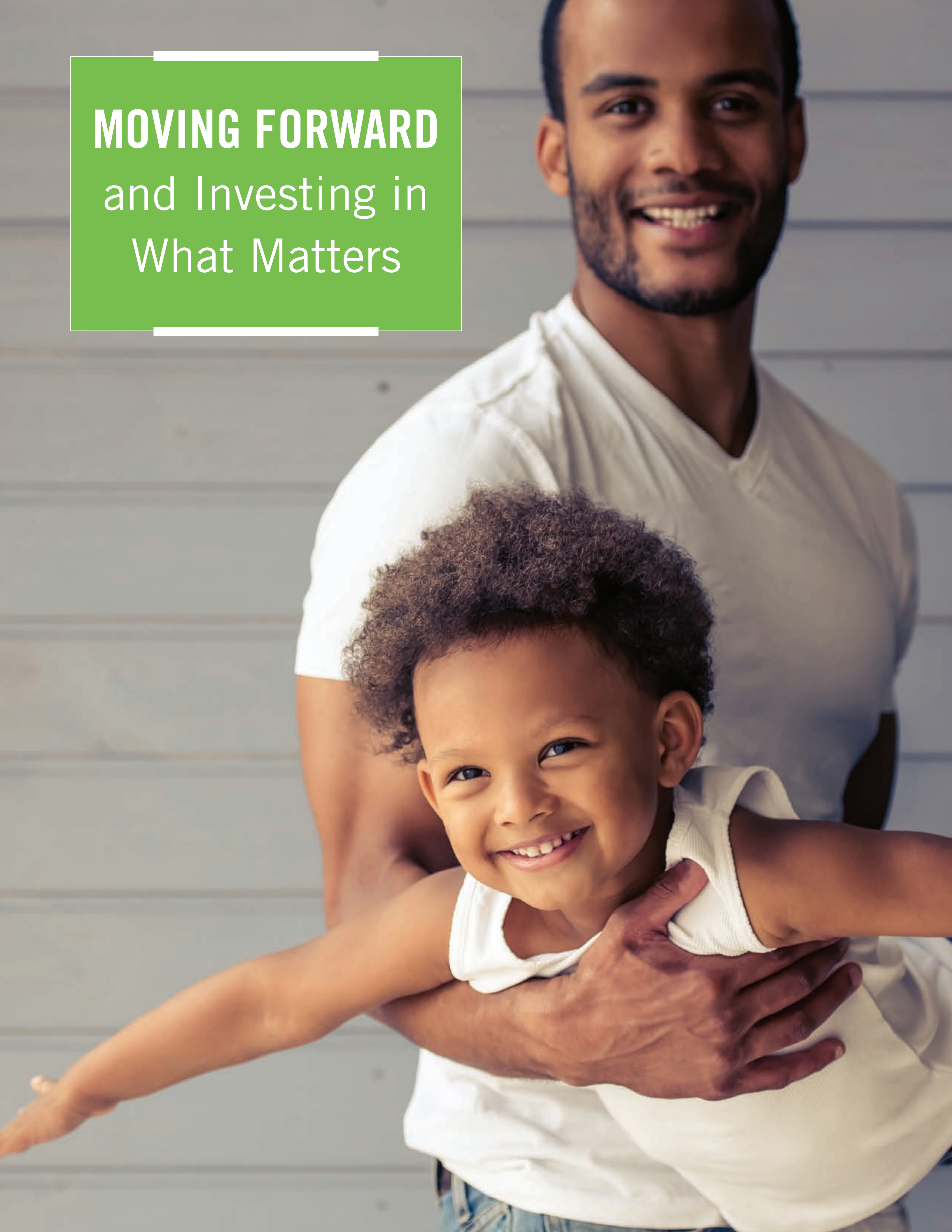
MOVING FORWARD

Citizens Bancshares Corporation

since 1921

• 2017 ANNUAL REPORT •


MOVING FORWARD
and Investing in
What Matters

Financials

Selected Financial Data for
Citizens Bancshares Corporation & Subsidiary

Years ended December 31, (amounts in thousands, except per share data and financial ratios)	**2017**	**2016**	**2015**
STATEMENT OF INCOME DATA:			
Net interest income	$13,848	$12,079	$12,068
Provision for (recovery of) loan losses	—	$(63)	$100
Income before income tax expense	$3,831	$2,737	$2,125
Net income	$1,612	$2,031	$1,819
Net income available to common shareholders	$1,479	$1,936	$1,582
PER SHARE DATA:			
Net income per common share - basic	$0.69	$0.88	$0.72
Net income per common share - basic (excluding impact of change in tax rate)	$1.23	$0.88	$0.72
Book value per common share	$19.15	$18.31	$17.87
Cash dividends paid per common share	$0.08	$0.08	$0.08
BALANCE SHEET DATA:			
Loans, net of unearned income	$246,968	$209,970	$186,961
Deposits	$372,252	$338,823	$328,862
Advances from Federal Home Loan Bank	$10,195	$5,215	$5,235
Total assets	$429,113	$395,768	$388,620
Average stockholders' equity	$46,742	$51,915	$49,962
Average assets	$412,381	$406,575	$394,287
RATIOS:			
Income before income tax expense to average assets	0.93%	0.67%	0.54%
Net income to average assets	0.39%	0.50%	0.46%
Net income available to common shareholders to average assets	0.36%	0.48%	0.40%
Net income to average shareholders equity	3.45%	3.91%	3.64%
Net income available to common shareholders to average stockholders' equity	3.16%	3.73%	3.17%
Dividend payout ratio per common share	11.82%	8.97%	10.89%
Average stockholders' equity to average assets	11.33%	12.77%	12.67%
Tier 1 capital ratio (to risk weighted assets)	15%	17%	20%
Total capital ratio	15%	18%	20%

Shareholders Message

In 2017, Citizens Trust Bank has delivered strong financial performance, guided by our vision to excel at securing and enhancing the financial well-being of customers, shareholders, our team, and the broader community.

We set aggressive objectives and realized very successful results. The risk profile of our balance sheet is likely in the best position it has ever been in the 96-year history of the institution. Our core earnings have improved significantly, and we continue to make important strides in improving our platforms for an enhanced customer experience, both digitally and in-branch. But more importantly, we have made significant steps in positioning our institution to move forward and grow.

We have made significant steps in positioning our institution to move forward and grow.

Some key highlights over the past year:

- *Executed on the strategic initiative to take the Company private*
- *Executed and integrated a $35 million acquisition consisting of approximately 5,000 new customers*
- *Generated over 40% growth or $1 million in income before income taxes over prior year to $3.80 million*
- *Experienced an 8% growth in assets and a 10% growth in deposits*
- *Produced approximately 18% growth in loans*
- *Improved the Company's risk profile with historically low asset quality metrics*
- *Experienced double digit growth across our digital platforms (including social media)*
- *Exited the U.S. Department of Treasury Troubled Asset Relief Program ("TARP") while remaining well capitalized*
- *And enhanced shareholder value with a 43% and 67% growth in adjusted EPS – diluted and ROE, respectively, year over year based on operating income.*

We highlight the 2017 pretax results in an effort to give our shareholders a clearer picture of the tremendous operating performance of the Company, exclusive of the one-time $1.2 million tax expense resulting from the Tax Cuts and Jobs Act of 2017. The Company's net income for 2017, including the impact of the adjustment, was $1.6 million which was approximately $400,000 less than prior year.

We are proud of the results and our team. These milestones were not accomplished without a tremendous amount of focus and discipline from everyone.

In order to continue to deliver this level of performance, we understand that we are operating in an age of unparalleled change. Digital technologies are creating new challenges and opportunities at an unprecedented pace. That change is having an impact on everything from politics to education to the way people shop and interact with each other…on every continent. For Citizens Trust Bank, it has an impact on how we do business.

The banking and financial services industry continues its shift from a sales and product business to one that targets the right markets, customer segments, and solutions that more closely fit specific needs. Customers are savvier and expect a one-stop shop for financial solutions. To win, we must operate differently: we need to embrace innovation, manage talent differently, and pursue key partnerships.

In the face of this industry-wide evolution, Citizens Trust Bank remains positioned for strength. Not simply to survive and maintain our current business, but to transform the way we do business and interact with our customers.

As we look forward to 2018, we will continue to push our agenda to evolve our Company for the future. We know that we cannot rest on our laurels—we must regularly examine, refine, and adapt our business model to deliver the most value to our customers, our community and our shareholders. Our board and management contain highly experienced professionals with the right mix of skills, expertise, and insights to drive Citizens Trust Bank forward.

We are proud of the results and our team. These milestones were not accomplished without a tremendous amount of focus and discipline from everyone.

Introduced in 2017, our three strategic pillars represent the basis for Citizens Trust Bank's business model and strategic decision-making processes. Execution against these three priorities is critical to ensure the creation of superior and sustainable financial performance, now and in the future. At Citizens Trust Bank, we aim to:

1. **Promote** community, economic growth and stability
2. **Remain personal and customer centric** in our interactions leveraging specialized digital platforms
3. **Enhance** the Citizens Trust Bank brand to drive institutional growth

Our focus is to simply to do more of what we are currently doing in a smarter and more efficient way, enhance our digital presence to drive brand exposure and growth, and pursue diversification in our lines of business.

Promote community, economic growth and stability

Part of promoting community, economic growth and stability means financially healthy businesses and people. That's why our customer's well-being is at the foundation of our business strategy. This customer-centric focus is present in our appeal to today's customer needs—50% of our account acquisitions are online enhanced by convenience solutions such as mobile transactions, including Apple and Samsung Pay, Online Bill Pay, Mobile Deposits, and Commercial Deposit Capture as well as a variety of other consumer and commercial options. Also, the Citizens Trust Bank's credit card remains among the country's lowest rate, no

fee credit card, as previously recognized by Kiplinger, *Money* Magazine and Clark Howard.

Wealth building and strong vibrant communities through homeownership is also our commitment and we are making a mark. We experienced 78% and 300% mortgage production growth in 2017 and 2016, respectively. We continue to simplify our customer's engagement with us through our online application and totally paperless process. This has been beneficial to not only our customers but has allowed us to grow this business in a very efficient and productive way. We continue to make ourselves available to the community through outreach, including home buyer seminars, and expand our realtor relationships in every market area. Again, our goal is to do more of what we are doing!

For the business community, we continue to enhance and extend our capabilities to include a broader range of services and product offerings to help our clients meet their strategic goals and financing needs. We are adding a tailored line of credit to our product mix to expand our reach to operating companies—and pursuing lenders whose skill sets align with our strategic focus and product solutions. The operating companies will provide further diversification to our portfolio and serve as another avenue for growth.

Over the past three years, we believe our solutions have created value and impact in the community as we have invested approximately $130 million in business loans to help stimulate economic growth and create jobs.

Our goal is to continue to push for convenience in every sector of our business. We will begin implementation of a small business loan app—to launch in 2019—that aligns with our efforts on faster and more convenient delivery of service to our business customers.

Wealth building and strong vibrant communities through homeownership is also our commitment and we are making a mark.

Our commitment to the community does not end there, in an effort to promote financial stability and sustainability, during 2017, we partnered with local schools to reach over 2,200 students through our financial independence training program.

Remain personal and customer centric in our interactions leveraging specialized digital platforms

In 2017, we consolidated our branch and operation's network and overhauled the facilities to be more reflective of our brand. We also wanted to create a better and more efficient atmosphere for our associates to work, because we believe that a positive work environment is directly correlated to a positive customer experience. As we move into 2018, a customer-centric environment with personalized service will remain our primary focus.

The digital transformation taking place in the financial sector is redefining how we do business. As competition and customer expectations for enhanced digital banking services increase, we must remain nimble and deploy strategies that will allow us to successfully adapt and grow in the digital age. In response, we will continue to allocate human and financial capital to advancing technology for an optimum and pleasurable customer experience and a broader market reach.

Over the last several years our efforts in this area have produced great results, and we have experienced an explosion of growth in our customer base, which has grown more than 65% since 2015, from 10,000 to more than 17,000 customers strong. With this growth came a noticeable shift in demographics, highlighted by a 300% increase in the 30-49 age group. These customers bank differently, which has led to a

significant growth in our electronic product utilization. In almost every digital channel—including mobile and online banking, bill pay and debit card usage—we have grown at least 130% since 2015. Our goal is to keep doing more of what we are doing!

Recognizing the trends in customer engagement and activity, retooling our organizational structure is mission critical. We will continue to dedicate resources to fit the evolving customer interaction through technology, with an emphasis on our digital and social media platforms. Realigning our staffing and organizational structure in the client service areas—digital *and* in-branch—will allow us to engage our customers how and when they need us, and to achieve and sustain valuable and long-term relationships.

Recognizing the trends in customer engagement and activity, retooling our organizational structure is mission critical.

Enhance the Citizens Trust Bank brand to drive institutional growth

2017 was an active year of transformation in the bank's delivery channels. With the success in our digital platforms, 2018 is the right time to incorporate an even greater focus on digital marketing.

Even though we have made significant gains, we still have an opportunity to solidify that we are being heard, and our presence is being felt in the marketplace —especially in communities where we already have a strong presence. The correlation between who we are and what we do is impacted by how our audiences see, talk about, and engage with us.

Therefore, marketing is key to the future growth in all verticals of our business. We will increase our marketing in the digital space, in light of the growth we have already experienced in this venue. We will focus on how we can most effectively speak to customers and provide the options to conveniently meet their financial needs. Engaging in partnerships to explore these opportunities will assist us in effectively obtaining desired results.

As we leverage technology to improve our delivery of service to customers, we are also challenging our team to use the technology to enhance returns through efficient business processes.

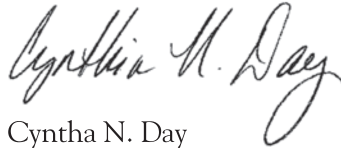
2017 was an active year of transformation in the bank's delivery channels.

Moving Forward...

As we move forward, we are well positioned. We are committed to providing high quality financial services and building lasting client relationships. We are dedicated to keeping pace with fast-changing technology, and the technological needs of our customers. We continue to recruit and retain quality talent to enable our strategic objectives.

Together with our board, we will regularly examine, refine, and adapt our business model, and we believe our strategic plan— to **promote** community, economic growth and stability; to **remain personal** and customer-centric in our interactions; and to **enhance** the Citizens Trust Bank brand to drive institutional growth – will assist us in achieving sustainable long-term value to our shareholders. As always, thank you for putting your trust in us and for your continued support.

Sincerely,



Cyntha N. Day
President and CEO
Citizens Trust Bank

and

Ray M. Robinson
Chairman of the Board
Citizens Bancshares Corporation

As we leverage technology to improve our delivery of service to customers, we are also challenging our team to use the technology to enhance returns through efficient business processes.

Citizens Bancshares Corporation and Subsidiary

Consolidated Financial Statements as of
December 31, 2017 and 2016 and for Each of the
Two Years in the Period Ended December 31, 2017

CITIZENS BANCSHARES CORPORATION AND SUBSIDIARY

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Citizens Bancshares Corporation and Subsidiary
Atlanta, Georgia

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Citizens Bancshares Corporation and Subsidiary (the "Company"), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of income, comprehensive income (loss), changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Citizens Bancshares Corporation and Subsidiary as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Elliott Davis Decosimo, LLC

Columbia, South Carolina
March 28, 2018

CITIZENS BANCSHARES CORPORATION AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
Cash and due from banks, including reserve requirements of $448,000 and $349,000 at December 31, 2017 and 2016, respectively	$ 2,075,510	$ 2,617,352
Federal funds sold	18,766,398	16,575,018
Interest-bearing deposits with banks	29,882,103	19,108,346
Certificates of deposit	1,150,000	900,000
Investment securities available for sale, at fair value (amortized cost of $105,591,178 and $121,821,077 at December 31, 2017 and 2016, respectively)	104,350,792	120,654,512
Other investments	1,175,350	957,550
Loans receivable–net	245,097,549	208,139,242
Premises and equipment–net	7,946,840	6,392,341
Cash surrender value of life insurance	10,633,638	10,357,772
Other real estate owned	646,350	1,585,396
Other assets	7,388,194	8,480,698
	$429,112,724	$395,768,227
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Noninterest-bearing deposits	$126,649,743	$ 87,434,898
Interest-bearing deposits	245,602,047	251,388,474
Total deposits	372,251,790	338,823,372
Accrued expenses and other liabilities	4,628,381	4,545,126
Notes payable	1,900,000	—
Advances from Federal Home Loan Bank	10,194,770	5,214,937
Total liabilities	388,974,941	348,583,435
COMMITMENTS AND CONTINGENCIES (Note 9)		
STOCKHOLDERS' EQUITY:		
Preferred stock–No par value; 10,000,000 shares authorized; Series B, 7,462 shares issued and outstanding at December 31, 2016	—	7,462,000
Common stock–$1 par value; 20,000,000 shares authorized; 2,265,441 and 2,330,028 shares issued and outstanding at December 31, 2017 and 2016, respectively	2,265,441	2,330,028
Nonvoting common stock–$1 par value; 5,000,000 shares authorized; 90,000 shares issued and outstanding at December 31, 2017 and 2016	90,000	90,000
Nonvested restricted common stock	35,310	(110,551)
Additional paid-in capital	7,803,056	8,623,441
Retained earnings	32,957,926	31,550,758
Treasury stock, at cost, 259,950 and 250,030 shares at December 31, 2017 and 2016, respectively	(2,092,839)	(1,990,988)
Accumulated other comprehensive loss, net of income taxes	(921,111)	(769,896)
Total stockholders' equity	40,137,783	47,184,792
	$429,112,724	$395,768,227

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

CITIZENS BANCSHARES CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Interest income:		
Loans, including fees	$11,435,815	$ 9,760,324
Investment securities:		
Taxable	1,935,011	1,822,063
Tax-exempt	665,036	788,919
Dividends	47,423	50,156
Federal funds sold	234,848	112,633
Interest-bearing deposits	269,501	226,063
Total interest income	14,587,634	12,760,158
Interest expense:		
Deposits	675,568	662,946
Other borrowings	63,654	18,352
Total interest expense	739,222	681,298
Net interest income	13,848,412	12,078,860
Provision for (recovery of) loan losses	—	(62,500)
Net interest income after provision for loan losses	13,848,412	12,141,360
Noninterest income:		
Service charges on deposits	3,376,463	2,842,482
Gains on sales of securities	—	201,383
Mortgage origination fees	310,470	208,691
ATM surcharges	181,640	217,615
Bank owned life insurance	275,866	267,684
Grant income	227,282	—
Other operating income	464,565	723,920
Total noninterest income	4,836,286	4,461,775
Noninterest expense:		
Salaries and employee benefits	7,050,608	6,974,204
Occupancy and equipment	2,068,458	2,057,655
Other real estate owned, net	(8,060)	(128,804)
Other operating expenses	5,742,508	4,962,694
Total noninterest expense	14,853,514	13,865,749
Income before income tax expense	3,831,184	2,737,386
Income taxes related to change in tax rate	1,162,201	—
Income taxes related to continuing operations	1,057,244	705,960
Total tax expense	2,219,445	705,960
Net income	1,611,739	2,031,426
Discount on redemption of preferred stock	—	151,951
Preferred dividends	132,243	247,767
Net income available to common stockholders	$ 1,479,496	$ 1,935,610
Net income per common share–basic	$ 0.69	$ 0.88
Net income per common share–diluted	$ 0.68	$ 0.87
Weighted average outstanding shares:		
Basic	2,145,808	2,209,809
Diluted	2,178,125	2,227,873

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

CITIZENS BANCSHARES CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Net Income	$1,611,739	$2,031,426
Other Comprehensive Income (Loss)		
Unrealized holding loss on investment securities available for sale, net of tax of $25,099 for 2017 and $291,171 for 2016	(48,722)	(566,183)
Reclassification adjustment for holding gains included in net income, net of tax of $0 for 2017 and $68,470 for 2016	—	(132,913)
Other Comprehensive Income (Loss)	(48,722)	(699,096)
Total Comprehensive Income (Loss)	$1,563,017	$1,332,330

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

CITIZENS BANCSHARES CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Preferred Stock		Common Stock		Nonvoting Common Stock		Non-Vested Restricted Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount	Shares	Amount	Shares	Amount				Shares	Amount		
Balance–December 31, 2015	11,841	$11,841,000	2,308,228	$2,308,228	90,000	$90,000	$(146,798)	$8,343,821	$29,940,699	(241,454)	$(1,929,954)	$ (70,800)	$50,376,196
Net income	—	—	—	—	—	—	—	—	2,031,426	—	—	—	2,031,426
Other comprehensive loss	—	—	—	—	—	—	—	—	—	—	—	(699,096)	(699,096)
Nonvested restricted stock	—	—	—	—	—	—	36,247	(7,470)	—	—	—	—	28,777
Purchase of treasury stock	—	—	—	—	—	—	—	—	—	(8,576)	(61,034)	—	(61,034)
Issuance of common stock	—	—	21,800	21,800	—	—	—	135,139	—	—	—	—	156,939
Redemption of preferred stock	(4,379)	(4,379,000)	—	—	—	—	—	151,951	—	—	—	—	(4,227,049)
Dividends paid on preferred stock	—	—	—	—	—	—	—	—	(247,767)	—	—	—	(247,767)
Dividends paid on common stock	—	—	—	—	—	—	—	—	(173,600)	—	—	—	(173,600)
Balance–December 31, 2016	7,462	$ 7,462,000	2,330,028	$2,330,028	90,000	$90,000	$(110,551)	$8,623,441	$31,550,758	(250,030)	$(1,990,988)	$(769,896)	$47,184,792
Net income	—	—	—	—	—	—	—	—	1,611,739	—	—	—	1,611,739
Other comprehensive loss	—	—	—	—	—	—	—	—	—	—	—	(48,722)	(48,722)
Nonvested restricted stock	—	—	—	—	—	—	145,861	(219,875)	—	—	—	—	(74,014)
Purchase of treasury stock	—	—	—	—	—	—	—	—	—	(9,920)	(101,851)	—	(101,851)
Issuance of common stock	—	—	25,185	25,185	—	—	—	207,441	—	—	—	—	232,626
Stock repurchased and retired	—	—	(89,772)	(89,772)	—	—	—	(807,951)	—	—	—	—	(897,723)
Redemption of preferred stock	(7,462)	(7,462,000)	—	—	—	—	—	—	—	—	—	—	(7,462,000)
Dividends paid on preferred stock	—	—	—	—	—	—	—	—	(132,243)	—	—	—	(132,243)
Dividends paid on common stock	—	—	—	—	—	—	—	—	(174,821)	—	—	—	(174,821)
Reclassification of OCI due to tax rate change	—	—	—	—	—	—	—	—	102,493	—	—	(102,493)	—
Balance–December 31, 2017	—	$ —	2,265,441	$2,265,441	90,000	$90,000	$ 35,310	$7,803,056	$32,957,926	(259,950)	$(2,092,839)	$(921,111)	$40,137,783

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

CITIZENS BANCSHARES CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
OPERATING ACTIVITIES:		
Net income	$ 1,611,739	$ 2,031,426
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for (recovery of) loan losses	—	(62,500)
Depreciation	668,501	646,844
Amortization and accretion–net	600,944	651,588
Provision for deferred income taxes	1,459,457	191,146
Gains on sales of securities	—	(201,383)
(Gain) loss on sale of other real estate owned	(102,068)	(404,789)
Restricted stock based compensation plan	(74,014)	28,777
Decrease in carrying value of other real estate owned	20,365	139,742
Increase in cash surrender value of life insurance	(275,866)	(267,684)
Changes in assets and liabilities, net of acquisition:		
Change in other assets	(341,854)	763,299
Change in accrued expenses and other liabilities	83,255	397,843
Net cash provided by operating activities	$ 3,650,459	$ 3,914,309
INVESTING ACTIVITIES:		
Net change in certificates of deposit	(250,000)	—
Proceeds from the sales, maturities and paydowns of securities available for sale	18,168,562	26,051,022
Purchases of securities available for sale	(2,539,607)	(24,956,755)
Net change in other investments	(217,800)	7,400
Net change in loans	(26,178,049)	(23,715,364)
Purchases of premises and equipment	(2,223,000)	(908,220)
Proceeds from sale of premises and equipment	—	5,060
Proceeds from sale of other real estate owned	1,172,372	3,617,485
Net cash used in investing activities	$(12,067,522)	$(19,899,372)
FINANCING ACTIVITIES:		
Net cash paid for acquisition	$(10,931,881)	$ —
Net change in deposits	33,428,418	9,961,793
Proceeds from note payable	2,000,000	—
Principal payments on note payable	(100,000)	—
Net increase (decrease) in Federal Home Loan Bank advances	4,979,833	(19,770)
Common stock dividend paid	(174,821)	(173,600)
Preferred stock dividend paid	(132,243)	(247,767)
Net purchase of treasury stock	(101,851)	(61,034)
Redemption of preferred stock	(7,462,000)	(4,227,049)
Repurchase and retirement of common stock	(897,723)	—
Proceeds from issuance of common stock	232,626	156,939
Net cash provided by financing activities	$ 20,840,358	$ 5,389,512
Net change in cash and cash equivalents	$ 12,423,295	$(10,595,551)
CASH AND CASH EQUIVALENTS		
Beginning of year	38,300,716	48,896,267
End of year	$ 50,724,011	$ 38,300,716
Supplemental disclosures of cash paid during the year for:		
Interest	$ 743,269	$ 685,844
Income taxes	560,000	268,000
Supplemental disclosures of noncash investing activities:		
Real estate acquired through foreclosure	151,623	475,039
Change in unrealized gain (loss) on investment securities available for sale–net of tax	(73,821)	(1,059,237)

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

CITIZENS BANCSHARES CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business—Citizens Bancshares Corporation and subsidiary (the "Company") is a holding company that provides a full range of commercial banking to individual and corporate customers in its primary market areas, metropolitan Atlanta and Columbus, Georgia, and Birmingham and Eutaw, Alabama through its wholly owned subsidiary, Citizens Trust Bank (the "Bank"). The Bank operates under a state charter and serves its customers through five full-service branches in metropolitan Atlanta, one full-service branch in Columbus, Georgia, one full-service branch in Birmingham, Alabama, and one full-service branch in Eutaw, Alabama. All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of Presentation—The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and with general practices within the banking industry. In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts in the consolidated financial statements. Actual results could differ significantly from those estimates. Material estimates common to the banking industry that are particularly susceptible to significant change in the near term are the allowance for loan losses, the valuation of allowances associated with the recognition of deferred tax assets and the value of foreclosed real estate and intangible assets. In January 2017, the company deregistered as a SEC filer.

Acquisition—On August 4, 2017, the Company's subsidiary, Citizens Trust Bank, acquired the consumer and business deposit relationships of the First Citizens Bank of North Carolina branch located at 562 Lee Street, Atlanta, Georgia, which totaled approximately $34 million. Under the agreement, the Bank acquired approximately $45 million of mortgage loans from First Citizens Bank that were not associated with the Lee Street Branch. The acquisition of the consumer and business deposit relationships as well as the mortgage loans purchased was at par. The acquisition did not include the purchase of the physical branch facility or equipment.

Troubled Asset Relief Program—On August 13, 2010, as part of the U.S. Department of the Treasury (the "Treasury") Troubled Asset Relief Program ("TARP") Community Development Capital Initiative, the Company entered into a Letter Agreement, and an Exchange Agreement–Standard Terms ("Exchange Agreement"), with the Treasury, pursuant to which the Company agreed to exchange 7,462 shares of the Company's Fixed Rate Cumulative Perpetual Preferred Stock, Series A ("Series A Preferred Shares"), issued on March 6, 2009, pursuant to the Company's participation in the TARP Capital Purchase Program, for 7,462 shares of the Company's Fixed Rate Cumulative Perpetual Preferred Stock, Series B ("Series B Preferred Shares"), both of which have a liquidation preference of $1,000 (the "Exchange Transaction"). No new monetary consideration was exchanged in connection with the Exchange Transaction. The Exchange Transaction closed on August 13, 2010 (the "Closing Date").

On September 17, 2010, the Company issued 4,379 shares of its Series C Preferred Shares to the Treasury as part of its TARP Community Development Capital Initiative for a total of 11,841 shares of Series B and C Preferred Shares issued to the Treasury. The Series B and Series C Preferred Shares qualify as Tier 1 capital and will pay cumulative dividends at a rate of 2% per annum for the first eight years after the Closing Date and 9% per annum thereafter. The issuance of the Series B and Series C Preferred Shares was a private placement exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, as amended.

On October 4, 2017, the Company repurchased its Series B Preferred Shares from Treasury at the par value of $7,462,000, paid related accrued dividends $20,313, and exited the TARP program. On December 30, 2016, the Company repurchased its Series C Preferred Shares for $4,227,049, representing a $151,951 discount, and paid related accrued dividends totaling $10,948.

Cash and Cash Equivalents—Cash and cash equivalents include cash on hand and amounts due from banks, interest-bearing deposits with banks and federal funds sold. The Federal Reserve Bank (the "FRB") requires the Company to maintain a required cash reserve balance on deposit with the FRB, based on the

Company's daily average balance with the FRB. This reserve requirement represents 3% of the Company's daily average demand deposit balance between $15.5 million and $115.1 million and 10% of the Company's daily average demand deposit balance above $115.1 million. The required reserve was satisfied by the Company's vault cash.

Interest-bearing Deposits with Banks—Substantially all of the Company's interest-bearing deposits with banks represent funds maintained on deposit at the Federal Reserve Bank of Atlanta (the "FRB") and the Federal Home Loan Bank of Atlanta (FHLB). These funds fluctuate daily and are used to manage the Company's liquidity and borrowing position. Funds can be withdrawn daily from this account and accordingly, the carrying amount of this account is at cost which is deemed to be a reasonable estimate of fair value.

Other Investments— Other investments consist of Federal Home Loan Bank stock and Federal Reserve Bank stock which are restricted and have no readily determinable market value. These investments are carried at cost.

Investment Securities—The Company classifies investments in one of three categories based on management's intent upon purchase: held to maturity securities which are reported at amortized cost, trading securities which are reported at fair value with unrealized holding gains and losses included in earnings, and available for sale securities which are recorded at fair value with unrealized holding gains and losses included as a component of accumulated other comprehensive income (loss). The Company had no investment securities classified as trading securities or classified as held to maturity at December 31, 2017 or 2016.

Premiums and discounts on available for sale and held to maturity securities are amortized or accreted using a method which approximates a level yield. Amortization and accretion of premiums and discounts are presented within investment securities interest income on the Consolidated Statements of Income.

Gains and losses on sales of investment securities are recognized upon disposition, based on the adjusted cost of the specific security. A decline in market value of any security below cost that is deemed other than temporary is charged to earnings resulting in the establishment of a new cost basis for the security. The determination of whether an other-than-temporary impairment has occurred involves significant assumptions, estimates, changes in economic conditions and judgment by management. There was no other-than-temporary impairment for securities recorded during 2017 or 2016.

Loans Receivable and Allowance for Loan Losses—Loans are reported at principal amounts outstanding plus direct origination costs, net of loan fees and any direct charge-offs. Interest income is recognized over the term of the loan based on the principal amount outstanding. Loan fees and certain direct origination costs are deferred and amortized over the estimated terms of the loans using the level yield method. Premiums and discounts on loans purchased are amortized and accreted using the level yield method over the estimated remaining life of the loan purchased. The accretion and amortization of loan fees, origination costs, and premiums and discounts are presented as a component of loan interest income on the Consolidated Statements of Income.

Management considers a loan to be impaired when, based on current information and events, there is a potential that all amounts due according to the contractual terms of the loan may not be collected. Impaired loans are measured based on the present value of expected future cash flows, discounted at the loan's effective interest rate, or at the loan's observable market price, or the fair value of the collateral if the loan is collateral dependent.

Loans are generally placed on nonaccrual status when the full and timely collection of principal or interest becomes uncertain or the loan becomes contractually in default for 90 days or more as to either principal or interest, unless the loan is well collateralized and in the process of collection. When a loan is placed on nonaccrual status, current period accrued and uncollected interest is charged-off against interest income on loans unless management believes the accrued interest is recoverable through the liquidation of collateral. Loans are returned to accrual status when payment has been made according to the terms and conditions of the loan for a continuous six month period.

The Company provides for estimated losses on loans receivable when any significant and permanent decline in value occurs. These estimates for losses are based on individual assets and their related cash flow forecasts, sales values, independent appraisals, the volatility of certain real estate markets, and concern for disposing of real estate in distressed markets. For loans that are pooled for purposes of determining necessary provisions, estimates are based on loan types, history of charge-offs, and other delinquency analyses. Therefore, the value used to determine the provision for losses is subject to the reasonableness of these estimates. The adequacy of the allowance for loan losses is reviewed on a monthly basis by management and the Board of Directors. This assessment is made in the context of historical losses as well as existing economic conditions, performance trends within specific portfolio segments, and individual concentrations of credit.

Loans are charged-off against the allowance when, in the opinion of management, such loans are deemed to be uncollectable and subsequent recoveries are added to the allowance.

Troubled Debt Restructurings—Loans to be restructured are identified based on an assessment of the borrower's credit status, which involves, but is not limited to, a review of financial statements, payment delinquency, non-accrual status, and risk rating. Determining the borrower's credit status is a continual process that is performed by the Company's staff with periodic participation from an independent external loan review group.

Troubled debt restructurings ("TDR") generally occur when a borrower is experiencing, or is expected to experience, financial difficulties in the near-term and it is probable that the Company will not be able to collect all amounts due according to the contractual terms of the loan agreement. The Company seeks to assist these borrowers by working with them to prevent further difficulties, and ultimately to improve the likelihood of recovery on the loan while ensuring compliance with the Federal Financial Institutions Examination Council ("FFIEC") guidelines. To facilitate this process, a formal concessionary modification that would not otherwise be considered may be granted resulting in classification of the loan as a TDR.

The modification may include a change in the interest rate or the payment amount or a combination of both. Substantially all modifications completed under a formal restructuring agreement are considered TDRs. Modifications can involve loans remaining on nonaccrual, moving to nonaccrual, or continuing on accruing status, depending on the individual facts and circumstances of the borrower. These restructurings rarely result in the forgiveness of principal or interest. Nonperforming commercial TDRs may be returned to accrual status based on a current, well-documented credit evaluation of the borrower's financial condition and prospects for repayment under the modified terms. This evaluation must include consideration of the borrower's sustained historical repayment performance for a reasonable period (generally a minimum of six months) prior to the date on which the loan is returned to accrual status.

Premises and Equipment—Premises and equipment are stated at cost less accumulated depreciation which is computed using the straight-line method over the estimated useful lives of the related assets. When assets are retired or otherwise disposed, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in earnings for the period. The costs of maintenance and repairs, which do not improve or extend the useful life of the respective assets, are charged to earnings as incurred, whereas significant renewals and improvements are capitalized. The range of estimated useful lives for premises and equipment is as follows:

Buildings and improvements	5–40 years
Furniture and equipment	3–10 years

Other Real Estate Owned—Other real estate owned is reported at the lower of cost or fair value less estimated disposal costs, determined on the basis of current appraisals, comparable sales, and other estimates of value obtained principally from independent sources. Any excess of the loan balance at the time of foreclosure over the fair value of the real estate held as collateral is treated as a charge-off against the allowance for loan losses. Any subsequent declines in value are charged to earnings. Transactions in other real estate owned for the years ended December 31, 2017 and 2016 are summarized below:

	Years Ended December 31,	
	2017	2016
Balance–beginning of year	$ 1,585,396	$ 4,462,795
Additions	151,623	475,039
Sales	(1,070,304)	(3,212,696)
Write downs	(20,365)	(139,742)
Balance–end of year	$ 646,350	$ 1,585,396

Intangible Assets—Finite lived intangible assets of the Company represent deposit assumption premiums recorded upon the purchase of certain assets and liabilities from other financial institutions. Deposit assumption premiums are amortized over seven years, the estimated average lives of the deposits acquired, using the straight-line method and are included within other assets on the Consolidated Balance Sheets.

The Company reviews the carrying value of goodwill on an annual basis and on an interim basis if certain events or circumstances indicate that an impairment loss may have been incurred. An impairment charge is recognized if the carrying value of the reporting unit's goodwill exceeds its implied fair value.

The following table presents information about our intangible assets:

	December 31, 2017		December 31, 2016	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Unamortized intangible asset:				
Goodwill	$362,139	$—	$ 362,139	$ —
Amortized intangible asset:				
Core deposit intangibles	$ —	$—	$3,303,427	$3,303,427

The following table presents information about aggregate amortization expense for the years ended December 31, 2017 and 2016. The core deposit intangible became fully amortized during 2016.

	For the Years Ended December 31,	
	2017	2016
Aggregate amortization expense of core deposit intangibles	$—	$117,980

Income Taxes—Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the assets and liabilities are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income tax expense in the period that includes the enactment date.

In the event the future tax consequences of differences between the financial reporting bases and the tax bases of the Company's assets and liabilities result in deferred tax assets, an evaluation of the probability of being able to realize the future benefits indicated by such assets is required. A valuation allowance is provided for the portion of a deferred tax asset when it is more likely than not that some portion or all of the deferred tax asset will not be realized. In assessing the realizability of the deferred tax assets, management considers the scheduled reversals of deferred tax liabilities, projected future taxable income, and tax planning strategies.

Net Income Available to Common Stockholders—Basic net income per common share ("EPS") is computed based on net income available to common stockholders divided by the weighted average number of common shares outstanding. Diluted EPS is computed based on net income available to common stockholders divided by the weighted average number of common and potential common shares. The only potential common share equivalents are those related to stock options and nonvested restricted stock grants. Common share equivalents which are anti-dilutive are excluded from the calculation of diluted EPS.

Stock Based Compensation—The fair value of each stock option award is estimated on the date of grant using a Black-Scholes valuation model. Expected volatility is based on the historical volatility of the Company's stock, using daily price observations over the expected term of the stock options. The expected term represents the period of time that stock options granted are expected to be outstanding and is derived from historical data which is used to evaluate patterns such as stock option exercise and employee termination. The expected dividend yield is based on recent dividend history. The risk-free interest rate is derived from the U.S. Treasury yield curve in effect at the time of grant based on the expected life of the option.

There were no options granted in 2017 and 2016.

In 2017, 16,000 nonvested restricted shares of common stock were issued to certain officers and the Chief Executive Officer (CEO) at a grant price of $9.80. These restricted common stock shares will vest 100% (Cliff vesting) on January 1, 2020. In addition, an employee was issued 210 discretionary nonvested restricted shares of common stock at a grant price of $9.25. These restricted common stock shares will vest 100% (Cliff vesting) on January 1, 2019.

In 2016, 17,000 nonvested restricted shares of common stock were issued to certain officers and the Chief Executive Officer (CEO) at a grant price of $7.91. These restricted common stock shares will vest 100% (Cliff vesting) on January 1, 2018. The transferability of restricted shares issued to the CEO is subject to TARP regulations pertaining to repayment of TARP funding in 25 percent increments. In addition, an employee was issued 2,000 discretionary nonvested restricted shares of common stock at a grant price of $7.50. These restricted common stock shares will vest 100% (Cliff vesting) on May 18, 2018.

Recently Issued Accounting Standards—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 reporting periods beginning after December 15, 2017. 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. The Company has performed an assessment of our revenue contracts related to revenue streams that are within the scope of the standard. Our 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 our businesses. We have not identified material changes to the timing or amount of revenue recognition. Based on the updated guidance, we do anticipate changes in our disclosures associated with our revenues. We will provide qualitative disclosures of our performance obligations related to our revenue recognition and we 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 reporting periods beginning after December 15, 2017. 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, 2017, including interim periods within those fiscal years. 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, 2018, including interim periods within those fiscal years. Early adoption is permitted. We expect to adopt the guidance using the modified retrospective method and practical expedients for transition; however, as the Company does not currently have any existing leases, we do not expect these amendments to have a material effect on its financial statements.

In March 2016, the FASB amended the Revenue from Contracts with Customers topic of the Accounting Standards Codification 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 reporting periods beginning after December 15, 2017. 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 were effective for the Company beginning during the year ended December 31, 2017. The adoption of this amendment did not have a material effect on the financial statements.

In April 2016, the FASB amended the Revenue from Contracts with Customers topic of the Accounting Standards Codification to clarify guidance related to identifying performance obligations and accounting for licenses of intellectual property. The amendments will be effective for the Company for reporting periods beginning after December 15, 2017. 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 Accounting Standards Codification to clarify guidance related to collectability, noncash consideration, presentation of sales tax, and transition. The amendments will be effective for the Company for reporting periods beginning after December 15, 2017. The Company does not expect these amendments to have a material effect on its financial statements.

In June 2016, the FASB issued guidance to change the accounting for credit losses and modify the impairment model for certain debt securities. The amendments will be effective for the Company for reporting periods beginning after December 15, 2020. 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, we do not expect to elect that option. We are evaluating the impact of the ASU on our consolidated financial statements. We expect 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, we 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 Accounting Standards Codification 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, including interim periods within those fiscal years. 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 Accounting Standards Codification 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, 2017 including interim periods within those fiscal years. 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 Consolidation topic of the Accounting Standards Codification to revise the consolidation guidance on how a reporting entity that is the single decision maker of a variable interest entity (VIE) should treat indirect interests in the entity held through related parties that are under common control with the reporting entity when determining whether it is the primary beneficiary of that VIE. The amendments were effective for the Company beginning during the year ended December 31, 2017. The adoption of this amendment did not have a material effect on the financial statements.

In November 2016, the FASB amended the Statement of Cash Flows topic of the Accounting Standards Codification 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, 2017 including interim periods within those fiscal years. 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 reporting periods beginning after December 15, 2017. 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 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 reporting 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.

In January 2017, the FASB amended the Goodwill and Other Topic of the Accounting Standards Codification to simplify the accounting for goodwill impairment for public business entities and other entities that have goodwill reported in their financial statements and have not elected the private company alternative for the subsequent measurement of goodwill. The amendment removes Step 2 of the goodwill impairment test. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. The effective date and transition requirements for the technical corrections will be effective for the Company for reporting periods beginning after December 15, 2020. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. 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 Accounting Standards Codification 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 reporting periods beginning after December 15, 2017. 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 Compensation—Retirement Benefits Topic of the Accounting Standards Codification related to the income statement presentation of the components of net periodic benefit cost for an entity's sponsored defined benefit pension and other postretirement plans. The amendments will be effective for the Company for interim and 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.

In March 2017, the FASB amended the requirements in the Receivables—Nonrefundable Fees and Other Costs Topic of the Accounting Standards Codification 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 interim and annual 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 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.

In February 2018, the FASB Issued (ASU 2018-02), *Income Statement (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*, which allows Companies to reclassify the stranded effects in other comprehensive income to retained earnings as a result of the change in the tax rates under the Tax Reform Act. The Company has opted to early adopt this pronouncement by retrospective application to each period in which the effect of the change in the tax rate under the Tax Cuts and Jobs Act is recognized. The Company made an election to reclassify income tax effects of the Tax Reform Act, amounting to approximately $102,000, from accumulated other comprehensive income to retained earnings. The impact of the reclassification from other comprehensive income to retained earnings is included in the Statement of Changes in Stockholders' Equity.

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.

Reclassifications—Certain prior year amounts have been reclassified to conform to the 2017 presentation. Such reclassifications had no impact on net income or retained earnings as previously reported.

2. INVESTMENT SECURITIES

Investment securities available for sale are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
At December 31, 2017:				
State, county, and municipal securities	$ 21,923,751	$330,218	$ 55,443	$ 22,198,526
Mortgage-backed securities	76,162,369	18,152	1,645,396	74,535,125
Corporate securities	7,505,058	112,083	—	7,617,141
Totals	$105,591,178	$460,453	$1,700,839	$104,350,792
At December 31, 2016:				
State, county, and municipal securities	$ 25,060,770	$550,950	$ 132,654	$ 25,479,066
Mortgage-backed securities	89,239,267	35,100	1,630,623	87,643,744
Corporate securities	7,521,040	21,879	11,217	7,531,702
Totals	$121,821,077	$607,929	$1,774,494	$120,654,512

The amortized costs and fair values of investment securities at December 31, 2017, by contractual maturity, are shown below. Mortgage-backed securities are classified by their contractual maturity, however, expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with and without call or prepayment penalties.

	Available for Sale	
	Amortized Cost	Fair Value
Due in one year or less	$ 199,498	$ 200,280
Due after one year through five years	15,897,496	15,950,309
Due after five years through ten years	28,413,482	28,488,187
Due after ten years	61,080,702	59,712,016
	$105,591,178	$104,350,792

There were no securities sold in 2017. Proceeds from the sale of securities were $3,368,000 and gross realized gains were $201,000 in 2016. There were no gross realized losses on sales of securities in 2016.

Investment securities with carrying values of approximately $78,828,000 and $86,003,000 at December 31, 2017 and 2016, respectively, were pledged to secure public funds on deposit and for other purposes as required by law, FHLB advances and a $25.1 million line of credit at the Federal Reserve Bank discount window.

The following tables show investments' gross unrealized losses and fair value, aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position, at December 31, 2017 and December 31, 2016. Except as explicitly identified below, all unrealized losses on investment securities are considered by management to be temporarily impaired given the credit ratings on these investment securities and the short duration of the unrealized loss.

At December 31, 2017:
Securities Available for Sale

	Securities in a loss position for less than twelve months		Securities in a loss position for twelve months or more		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Municipal securities	$ 3,201,897	$ (32,768)	$ 2,562,169	$ (22,675)	$ 5,764,066	$ (55,443)
Mortgage-backed securities	22,624,234	(246,827)	48,831,689	(1,398,569)	71,455,923	(1,645,396)
Total	$25,826,131	$(279,595)	$51,393,858	$(1,421,244)	$77,219,989	$(1,700,839)

At December 31, 2016:
Securities Available for Sale

	Securities in a loss position for less than twelve months		Securities in a loss position for twelve months or more		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Municipal securities	$ 7,360,829	$ (132,654)	$ —	$ —	$ 7,360,829	$ (132,654)
Mortgage-backed securities	67,828,286	(1,192,986)	14,362,315	(437,637)	82,190,601	(1,630,623)
Corporate securities	2,507,480	(11,217)	—	—	2,507,480	(11,217)
Total	$77,696,595	$(1,336,857)	$14,362,315	$(437,637)	$92,058,910	$(1,774,494)

Securities classified as available for sale are recorded at fair market value. At December 31, 2017 and 2016, the Company had forty (40) and twelve (12) investment securities, respectively, that were in an unrealized loss position for more than 12 months. The Company reviews these securities for other-than-temporary impairment on a quarterly basis by monitoring their credit support and coverage, constant payment of the contractual principal and interest, loan to value and delinquencies ratios.

We use prices from third party pricing services and, to a lesser extent, indicative (non-binding) quotes from third party brokers, to measure fair value of our investment securities. Fair values of the investment securities portfolio could decline in the future if the underlying performance of the collateral for

collateralized mortgage obligations or other securities deteriorates and the levels do not provide sufficient protection for contractual principal and interest. As a result, there is risk that an other-than-temporary impairment may occur in the future.

The Company does not intend to sell these securities and it is more likely than not that the Company will not be required to sell those securities before recovery of its amortized cost. The Company believes, based on industry analyst reports and credit ratings, that it will continue to receive scheduled interest payments as well as the entire principal balance, and the deterioration in value is attributable to changes in market interest rates and is not in the credit quality of the issuer and therefore, these losses are not considered other-than-temporary.

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

3. LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES

Loans outstanding, by classification, are summarized as follows (amounts in thousands):

	December 31,	
	2017	2016
Commercial, financial, and agricultural	$ 50,240	$ 49,899
Commercial Real Estate	106,785	111,762
Single-Family Residential	71,098	30,142
Construction and Development	11,165	10,787
Consumer	7,680	7,380
	246,968	209,970
Allowance for loan losses	1,870	1,831
Loans receivable–net	$245,098	$208,139

Concentrations—The Company's concentrations of credit risk are as follows:

A substantial portion of the Company's loan portfolio is collateralized by real estate in metropolitan Atlanta and Birmingham markets. Accordingly, the ultimate collectability of a substantial portion of the Company's loan portfolio is susceptible to changes in market conditions in the metropolitan Atlanta and Birmingham areas.

- The Company's loans to area churches were approximately $49.2 million and $52.0 million at December 31, 2017 and 2016, respectively, which are generally secured by real estate.
- The Company's loans to area convenience stores were approximately $3.2 million and $4.8 million at December 31, 2017 and 2016, respectively. Loans to convenience stores are generally secured by real estate.
- The Company's loans to area hotels were approximately $14.8 million and $14.9 million at December 31, 2017 and 2016, respectively, which are generally secured by real estate.

Activity in the allowance for loan losses by portfolio segment is summarized as follows (in thousands):

	For the Year Ended December, 2017					
	Commercial	Commercial Real Estate	Single-family Residential	Construction & Development	Consumer	Total
Beginning balance	$474	$823	$324	$11	$ 199	$1,831
Provision for loan losses	—	—	—	—	—	—
Loans charged-off	(38)	(50)	—	—	(238)	(326)
Recoveries on loans charged-off	21	224	82	—	38	365
Ending Balance	$457	$997	$406	$11	$ (1)	$1,870

	For the Year Ended December, 2016					
	Commercial	Commercial Real Estate	Single-family Residential	Construction & Development	Consumer	Total
Beginning balance	$ 342	$1,170	$ 435	$ 3	$ 174	$2,124
Provision for loan losses	115	(496)	161	8	149	(63)
Loans charged-off	(105)	(189)	(352)	—	(178)	(824)
Recoveries on loans charged-off	122	338	80	—	54	594
Ending Balance	$ 474	$ 823	$ 324	$11	$ 199	$1,831

Portions of the allowance for loan losses may be allocated for specific loans or portfolio segments. However, the entire allowance for loan losses is available for any loan that, in the judgment of management, should be charged-off.

In determining our allowance for loan losses, we regularly review loans for specific reserves based on the appropriate impairment assessment methodology. Impaired loans are measured based on the present value of expected future cash flows, discounted at the loan's effective interest rate, or at the loan's observable market price, or the fair value of the collateral if the loan is collateral dependent. At December 31, 2017 and 2016, substantially all of the total impaired loans were evaluated based on the fair value of the underlying collateral. General reserves are determined using historical loss trends measured over a rolling four quarter average for consumer loans, and a three year average loss factor for commercial loans which is applied to risk rated loans grouped by Federal Financial Examination Council ("FFIEC") call code. For commercial loans, the general reserves are calculated by applying the appropriate historical loss factor to the loan pool. Impaired loans greater than a minimum threshold established by management are excluded from this analysis. The sum of all such amounts determines our total allowance for loan losses.

The allocation of the allowance for loan losses by portfolio segment was as follows (in thousands):

	At December 31, 2017					
	Commercial	Commercial Real Estate	Single-family Residential	Construction & Development	Consumer	Total
Allowance for loan losses:						
Specific Reserves:						
Impaired loans	$ —	$ 275	$ 85	$ —	$ —	$ 360
Total specific reserves	—	275	85	—	—	360
General reserves	456	722	321	11	—	1,510
Total	$ 456	$ 997	$ 406	$ 11	$ —	$ 1,870
Loans outstanding:						
Loans individually evaluated for impairment	$ —	$ 4,530	$ 341	$ —	$ —	$ 4,871
Loans collectively evaluated for impairment	50,165	98,365	70,742	11,165	7,680	238,117
Total	$50,165	$102,895	$71,083	$11,165	$7,680	$242,988

	At December 31, 2016					
	Commercial	Commercial Real Estate	Single-family Residential	Construction & Development	Consumer	Total
Allowance for loan losses:						
Specific Reserves:						
Impaired loans	$ —	$ 466	$ 120	$ —	$ —	$ 586
Total specific reserves	—	466	120	—	—	586
General reserves	474	356	205	11	199	1,245
Total	$ 474	$ 822	$ 325	$ 11	$ 199	$ 1,831
Loans outstanding:						
Loans individually evaluated for impairment	$ 75	$ 8,369	$ 355	$ —	$ —	$ 8,799
Loans collectively evaluated for impairment	49,824	103,393	29,787	10,787	7,380	201,171
Total	$49,899	$111,762	$30,142	$10,787	$7,380	$209,970

The following table presents impaired loans by class of loan (in thousands):

	At December 31, 2017						
	Impaired Loans–With Allowance			Impaired Loans–With no Allowance			
	Unpaid Principal	Recorded Investment	Allowance for Loan Losses Allocated	Unpaid Principal	Recorded Investment	Average Recorded Investment	Interest Income Recognized
Residential:							
First mortgages	$ —	$ —	$ —	$ —	$ —	$ —	$ —
HELOC's and equity	236	215	85	125	125	348	17
Commercial							
Secured	—	—	—	—	—	—	—
Unsecured	—	—	—	—	—	—	—
Commercial Real Estate:							
Owner occupied	177	177	275	3,199	3,195	3,530	254
Non-owner occupied	—	—	—	1,195	1,159	1,060	34
Multi-family	—	—	—	—	—	—	—
Construction and Development:							
Construction	—	—	—	—	—	—	—
Improved Land	—	—	—	—	—	—	—
Unimproved Land	—	—	—	—	—	—	—
Consumer and Other	—	—	—	—	—	—	—
Total	$413	$392	$360	$4,519	$4,479	$4,938	$305

	At December 31, 2016						
	Impaired Loans–With Allowance			Impaired Loans–With no Allowance			
	Unpaid Principal	Recorded Investment	Allowance for Loan Losses Allocated	Unpaid Principal	Recorded Investment	Average Recorded Investment	Interest Income Recognized
Residential:							
First mortgages	$ —	$ —	$ —	$ —	$ —	$ —	$ —
HELOC's and equity	243	222	120	133	133	353	12
Commercial							
Secured	—	—	—	150	75	112	—
Unsecured	—	—	—	—	—	—	—
Commercial Real Estate:							
Owner occupied	4,015	4,015	466	5,388	3,438	7,562	278
Non-owner occupied	—	—	—	1,011	916	926	39
Multi-family	—	—	—	—	—	—	—
Construction and Development:							
Construction	—	—	—	—	—	—	—
Improved Land	—	—	—	—	—	—	—
Unimproved Land	—	—	—	—	—	—	—
Consumer and Other	—	—		—	—	—	—
Total	$4,258	$4,237	$586	$6,682	$4,562	$8,953	$329

The following table is an aging analysis of our loan portfolio and also includes information on the level of our nonaccrual loans (in thousands):

	At December 31, 2017							
	30–59 Days Past Due	60–89 Days Past Due	Over 90 Days Past Due	Total Past Due	Current	Total Loans Receivable	Recorded Investment > 90 Days and Accruing	Nonaccrual
Residential:								
First mortgages	$1,317	$330	$ 364	$2,011	$ 57,073	$ 59,084	$ —	$ 594
HELOC's and equity	46	32	113	191	11,823	12,014	—	113
Commercial:								
Secured	—	—	—	—	40,016	40,016	—	—
Unsecured	—	—	—	—	10,224	10,224	—	—
Commercial Real Estate:								
Owner occupied	839	39	648	1,526	59,921	61,447	—	1,145
Non-owner occupied	—	—	60	60	41,338	41,398	—	60
Multi-family	—	—	—	—	3,940	3,940	—	—
Construction and Development:								
Construction	—	—	—	—	11,165	11,165	—	—
Improved Land	—	—	—	—	—	—	—	—
Unimproved Land	—	—	—	—	—	—	—	—
Consumer and Other	18	1	61	80	7,600	7,680	—	48
Total	$2,220	$402	$1,246	$3,868	$243,100	$246,968	$ —	$1,960

	At December 31, 2016							
	30–59 Days Past Due	60–89 Days Past Due	Over 90 Days Past Due	Total Past Due	Current	Total Loans Receivable	Recorded Investment > 90 Days and Accruing	Nonaccrual
Residential:								
First mortgages	$1,560	$ 503	$ 477	$2,540	$ 16,763	$ 19,303	$ —	$ 967
HELOC's and equity	62	83	77	222	10,617	10,839	—	146
Commercial:								
Secured	—	—	78	78	39,711	39,789	—	78
Unsecured	—	—	—	—	10,110	10,110	—	—
Commercial Real Estate:								
Owner occupied	1,367	221	483	2,071	50,857	52,928	—	1,032
Non-owner occupied	53	305	—	358	52,879	53,237	—	191
Multi-family	—	—	—	—	5,597	5,597	—	—
Construction and Development:								
Construction	—	—	—	—	10,787	10,787	—	—
Improved Land	—	—	—	—	—	—	—	—
Unimproved Land	—	—	—	—	—	—	—	—
Consumer and Other	67	8	2	77	7,303	7,380	—	2
Total	$3,109	$1,120	$1,117	$5,346	$204,624	$209,970	$ —	$2,416

Each of our portfolio segments and the classes within those segments are subject to risks that could have an adverse impact on the credit quality of our loan and lease portfolio. Management has identified the most significant risks as described below which are generally similar among our segments and classes. While the list in not exhaustive, it provides a description of the risks that management has determined are the most significant.

Commercial, financial and agricultural loans—We centrally underwrite each of our commercial loans based primarily upon the customer's ability to generate the required cash flow to service the debt in accordance with the contractual terms and conditions of the loan agreement. We endeavor to gain a complete understanding of our borrower's businesses including the experience and background of the principals. To the extent that the loan is secured by collateral, which is a predominant feature of the majority of our commercial loans, we gain an understanding of the likely value of the collateral and what level of strength the collateral brings to the loan transaction. To the extent that the principals or other parties provide personal guarantees, we analyze the relative financial strength and liquidity of each guarantor. Common risks to each class of commercial loans include risks that are not specific to individual transactions such as general economic conditions within our markets, as well as risks that are specific to each transaction including demand for products and services, personal events such as disability or change in marital status, and reductions in the value of our collateral. Due to the concentration of loans in the metro Atlanta and Birmingham areas, we are susceptible to changes in market and economic conditions of these areas.

Consumer—The installment loan portfolio includes loans secured by personal property such as automobiles, marketable securities, other titled recreational vehicles and motorcycles, as well as unsecured consumer debt. The value of underlying collateral within this class is especially volatile due to potential rapid depreciation in values since date of loan origination in excess of principal repayment.

Commercial Real Estate—Real estate commercial loans consist of loans secured by multifamily housing, commercial non-owner and owner occupied and other commercial real estate loans. The primary risk associated with multifamily loans is the ability of the income-producing property that collateralizes the loan to produce adequate cash flow to service the debt. High unemployment or generally weak economic conditions may result in our customer having to provide rental rate concessions to achieve adequate occupancy rates. Commercial owner-occupied and other commercial real estate loans are primarily dependent on the ability of our customers to achieve business results consistent with those projected at loan origination resulting in cash flow sufficient to service the debt. To the extent that a customer's business

results are significantly unfavorable versus the original projections, the ability for our loan to be serviced on a basis consistent with the contractual terms may be at risk. These loans are primarily secured by real property and can include other collateral such as personal guarantees, personal property, or business assets such as inventory or accounts receivable, it is possible that the liquidation of the collateral will not fully satisfy the obligation. Also, due to the concentration of loans in the metro Atlanta and Birmingham areas, we are susceptible to changes in market and economic conditions of these areas.

Single-Family Residential—Real estate residential loans are to individuals and are secured by 1–4 family residential property. Significant and rapid declines in real estate values can result in residential mortgage loan borrowers having debt levels in excess of the current market value of the collateral. Such a decline in values has led to unprecedented levels of foreclosures and losses during 2008–2012 within the banking industry.

Construction and Development—Real estate construction loans are highly dependent on the supply and demand for residential and commercial real estate in the markets we serve as well as the demand for newly constructed commercial space and residential homes and lots that our customers are developing. Continuing deterioration in demand could result in significant decreases in the underlying collateral values and make repayment of the outstanding loans more difficult for our customers. Real estate construction loans can experience delays in completion and cost overruns that exceed the borrower's financial ability to complete the project. Such cost overruns can routinely result in foreclosure of partially completed and unmarketable collateral.

Risk categories—The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company analyzes loans individually by classifying the loans as to credit risk. Loans classified as substandard or special mention are reviewed quarterly by the Company for further deterioration or improvement to determine if appropriately classified and impairment, if any. All other loan relationships greater than $750,000 are reviewed at least annually to determine the appropriate loan grading. In addition, during the renewal process of any loan, as well as if a loan becomes past due, the Company will evaluate the loan grade.

Loans excluded from the scope of the annual review process above are generally classified as pass credits until: (a) they become past due; (b) management becomes aware of deterioration in the credit worthiness of the borrower; or (c) the customer contacts the Company for a modification. In these circumstances, the loan is specifically evaluated for potential classification as to special mention, substandard or even charged off. The Company uses the following definitions for risk ratings:

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

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

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

The following table presents our loan portfolio by risk rating (in thousands):

	At December 31, 2017				
	Total	Pass Credits	Special Mention	Substandard	Doubtful
Single-Family Residential:					
First mortgages	$ 59,084	$ 58,605	$ —	$ 479	$—
HELOC's and equity	12,014	11,503	1	510	—
Commercial, financial, and agricultural:					
Secured	40,016	40,016	—	—	—
Unsecured	10,224	10,224	—	—	—
Commercial Real Estate:					
Owner occupied	61,447	53,655	4,610	3,182	—
Non-owner occupied	41,398	40,783	45	570	—
Multi-family	3,940	3,940	—	—	—
Construction and Development:					
Construction	11,165	11,165	—	—	—
Improved Land	—	—	—	—	—
Unimproved Land	—	—	—	—	—
Consumer	7,680	7,667	—	1	12
Total	$246,968	$237,558	$4,656	$4,742	$12

	At December 31, 2016				
	Total	Pass Credits	Special Mention	Substandard	Doubtful
Single-Family Residential:					
First mortgages	$ 19,303	$ 18,545	$—	$ 758	$—
HELOC's and equity	10,839	10,326	—	513	—
Commercial, financial, and agricultural:					
Secured	39,789	39,714	—	75	—
Unsecured	10,110	10,110	—	—	—
Commercial Real Estate:					
Owner occupied	52,928	46,725	40	6,163	—
Non-owner occupied	53,237	52,277	—	960	—
Multi-family	5,597	5,597	—	—	—
Construction and Development:					
Construction	10,787	10,787	—	—	—
Improved Land	—	—	—	—	—
Unimproved Land	—	—	—	—	—
Consumer	7,380	7,367	2	7	4
Total	$209,970	$201,448	$42	$8,476	$ 4

The Bank identified as TDRs certain loans for which the allowance for loan losses had previously been measured under a general allowance methodology. Upon identifying those loans as TDRs, the Bank identified them as impaired under the guidance in ASC 310-10-35. The amendments in ASU 2011-02 require prospective application of the impairment measurement guidance in ASC 310-10-35 for those loans newly identified as impaired. As of December 31, 2017, the Company did not identify any loans as TDRs under the amended guidance for which the loan was previously measured under a general allowance methodology.

During the year ended December 31, 2017 and 2016, the Bank did not identify any loans as TDRs and no loans previously identified as TDRs went into default (as defined by non-accrual classification).

The following table summarizes the Company's TDRs and loans modifications (in thousands):

	December 31,	
	2017	2016
Nonperforming TDRs	$ 878	$1,484
Performing TDRs:		
Commercial Real Estate	728	3,264
Residential	2,150	1,737
Total performing TDRs	2,878	5,001
Total TDRs	$3,756	$6,485

In the determination of the allowance for loan losses, management considers troubled debt restructurings and subsequent defaults in these restructurings by performing the usual process for all loans in determining the allowance for loan loss. The Company considers a default as failure to comply with the restructured loan agreement. This would include the restructured loan being past due greater than 90 days, failure to comply with financial covenants, or failure to maintain current insurance coverage or real estate taxes after the loan restructured date.

4. PREMISES AND EQUIPMENT

Premises and equipment are summarized as follows:

	December 31,	
	2017	2016
Land	$ 2,250,250	$ 2,250,250
Buildings and improvements	9,813,489	7,846,084
Furniture and equipment	10,732,217	10,476,621
	22,795,956	20,572,955
Less accumulated depreciation	14,849,116	14,180,614
	$ 7,946,840	$ 6,392,341

Depreciation expense amounted to $669,000 and 647,000 for the years ended December 31, 2017 and 2016, respectively.

5. DEPOSITS

The following is a summary of interest-bearing deposits:

	December 31,	
	2017	2016
NOW and money market accounts	$106,904,220	$ 97,643,379
Savings accounts	48,683,206	40,590,590
Time deposits of $250,000 or more	24,416,848	36,934,709
Other time deposits	65,597,773	76,219,796
	$245,602,047	$251,388,474

The Company participates in the Certificate of Deposit Account Registry Services ("CDARS"), a program that allows its customers the ability to benefit from the FDIC insurance coverage on their time deposits over the $250,000 limit. The Company had $19,858,000 and $21,426,000 in CDARS deposits at December 31, 2017 and 2016, respectively.

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

2018	$76,626,599
2019	5,125,291
2020	3,125,470
2021	2,693,921
2022 and thereafter	2,443,340
	$90,014,621

6. OTHER BORROWINGS

Note Payable—At December 31, 2017, the Company had $1,900,000 outstanding under an unsecured $2,000,000 revolving line of credit. The line of credit matures on September 22, 2022, and bears interest at a fixed rate of 5.00% with quarterly principal payments of $50,000 plus accrued interest.

Federal Home Loan Bank Advances—In August 2006, the Company received an Affordable Housing Program Award in the amount of $400,000. The AHP is a principal reducing credit with an interest rate of zero, and at December 31, 2017 and 2016 had a remaining balance of approximately $195,000 and $215,000, respectively. These advances are collateralized by FHLB stock, a blanket lien on the Bank's 1–4 family mortgages, and certain commercial real estate loans and investment securities. As of December 31, 2017 and 2016, total loans pledged as collateral were $72,492,000 and $35,372,000, respectively.

As of December 31, 2017 and 2016, maturities of the Company's Federal Home Loan Bank Advances are approximately as follows:

		December 31,	
Maturity	**Rate**	**2017**	**2016**
January 2017	Fixed (0.61% at December 31, 2016)	$ —	$5,000,000
November 2018	Variable (1.59% at December 31, 2017)	10,000,000	—
August 2026[(1)]	N/A	194,770	214,937
		10,194,770	5,214,937

(1) This advance represents an Affordable Housing Program (AHP) award used to subsidize loans for homeownership or rental initiatives. The AHP is a principal reducing credit, scheduled to mature on August 17, 2026 with an interest rate of zero.

At December 31, 2017, the Company has a $106.4 million line of credit facility at the FHLB of which $30.2 million was used for an advance of $10.2 million and a letter of credit to secure public deposits in the amount of $20.0 million. The Company also had $25.1 million of borrowing capacity at the Federal Reserve Bank discount window and an unsecured $6 million fed funds line of credit.

7. INCOME TAXES

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

	2017	**2016**
Current tax expense (benefit)	$ 759,988	$514,814
Deferred tax expense	1,459,457	191,146
Total income tax	$2,219,445	$705,960

Income tax expense for the years ended December 31, 2017 and 2016 differed from the amounts computed by applying the statutory federal income tax rate of 34% to earnings before income taxes as follows:

	2017	2016
Income tax expense at statutory rate	$1,302,603	$ 930,711
State income taxes, net of federal benefit	92,665	90,658
Tax-exempt interest income–net of disallowed interest expense	(291,289)	(284,723)
Cash surrender value of life insurance income	(93,794)	(91,013)
Impact of tax rate change on deferred taxes	1,162,201	—
Other–net	47,059	60,327
Income tax	$2,219,445	$ 705,960

The tax effects of temporary differences that give rise to significant amounts of deferred tax assets and deferred tax liabilities are presented below:

	2017	2016
Deferred tax assets:		
Net operating losses and credits	$ 796,611	$2,792,002
Net unrealized loss on securities available for sale	319,275	396,669
Loans, principally due to difference in allowance for loan losses and deferred loan fees	388,410	580,269
Nonaccrual loan interest	6,101	2,561
Postretirement benefit accrual, deferred compensation	912,923	1,316,128
Other real estate owned	53,251	70,388
Premises and equipment	3,884	—
Other	395,581	659,176
Total deferred tax assets	2,876,036	5,817,193
Deferred tax liabilities:		
Premises and equipment	—	22,173
Other	56,122	84,605
Total deferred tax liabilities	56,122	106,778
Net deferred tax assets	$2,819,914	$5,710,415

The Company has at December 31, 2017, net operating loss carryforwards of $2,358,109 for federal income tax purposes and none for state income tax purposes, which begin to expire in the year 2021. The Company also has certain state income tax credits of $379,132 at December 31, 2017 which begins to expire in the year 2018. In addition, the Company has Alternative Minimum Tax ("AMT") credit carryforwards which have been reclassified to taxes receivable to reflect the refundable nature of the credits under the Tax Cuts and Jobs Act. Due to the uncertainty relating to the realizability of all the carryforwards and credits, management currently considers it more likely than not that all related deferred tax assets will be realized; thus, no valuation allowance has been provided.

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

The Company believes that its income tax filing positions taken or expected to be taken in its tax returns will more likely than not be sustained upon audit by the taxing authorities and does not anticipate any adjustments that will result in a material adverse impact on the Company's financial condition, results of operations, or cash flow. Therefore, no reserves for uncertain income tax positions have been recorded.

8. EMPLOYEE BENEFITS

Defined Contribution Plan—The Company sponsors a defined contribution 401(k) plan covering substantially all full-time employees. Employee contributions are voluntary. The Company matches 50% of the employee contributions up to a maximum of 6% of compensation. During the years ended December 31, 2017 and 2016, the Company recognized $144,000 and $96,000, respectively, in expenses related to this plan. The Bank previously had Post Retirement Benefit Plans that provide retirement benefits to certain officers, board members, certain former officers, and former board members. The Bank also has a Life Insurance Endorsement Method Split Dollar Plan ("Split Dollar Life Insurance Plan") for the same participants which provide death benefits for their designated beneficiaries through an endorsement of a portion of the death benefit otherwise payable to the Bank. Under the Post Retirement Benefit and Split Dollar Life Insurance Plans ("The Plans"), the Board purchased life insurance contracts on certain participants. During 2008, the Bank discontinued participation in The Plans and converted certain key officers and active board members into a defined Supplemental Retirement Benefit Plans ("SERP") and certain key officers into a Life Insurance Bonus Plan ("The Bonus Plan"). Upon completion of the conversion, most key officers and active Board members participating in the Split Dollar Life Insurance Plan surrendered their interest in the death benefit portion of the plan.

For the SERP and the Post Retirement Benefit Plans, the Company recognized $241,000 and $244,000 in 2017 and 2016, respectively, in noninterest expenses. The Company recognized $276,000 and $268,000 in 2017 and 2016, respectively, in noninterest income related to the insurance contracts. For the Bonus Plan, the Company incurred $53,000 in 2017 and $42,000 in 2016 for expenses related to the Bonus Plan.

The increase in cash surrender value for the contracts on those participants remaining in the Post Retirement Benefit Plan, less the Bank's premiums, constitutes the Bank's contribution to the Post Retirement Benefit Plans each year. In the event the insurance contracts fail to produce positive returns, the Bank has no obligation to contribute to the Post Retirement Benefit Plan. At December 31, 2017 and 2016, the cash surrender value of these insurance contracts was $10,634,000 and $10,358,000, respectively.

9. COMMITMENTS AND CONTINGENCIES

Credit Commitments and Commercial Letters—The Company, in the normal course of business, is a party to financial instruments with off-balance sheet risk used to meet the financing needs of its customers. These financial instruments include commitments to extend credit and commercial letters of credit.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Collateral held varies but may include accounts receivable, inventory, property, plant and equipment, and residential and commercial real estate. Commercial letters of credit are commitments issued by the Company to guarantee funding to a third party on behalf of a customer. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets. The contract 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 of the financial instrument for commitments to extend credit and commercial letters of credit is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations related to off-balance sheet financial instruments as it does for the financial instruments recorded in the Consolidated Balance Sheets.

	Approximate Contractual Amount December 31,	
	2017	**2016**
Financial instruments whose contract amounts represent credit risk:		
Commitments to extend credit	$24,616,000	$25,208,000
Commercial letters of credit	1,586,000	1,889,000

Leases—The Company leases its new corporate headquarters and its Columbus, Georgia branch location. The main office lease commenced on November 1, 2015 and has a 12 years and 2 months term. The lease requires monthly payments starting at $26,291 for the first year, increasing 3% per year thereafter. The Company received twenty (20) month rent abatement as of the lease commencement date. The Columbus branch lease commenced on June 1, 2007 and has a 7 year term. The lease requires monthly payments of $5,500 for four years and monthly lease payments of $6,000 for three years. The lease is renewable at the bank's option for two five year terms. In October 2013, the Company exercised its first option to renew the branch lease for five years. The renewed lease requires monthly payments of $6,300 for three years and monthly lease payments of $6,772 for two years commencing on June 1, 2014.

As of December 31, 2017, future minimum lease payments under all noncancelable lease agreements inclusive of sales tax and maintenance costs for the next five years and thereafter are as follows:

2018	$ 417,687
2019	380,298
2020	356,786
2021	367,164
2022 and Thereafter	2,403,575
	$3,925,510

Rent expense in 2017 and 2016 was approximately $459,000 and $511,000, respectively.

Legal—The Company and the Bank are involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, based in part on the advice of counsel, the ultimate disposition of these matters will not have a material adverse impact on the Company's Consolidated Financial Statements.

10. STOCK OPTIONS

The Company has a Stock Incentive Plan which was approved in 1999. Under the 1999 Stock Incentive Plan, options are periodically granted to employees at a price not less than fair market value of the shares at the date of grant (or less than 110% of the fair market value if the participant owns more than 10% of the Company's outstanding Common Stock). The term of the stock incentive option may not exceed ten years from the date of grant; however, any stock incentive option granted to a participant who owns more than 10% of the Common Stock will not be exercisable after the expiration of five (5) years after the date the option is granted.

A summary of the status of the Company's stock options as of December 31, 2017 and 2016 and changes during the years ended on those dates is presented below:

	2017				2016		
	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Outstanding–beginning of year	32,500	$ 9.48	0.87		41,377	$ 9.91	1.54
Granted	—	—			—	—	
Exercised	(1,500)	8.50			—	—	
Expired/Terminated	(16,000)	$10.50			(8,877)	$11.45	
Outstanding–end of year	15,000	$ 8.50	0.40	$79,500	32,500	$ 9.48	0.87
Options exercisable at year-end	15,000	$ 8.50	0.40	$79,500	32,500	$ 9.48	0.87
Shares available for grant	300,586				283,086		

There was no compensation cost recognized during 2017 and 2016.

11. NET INCOME PER COMMON AND COMMON EQUIVALENT SHARE

Basic and diluted net income per common and potential common share has been calculated based on the weighted average number of shares outstanding. Options with exercise prices lower than the average market price of the Company's stock during the periods are considered dilutive and are therefore included in the computation of diluted earnings per share. There were 15,000 and 16,500 options that were dilutive in 2017 and 2016, respectively. Options that are potentially dilutive are deemed not to be dilutive for 2016 due to the exercise price of all options being greater than the average market price of the Company's stock. As of December 31, 2017 and 2016, there were 15,000 and 32,500 potentially dilutive options outstanding. The following schedule reconciles the numerators and denominator of the basic and diluted net income per common and potential common share for the years ended December 31, 2017 and 2016.

	Net Income (Numerator)	Shares (Denominator)	Per Share Amount
Year ended December 31, 2017			
Basic earnings per share available to common stockholders	$1,479,496	2,145,808	$ 0.69
Nonvested restricted stock grant	—	16,849	$(0.01)
Effect of dilutive securities: options to purchase common shares	—	1,687	—
Diluted earnings per share	$1,479,496	2,164,344	$ 0.68
Year ended December 31, 2016			
Basic earnings per share available to common stockholders	$1,935,610	2,209,809	$ 0.88
Nonvested restricted stock grant	—	18,064	(0.01)
Effect of dilutive securities: options to purchase common shares	—	—	—
Diluted earnings per share	$1,935,610	2,227,873	$ 0.87

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company measures or monitors certain of its assets and liabilities on a fair value basis. Fair value is used on a recurring basis for assets and liabilities that are elected to be accounted for under ASC guidance as well as certain assets and liabilities in which fair value is the primary basis of accounting. Depending on the nature of the asset or liability, the Company uses various valuation techniques and assumptions when estimating fair value, which are in accordance with the guidance for determining the fair value of a financial asset when the market for that asset is not active.

In accordance with ASC guidance, the Company applied the following fair value hierarchy:

Level 1—Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market, as well as U.S. Treasury and other highly liquid investments that are actively traded in over-the-counter markets.

Level 2—Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments and derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes U.S. Government and agency mortgage-backed debt securities, certain derivative contracts and impaired loans.

Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. For example, this category generally includes certain private equity investments, retained residual interests in securitizations, residential mortgage servicing rights, and highly structured or long-term derivative contracts.

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

Other Real Estate Owned—Assets acquired through or instead of loan foreclosure are initially recorded at fair value less estimated costs to sell when acquired, establishing a new cost basis. These assets are subsequently accounted for at lower of cost or fair value less estimated costs to sell. The fair value of other real estate owned is generally based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are typically significant and result in a Level 3 classification of the inputs for determining fair value. In addition, the Company may further adjust an appraised amount given its knowledge of a specific property or market.

Loans—The Company does not record loans at fair value on a recurring basis, however, from time to time, a loan is considered impaired and an allowance for loan loss is established. Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan are considered impaired. Once a loan is identified as individually impaired, management determines the amount of the impairment. The fair value of impaired loans is estimated using one of several methods, including the collateral value, market value of similar debt, and discounted cash flows. Those impaired loans not requiring a specific allowance represent loans for which the fair value of expected repayments or collateral exceed the recorded investment in such loans. At December 31, 2017 and December 31, 2016, substantially all of the impaired loans were evaluated based upon the fair value of the collateral. Impaired loans where an allowance is established based on the fair value of collateral require classification in the fair value hierarchy. The fair value of collateral dependent impaired loans is generally based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are typically significant and result in a Level 3 classification of the inputs for determining fair value. In addition, the Company may further adjust an appraised amount given its knowledge of a specific property or market. Impaired loans are evaluated on a quarterly basis for additional impairment and adjusted accordingly.

The following tables present financial assets measured at fair value on a recurring and nonrecurring basis and the change in fair value for those specific financial instruments in which fair value has been elected. There were no financial liabilities measured at fair value for the periods being reported (in thousands):

	Fair Value Measurements at December 31, 2017			
	Assets Measured at Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Recurring Basis:				
Assets				
Securities available for sale:				
State, county, and municipal securities	$ 22,199	$ —	$ 22,199	$ —
Mortgage-backed securities	74,535	—	74,535	—
Corporate securities	7,617	—	7,617	—
	104,351		104,351	
Nonrecurring Basis:				
Assets				
Impaired loans:				
Commercial Real Estate	$ 4,256	$ —	$ —	$4,256
Single-family Residential	255	—	—	255
Other real estate owned	646	—	—	646
	5,157			5,157

	Fair Value Measurements at December 31, 2016			
	Assets Measured at Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Recurring Basis:				
Assets				
Securities available for sale:				
State, county, and municipal securities	$ 25,479	$ —	$ 25,479	$ —
Mortgage-backed securities	87,644	—	87,644	—
Corporate securities	7,532	—	7,532	—
	120,655		120,655	
Nonrecurring Basis:				
Assets				
Impaired loans:				
Commercial	$ 75	$ —	$ —	$ 75
Commercial Real Estate	7,903	—	—	7,903
Single-family Residential	235	—	—	235
Other real estate owned	1,585	—	—	1,585
	9,798			9,798

For Level 3 assets and liabilities measured at fair value on a recurring or non-recurring basis as of December 31, 2017, the significant unobservable inputs used in the fair value measurements were as follows (dollars in thousands):

	Fair Value	Valuation Technique	Unobservable Inputs	Range
Commercial Real Estate	$4,256	Appraised Value	Negative adjustment for selling costs and changes in market conditions since appraisal	5%–20%
Single-family Residential	$ 255	Appraised Value	Negative adjustment for selling costs and changes in market conditions since appraisal	5%–20%
OREO	$ 646	Appraised Value	Negative adjustment for selling costs and changes in market conditions since appraisal	5%–20%

Following are disclosures of fair value information about financial instruments, whether or not recognized on the balance sheet, for which it is practicable to estimate that value. The assumptions used in the estimation of the fair values are based on estimates using discounted cash flows and other valuation techniques. The use of discounted cash flows can be significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. The following disclosures should not be considered an estimate of the liquidation value of the Company, but rather a good-faith estimate of the increase or decrease in the value of financial instruments held by the Company since purchase, origination, or issuance.

Cash, Due from Banks, Federal Funds Sold, Interest-Bearing Deposits with Banks and Certificates of Deposits—Fair value equals the carrying value of such assets due to their nature and is classified as Level 1.

Investment Securities—Fair value of investment securities is based on quoted market prices and is classified as Level 2.

Other Investments—The carrying amount of other investments approximates its fair value and is classified as Level 1.

Loans—The fair value of fixed rate loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings resulting in a Level 3 classification. For variable rate loans, the carrying amount is a reasonable estimate of fair value. The methods utilized to estimate the fair values of loans do not necessarily represent an exit price. The carrying amount of related accrued interest receivable, due to its short-term nature, approximates its fair value, is not significant and is not disclosed.

Cash Surrender Value of Life Insurance—Cash values of life insurance policies are carried at the value for which such policies may be redeemed for cash and are classified as Level 1.

Deposits—The fair value of demand deposits, savings accounts, and certain money market deposits is the amount payable on demand at the reporting date. The fair value of fixed rate certificates of deposit is estimated by discounting the future cash flows using the rates currently offered for deposits of similar remaining maturities and is classified as Level 2.

Notes Payable and Advances from Federal Home Loan Bank—The fair values of notes payable and advances from the Federal Home Loan Bank are estimated by discounting the future cash flows using the rates currently available to the Bank for debt with similar remaining maturities and terms and are classified as Level 2.

Commitments to Extend Credit and Commercial Letters of Credit—Because commitments to extend credit and commercial letters of credit are made using variable rates, or are recently executed, the contract value is a reasonable estimate of fair value.

Limitations—Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular

financial instrument. Because no market exists for a significant portion of the Company's financial instruments, fair value estimates are based on many judgments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates. Fair value estimates are based on existing on and off-balance-sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments; for example, premises and equipment. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in the estimates.

The following presents the carrying amount, fair value, and placement in the fair value hierarchy of the Company's financial instruments as of December 31, 2017 (in thousands):

The carrying values and estimated fair values of the Company's financial instruments at December 31, 2016 are as follows (in thousands):

	Carrying Amount	Fair Value Measurements			
		Total	Level 1	Level 2	Level 3
Financial assets:					
Cash and due from banks	$ 2,076	$ 2,076	$ 2,076	$ —	$ —
Federal funds sold	18,766	18,766	18,766	—	—
Interest-bearing deposits with banks	29,882	29,882	29,882	—	—
Certificates of deposit	1,150	1,150	1,150	—	—
Investment securities	104,351	104,351	—	104,351	—
Other investments	1,175	1,175	1,175	—	—
Loans-net	245,098	244,453	—	—	244,453
Cash surrender value of life insurance	10,634	10,634	10,634	—	—
Financial liabilities:					
Deposits	$372,252	$317,205	$226,963	$ 90,242	$ —
Advances from Federal Home Loan Bank	10,195	10,195	—	10,195	—

	Notional Amount	Estimated Fair Value
Off-balance-sheet financial instruments:		
Commitments to extend credit	$24,616	$ —
Commercial letters of credit	1,586	—

13. STOCKHOLDERS' EQUITY

Capital Adequacy—The Company and the Bank are subject to various regulatory capital requirements administered by state and 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 financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company must meet specific capital guidelines that involve quantitative measures of the Company's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Company's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital (as defined) to average assets (as defined). Management believes, as of December 31, 2017, the Company meets all capital adequacy requirements to which it is subject.

On June 30, 2017, the Company implemented a planned reorganization of the corporation. The primary purpose of the Reorganization was to enable the Company to retain the termination of the

registration of its common stock under Section 12(g) of the Securities Exchange Act. In the Reorganization, shareholders owning 499 or fewer shares of Citizens common stock received $10.00 in cash for each share they own on the effective date of the Reorganization. All other shares will remain outstanding and be unaffected by the Reorganization. As a result of the reorganization, the Company repurchased and retired 87,772 shares at a cost of $10.00 per share.

As of December 31, 2017, the Bank was considered "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well capitalized," the Bank must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the table.

The Company's and the Bank's actual capital amounts and ratios are also presented in the table below (in thousands):

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
As of December 31, 2017						
Total capital (to risk weighted assets):						
Consolidated	$42,207	15%	$21,965	8.0%	N/A	N/A
Bank	43,139	16%	21,902	8.0%	$27,377	10.0%
Tier I common equity (to risk weighted assets):						
Consolidated	40,397	15%	12,355	4.5%	N/A	N/A
Bank	41,269	15%	12,320	4.5%	12,320	4.5%
Tier I capital (to risk weighted assets):						
Consolidated	40,397	15%	10,982	4.0%	N/A	N/A
Bank	41,269	15%	10,951	4.0%	21,902	8.0%
Tier I capital (to average assets):						
Consolidated	40,397	10%	16,677	4.0%	N/A	N/A
Bank	41,269	10%	16,634	4.0%	20,793	5.0%
As of December 31, 2016						
Total capital (to risk weighted assets):						
Consolidated	$46,662	18%	$20,959	8.0%	N/A	N/A
Bank	45,583	17%	20,860	8.0%	$26,075	10.0%
Tier I common equity (to risk weighted assets):						
Consolidated	45,620	17%	11,790	4.5%	N/A	N/A
Bank	43,752	17%	11,734	4.5%	11,734	4.5%
Tier I capital (to risk weighted assets):						
Consolidated	45,620	17%	10,480	4.0%	N/A	N/A
Bank	43,752	17%	10,430	4.0%	20,860	8.0%
Tier I capital (to average assets):						
Consolidated	45,620	11%	16,246	4.0%	N/A	N/A
Bank	43,752	11%	16,198	4.0%	20,248	5.0%

Dividend Limitation—The amount of dividends paid by the Bank to the Company or paid by the Company to its shareholders is limited by various banking regulatory agencies. Any such dividends will be subject to maintenance of required capital levels. The Georgia Department of Banking and Finance must approve dividend payments that would exceed 50% of the Bank's net income for the prior year to the Company.

When the Company received a capital investment from the United States Department of the Treasury in exchange for Preferred Stock under the Troubled Assets Relief Program ("TARP") Capital Purchase Program on March 6, 2009, the Company became subject to additional limitations on the payment of dividends. These limitations require, among other things, that for as long as the Preferred Stock is outstanding, no dividends may be declared or paid on the Company's common stock until all accrued and

unpaid dividends on the Preferred Stock are fully paid. In addition, the U.S. Treasury's consent is required for any increase in dividends on common stock before the third anniversary of issuance of the Preferred Stock. On October 4, 2017, the Company repurchased its remaining outstanding preferred stock from the Department of the Treasury and exited the TARP Program.

On June 30, 2017, the Company restructured its Georgia Corporation solely to effect a plan Reorganization. In the Reorganization, shareholders owning 499 or fewer shares of Citizens common stock received $10.00 in cash for each share that they own on the effective date of the Reorganization. All other shares will remain outstanding and be unaffected by the Reorganization.

The Company paid dividends of $175,000 and $174,000 on its common stock in 2017 and 2016, respectively. The annual dividend payout rate was $0.08 per common share in 2017 and 2016. In addition, the Company paid cash dividends on its preferred stock totaling $132,000 and $248,000 in 2017 and 2016, respectively, on its preferred stock issued to the Treasury.

Basel III—Effective January 1 2015, Basel III rules on the Company and the Bank became effective and the regulation now also requires the Company to maintain a minimum amount and ratio of common equity Tier 1 capital to risk weighted assets and certain requirements of the rule will be fully phased in 2019. We believe that the final rule will not have a material impact on our regulatory capital ratios, business, financial condition, results of operations and cash flows.

14. RELATED-PARTY TRANSACTIONS

Certain parties (principally certain directors and executive officers of the Company, their immediate families, and their 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 collectibility. As of December 31, 2017 and 2016, the Company had related party loans totaling $9,763,359 and $5,931,430, respectively.

Deposits by directors, including their affiliates and executive officers, were approximately $24,801,790 and $5,768,444 at December 31, 2017 and 2016, respectively.

15. SUPPLEMENTARY INCOME STATEMENT INFORMATION

Components of other operating expenses in excess of 1% of total interest income and other income in any of the respective years are approximately as follows:

	For the years ended	
	2017	**2016**
Professional services–legal	$ 412,830	$ 360,856
Professional services–other	636,175	552,892
Stationery and supplies	168,778	194,884
Data processing	1,418,647	776,182
Telephone	308,861	321,256
FDIC insurance premium	132,000	205,000
Amortization of core deposit intangible	—	117,980
Security and protection expense	293,280	301,139
Advertising and Marketing	134,005	143,356
Other benefit expenses	241,000	244,000
Other miscellaneous expenses	1,996,932	1,745,149
	$5,742,508	$4,962,694

16. CONDENSED FINANCIAL INFORMATION OF CITIZENS BANCSHARES CORPORATION (PARENT ONLY)

	December 31, 2017	December 31, 2016
Balance Sheets		
Assets:		
Cash	$ 270,816	$ 987,308
Investment in Bank	41,009,929	45,317,267
Other assets	790,470	918,597
	$42,071,215	$47,223,172
Liabilities and stockholders' equity:		
Other liabilities	$ 33,432	$ 38,380
Note payable	1,900,000	—
Stockholders' equity	40,137,783	47,184,792
	$42,071,215	$47,223,172

	For the Years Ended December 31,	
	2017	2016
Statements of Income		
Dividends from subsidiary	$ 6,512,000	$ 6,082,000
Total revenue	6,512,000	6,082,000
Total expenses	508,952	567,918
Income before income tax benefit and equity in undistributed earnings of the subsidiary	6,003,048	5,514,082
Income tax benefit (expense)	(132,693)	193,024
Income before equity in undistributed earnings of the subsidiary	5,870,355	5,707,106
Equity in undistributed earnings of the subsidiary	(4,258,616)	(3,675,680)
Net income	$ 1,611,739	$ 2,031,426

	Years Ended December 31,	
	2017	2016
Statements of Cash Flows		
Cash flows from operating activities–		
Net income	$ 1,611,739	$ 2,031,426
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in undistributed earnings of the subsidiary	4,258,616	3,675,680
Restricted stock based compensation plan	(74,014)	28,778
Change in other assets	128,128	(196,024)
Change in other liabilities	(4,948)	(31,939)
Net cash provided by operating activities	5,919,521	5,507,921
Cash flows from financing activities:		
Payment on note payable	(100,000)	—
Redemption of preferred stock	(7,462,000)	(4,227,049)
Common stock buy-back	(897,723)	—
Common stock dividend paid	(174,821)	(173,600)
Preferred stock dividend paid	(132,243)	(247,767)
Proceeds from note payable	2,000,000	—
Proceeds from issuance of common stock	232,625	156,939
Purchase of treasury stock	(101,851)	(61,034)
Net cash used in financing activities	(6,636,013)	(4,552,511)
Net change in cash	(716,492)	955,410
Cash:		
Beginning of year	987,308	31,898
End of year	$ 270,816	$ 987,308

17. SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date but before financial statements are issued. Recognized subsequent events are events or transactions that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after that date. Management has reviewed events occurring through Wednesday, March 28, 2018, the date the financial statements were available to be issued and no subsequent events occurred requiring accrual or disclosure.

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Stockholders Information

Corporate Headquarters
230 Peachtree Street, NW
Suite 2700
Atlanta, Georgia 30303
www.ctbconnect.com
678.406.4000

Mailing Address
Citizens Bancshares
Corporation
Post Office Box 56943
Atlanta, Georgia 30343

Notice of Annual Meeting
May 23, 2018, 11:00 a.m. ET
Loudermilk Conference Center
40 Courtland Street, NE
Atlanta, Georgia 30303

Transfer Agency
Computershare
Investor Services -
1.800.568.3476
250 Royall Street
Canton, Massachusetts 02021

Board of Directors of Citizens Bancshares Corporation

RAY M. ROBINSON
Chairman of the Board
Citizens Bancshares Corporation
President Emeritus
East Lake Golf Club
Vice Chairman
East Lake Community Foundation

CYNTHIA N. DAY
President and CEO
Citizens Trust Bank

ROBERT L. BROWN, JR.
President
R.L. Brown & Associates

STEPHEN A. ELMORE, SR.
Managing Principal
Elmore CPAs, LLC

C. DAVID MOODY, JR.
Chief Executive Officer
C.D. Moody Construction
Company, Inc.

H. JEROME RUSSELL, JR.
President
H.J. Russell and Company
and Russell
New Urban Development, LLC

JAMES E. WILLIAMS
President
Williams Communications System

Principal Officers of Citizens Trust Bank

CYNTHIA N. DAY
President and Chief Executive Officer

SAMUEL J. COX
Executive Vice President/Chief Financial Officer, CPA

FREDERICK L. DANIELS, JR.
Executive Vice President/Chief Credit Officer

JASON A. EPPENGER
Alabama Market President

IRIS D. GOODLY
Senior Vice President/Director of Client Services
and Operations

FARRAND O. LOGAN
Senior Vice President/Commercial Banking
Division Manager

WANDA F. NESBIT
Senior Vice President/Human Resources Director, CBM

MOIRA R. MONTGOMERY
Vice President/Compliance Officer/Special
Projects Manager

Citizens Trust Bank
678.406.4000
www.ctbconnect.com

Locations

GEORGIA

Cascade
Main Office
3705 Cascade Road
South Fulton, GA 30331

Columbus
3172 Macon Road
Columbus, GA 31906

East Point
2840 East Point Street
East Point, GA 30344

Panola
2727 Panola Road
Stonecrest, GA 30058

Rockbridge
5771 Rockbridge Road
Stone Mountain, GA 30087

Westside
965 MLK Jr. Drive, NW
Atlanta, GA 30314

ALABAMA

Birmingham Headquarters
1700 3rd Avenue North
Birmingham, AL 35203

Eutaw
213 Main Street
Eutaw, AL 35462

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