not all of the inputs listed apply to each individual security at each measurement date. The independent third party assigns specific securities into an "asset class" for the purpose of assigning the applicable level of fair value hierarchy used to value the securities. Securities available-for-sale are measured at fair value with unrealized gains and losses, net of income taxes, recorded in other comprehensive income.

Other investments. Fair values of other investments, consisting of restricted securities, approximate the carrying amounts and are based on the redemption provisions of the issuers.

Loans receivable. For variable-rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values. Fair values for certain mortgage loans (for example, one-to-four family residential) and other consumer loans are based on quoted market prices of similar loans sold, adjusted for differences in loan characteristics. Fair values for commercial real estate and commercial loans are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. Fair values for non-performing loans are estimated using discounted cash flow analyses or underlying collateral values, where applicable.
Deposit liabilities. The fair values disclosed for demand deposits are, by definition, equal to the amount payable on demand at the reporting date (that is, their carrying amounts). The carrying amounts of variable-rate, fixed-term money-market accounts and certificates of deposit (CDs) approximate their values at the reporting date. Fair values for fixed-rate CDs are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on time deposits.

Federal funds sold and securities sold under agreements to resell. The carrying amounts of federal funds sold and securities sold under agreements to resell approximate their fair values.

Accrued interest. The carrying amounts of accrued interest approximate fair value.

Off-balance-sheet instruments. Fair values for off-balance-sheet credit-related financial instruments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standings.

The estimated fair values and related carrying or notional amounts of the Bank's financial instruments are as follows:

	2018		2017	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Financial assets:				
Level 2 inputs:				
Cash and cash equivalents	$ 82,699,246	$ 82,699,246	$ 88,239,492	$ 88,239,492
Investment securities	34,823,001	34,823,001	38,525,774	38,525,774
Other investments	8,685,167	8,685,167	8,510,444	8,510,444
Cash surrender value of life insurance	5,624,630	5,624,630	8,169,897	8,169,897
Accrued interest receivable	1,169,641	1,169,641	1,127,041	1,127,041
Level 3 inputs:				
Loans receivable	330,328,661	327,394,000	316,660,166	347,745,000
Financial liabilities:				
Level 2 inputs:				
Deposits	412,253,843	390,386,000	411,873,354	393,576,000
Accrued interest payable	293,297	293,297	148,566	148,566
Financial assets:				
Off-balance-sheet credit related financial instruments:				
Commitments to extend credit	40,055,819	40,055,819	37,574,871	37,574,871
Standby letters of credit	1,846,393	1,846,393	1,887,352	1,887,352

NOTE 16 - COMMITMENTS AND CONTINGENT LIABILITIES:

The Bank is involved in various litigation arising out of the ordinary course of business. Management and legal counsel are of the opinion that losses, if any, would not have a material effect on the financial statements.

NOTE 17 - REGULATORY MATTERS:

Restrictions on Subsidiary Dividends, Loans or Advances:

South Carolina banking regulations restrict the amount of dividends that banks can pay to stockholders. Any of the Bank's dividends to the Company which exceed the total amount of the subsidiary's current year-to-date earnings are subject to the prior approval of the South Carolina Commissioner of Banking and are generally payable only from its undivided profits. In addition, dividends paid by the Bank to the Company would be prohibited if the effect thereof would cause the Bank's capital to be reduced below applicable minimum capital requirements. Under Federal Reserve Board regulations, the amounts of loans or advances from the Bank to the Company are also restricted.

Regulatory Capital:

All bank holding companies and banks are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, as revised by the Basel III Capital Rules effective January 1, 2015, the Company and 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.

Banking regulations identify five capital categories: well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized. At December 31, 2018 and 2017, the Company and Bank exceeded all current regulatory requirements, and were classified as well-capitalized. Management believes that no events or changes have occurred subsequent to December 31, 2018 that would change this designation.

Quantitative measures established by the Basel III Capital Rules to ensure capital adequacy require the maintenance of minimum amounts and ratios (set forth in the table below) of Common Equity Tier 1 capital, Tier 1 capital, and Total capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier 1 capital to adjusted quarterly average assets (as defined), or "leverage ratio".

Regulatory capital ratios at December 31, 2018 and 2017, along with the minimum amounts required for capital adequacy purposes and to be well-capitalized under prompt corrective action provisions in effect at such times are presented in the following tables for the Holding Company and Bank:

	ACTUAL		MINIMUM FOR CAPITAL ADEQUACY PURPOSES		MINIMUM TO BE WELL CAPITALIZED	
	AMOUNT	RATIO	AMOUNT	RATIO	AMOUNT	RATIO
(Dollars in thousands)						
As of December 31, 2018:						
Carolina Bank and Trust:						
Common Equity Tier 1 Capital						
(to risk weighted assets)	$ 58,858	18.12%	$ 14,621	4.50%	$ 21,119	6.50%
Tier I Capital						
(to risk weighted assets)	58,858	18.12%	$ 19,494	6.00%	$ 25,992	8.00%
Total Capital						
(to risk weighted assets)	62,925	19.37%	$ 25,992	8.00%	$ 32,490	10.00%
Leverage Capital						
(to average assets)	58,858	12.65%	$ 18,616	4.00%	$ 23,270	5.00%
As of December 31, 2017:						
Carolina Bank and Trust:						
Common Equity Tier 1 Capital						
(to risk weighted assets)	$ 53,640	17.03%	$ 14,172	4.50%	$ 20,471	6.50%
Tier I Capital						
(to risk weighted assets)	53,640	17.03%	$ 18,897	6.00%	$ 25,195	8.00%
Total Capital						
(to risk weighted assets)	57,581	18.28%	$ 25,195	8.00%	$ 31,494	10.00%
Leverage Capital						
(to average assets)	53,640	11.62%	$ 18,461	4.00%	$ 23,077	5.00%

NOTE 18 - DEFERRED COMPENSATION PLAN:

The Company has entered into deferred compensation agreements with selected officers who, upon retirement, will receive compensation within certain guidelines as determined by the agreements. The expected costs of the benefits to be provided are being recognized during the years that the employee renders the necessary service. The plans are unfunded; however, the Company maintains life insurance policies which can be used to satisfy the liability.

Deferred compensation charged to income consisted of the following at December 31, 2018 and 2017:

	2018	2017
Payments to participants	$ -	$ -
Increase in present value of vested future benefit	(145,172)	(254,713)
Expense for the year	$ (145,172)	$ (254,713)

NOTE 19 - OTHER COMPREHENSIVE INCOME (LOSS):

The components of other comprehensive income (loss) and related tax effects are as follows:

	2018	2017
Net unrealized loss on available-for-sale securities	$ (78,543)	$ (87,473)
Reclassification adjustment for gains realized in income	-	-
Net unrealized gain	(78,543)	(87,473)
Tax effect	16,494	29,741
Net-of-tax amount	$ (62,049)	$ (57,732)

NOTE 20 - BALANCE SHEET OFFSETTING:

Certain financial instruments, including resell and repurchase agreements, may be eligible for offset in the consolidated balance sheet and/or subject to master netting arrangements or similar agreements. The Bank does not generally offset such financial instruments for financial reporting purposes. Information about financial instruments that are eligible for offset in the consolidated balance sheet as of December 31, 2018 is presented in the following tables.

	Gross Amount Recognized	Gross Amount Offset	Net Amount Recognized
December 31, 2018			
Financial assets:			
Resell agreements	$ 43,000,000	$ -	$ 43,000,000
Total	$ 43,000,000	$ -	$ 43,000,000

	Net Amount Recognized	Financial Instruments	Collateral	Net Amount
December 31, 2018				
Financial assets:				
Resell agreements	$ 43,000,000	$ -	$ (43,000,000)	$ -
Total	$ 43,000,000	$ -	$ (43,000,000)	$ -

Information about financial instruments that are eligible for offset in the consolidated balance sheet as of December 31, 2017 is presented in the following tables.

	Gross Amount Recognized	Gross Amount Offset	Net Amount Recognized
December 31, 2017			
Financial assets:			
Resell agreements	$ 43,000,000	$ -	$ 43,000,000
Total	$ 43,000,000	$ -	$ 43,000,000

	Net Amount Recognized	Financial Instruments	Collateral	Net Amount
December 31, 2017				
Financial assets:				
Resell agreements	$ 43,000,000	$ -	$ (43,000,000)	$ -
Total	$ 43,000,000	$ -	$ (43,000,000)	$ -

NOTE 21 - CONDENSED FINANCIAL STATEMENTS:

Presented below are condensed financial statements for First Carolina Bancshares Corporation (Parent Company Only).

	2018	2017
Balance Sheet:		
Assets:		
Cash	$ 6,613	$ 7,585
Investment in Carolina Bank and Trust Company	58,620,567	53,465,329
Total assets	$ 58,627,180	$ 53,472,914
Stockholders' equity	$ 58,627,180	$ 53,472,914
Statement of Income:		
Income:		
Dividends from Carolina Bank and Trust Company	$ 498,232	$ 421,681
Miscellaneous income	-	50
	498,232	421,731
Expenses:		
Other	970	4,470
Income before income taxes and equity in undistributed earnings of subsidiary	497,262	417,261
Equity in undistributed earnings of subsidiary	5,217,287	2,748,523
Net income	$ 5,714,549	$ 3,165,784

	YEAR ENDED DECEMBER 31, 2018	YEAR ENDED DECEMBER 31, 2017
Statement of Cash Flows:		
Cash flows from operating activities:		
Net income	$ 5,714,549	$ 3,165,784
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in undistributed earnings of subsidiary	(5,217,287)	(2,748,523)
Net cash provided by operating activities	497,262	417,261
Cash flows from financing activities:		
Dividends paid	(480,034)	(411,681)
Repurchase of common stock	(18,200)	(4,875)
Net cash used in financing activities	(498,234)	(416,556)
Net increase (decrease) in cash and cash equivalents	(972)	705
Cash and cash equivalents at beginning of year	7,585	6,880
Cash and cash equivalents at end of year	$ 6,613	$ 7,585