CNFC
CENTURY NEXT
FINANCIAL CORPORATION

2017 Annual Report

CENTURY NEXT
FINANCIAL CORPORATION

Report to Shareholders

Dear Fellow Shareholder:

On behalf of the Board of Directors, management team and staff of Bank of Ruston, we are proud to provide the 2017 annual report. This year was a great year with strong earnings and robust asset and deposit growth for Century Next Financial Corporation and its subsidiary Bank of Ruston.

For the year ended December 31, 2017, net income was slightly lower than the prior year by approximately 5.1% due to an adjustment of deferred taxes related to the 2017 Tax Cuts and Jobs Act enacted in December of 2017. We are very excited about the growth potential for earnings in 2018 due to the new tax structure for corporations. Both loan and deposit growth was outstanding in 2018 with loans up 17.8% and deposits up 19.1% year over year. We continue to see our customer base in our market regions of Lincoln and Ouachita Parishes and the surrounding areas grow. As always, our primary focus is asset quality, which is the cornerstone of success for any prudent financial institution.

Bank of Ruston, our subsidiary bank, is celebrating 112 years of serving the Ruston Community and Lincoln Parish. Our newest banking center in Monroe, Louisiana had enormous growth in 2017 with total assets up 77% or $29 million compared to 2016. We continue to be excited about the growth potential in the Monroe region. As we mention last year, our efforts were focused on business deposit accounts, and this continued in 2017 with business interest checking up over 82% or $20.5 million. Our rewards checking and savings deposit products also had robust growth adding 14% and 29%, respectively for a total growth of $3.4 million. Also, in 2017, we changed our web address to www.bor.bank and adopted ".bank" to help provide customers with a more secure environment in which to transact business online.

Our team of seasoned professionals continues to assist with our financial success focusing on providing the right fit for new and existing customers' needs. They continue to concentrate on doing the right things on a daily basis. Our focus market areas continue to thrive economically, and now with tax reform, we can already see improvement in the business environment.

As we move into 2018, we are excited about our continued growth opportunities. As always, we continue to explore new technologies to enhance the customer experience making banking more convenient than ever. We are excited about the potential for growth of the bank, increased return for the shareholders, and the opportunity to continue to serve our market area.

We are proud of you, our shareholders, our loyal customers, and our wonderful region and look forward to an exciting year ahead.

Bill Hogan

William D. Hogan
President and Chief Executive Officer

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Board of Directors

Michael S. Coyle, Esq.	Has served as a director since 2015. Mr. Coyle is an attorney in private practice since October 1976 in Ruston, Louisiana. Mr. Coyle brings significant knowledge of the local legal community and serves as legal counsel for Bank of Ruston.
Bartlett H. Dugdale	Has served as a director since 2016. Mr. Dugdale is a principal in a managing general insurance agency located in Ruston, Louisiana. He currently holds his certified public accountant designation and is a licensed producer for property and casualty insurance in the state of Louisiana. Mr. Dugdale brings to the Board financial and business management expertise as well as knowledge of the local business community.
J. Brandon Ewing	Has served as a director since 2006. Mr. Ewing is the owner of Ewing Timber L.L.C., located in Jonesboro, Louisiana. Mr. Ewing brings significant business, management and financial expertise to the Board as the owner of a family operated business.
William D. Hogan	Has served as a director since 1996, President & CEO of Century Next Financial and Bank of Ruston since July, 2013, President of Bank of Ruston since May 2011, and Executive Vice President of Century Next Financial Corporation since September 2010. Previously, Mr. Hogan served as Executive Vice President, Business Development of Bank of Ruston from June 2009 to May 2011 and Vice President of Sales and Marketing from January 2008 to May 2009. Prior thereto, he was a co-owner and Senior Vice President of Sales at Hogan Hardwoods, located in Ruston, Louisiana from 2001 to 2008. Mr. Hogan brings over 25 years of financial and business expertise to the Board as a former business owner and through his tenure with the Bank of Ruston.
Jeffrey P. McGehee	Has served as a director since 2016. Mr. McGehee is an entrepreneur and owns a wholesale distribution business and has some real-estate interests located in Ruston, Louisiana. He is also a member of Trinity United Methodist Church and serves on different financial committees there. Mr. McGehee brings to the Board business management and marketing experience as well as knowledge of the local business community.
Dan E. O'Neal, III	Has served as a director since 2011. Mr. O'Neal is the owner of Ruston Exterminating, Inc., located in Ruston, Louisiana since 1993. Mr. O'Neal brings to the Board significant business and management expertise as well as knowledge of the local real estate market as a developer of numerous housing subdivisions and the owner of a local service company.
Dr. Daniel D. Reneau	Has served as a director since 1982. Dr. Reneau was President of Louisiana Tech University, located in Ruston, Louisiana, from July 1987 to June 2013. Dr. Reneau brings significant leadership and management expertise to the Board as the President of a major Louisiana research university. Dr. Reneau serves as the Chairman of the Board.
Scott R. Thompson	Has served as a director since 2005. Mr. Thompson is the owner of STC, LLC, located in Ruston, Louisiana. Mr. Thompson brings to the Board significant business and management expertise as well as knowledge of the local real estate market as the owner of a local construction company. Mr. Thompson serves as Chairman of the Compensation Committee.
J. Neal Walpole	Has served as a director since 2003. Mr. Walpole is President of Walpole Tire Service, located in Ruston, Louisiana and has served in such capacity for over 30 years. Mr. Walpole brings significant business and management expertise and knowledge of the local business community from his years of service as President of a local service company. Mr. Walpole serves as Chairman of the Audit Committee.
Benjamin L. Denny *(Director Emeritus)*	Has served as director emeritus of Bank of Ruston since July 2013. Prior to July 2013, he served as a director and President and Chief Executive Officer of Century Next Financial from September 2010 until June 2013. He also served as Chief Executive Officer of Bank of Ruston from 1981 to June 2013. Mr. Denny has over 40 years of service in the financial institutions industry and has long-standing ties to the local business and legal community in the Ruston area.
James H. Hall *(Director Emeritus)*	Has served as director emeritus of Bank of Ruston since July 2013. Prior to July 2013, he served as Chief Credit Officer of Bank of Ruston from March 2000 to his retirement in June 2013. Mr. Hall has over 40 years of service as a commercial lender in the local banking industry and has long-standing ties to the local business community in the Ruston area.

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Ouachita Parish-Bank Advisory Board

Terry Baugh	Began serving as an advisory member in 2016. Mr. Baugh is the CFO for D&J Construction, Inc. and its affiliates. He has served as past chairman of both the Monroe and West Monroe Chambers of Commerce and has served on many other local, regional and statewide organizations. He is currently a board member for Louisiana Association of Business & Industry, Family Church and is President of the Claiborne Christian School Board. He is a recipient of the prestigious James M. Shipp Memorial Young Business Leader Award.
Dr. Gordon "G.G." Grant, IV	Began serving as an advisory member in 2016. Dr. Grant is the co-owner of Shell Family Chiropractic in Monroe. He also serves as the Chiropractor for ULM athletes and donates his time weekly. He is an active member of the Knights of Columbus and was recipient of the Healthcare Hero Award in 2014.
Jason Martin	Began serving as an advisory member in 2016. Mr. Martin is the second-generation owner of All Plumbing 24/7. Founded in 1989, the company is headquartered in Monroe and specializes in professional repair plumbing service and water filtration systems. Jason is a licensed Master Plumber and a licensed Mechanical Contractor.
Melanie Massey Groves	Began serving as an advisory member in 2016. Mrs. Groves is the owner/operator of Melanie Massey Physical Therapy which has been in business for over twenty years. Her five clinics provide PT, OT and speech therapy services to customers throughout North Louisiana. She is also a certified John Maxwell coach, speaker and trainer, through which she assists entrepreneurs and growth-minded individuals with leadership training, executive coaching and retreats.
David Sorrell	Began serving as an advisory member in 2016. David plays a key role with the Holyfield Construction a decades-old real estate development company headquartered in Monroe. Prior to joining Holyfield, He held top positions with non-profits for over fifteen years. He also owns Sorrell Consulting and Relee Properties a real estate development and management company.
Kathy Spurlock	Began serving as an advisory member in 2016. She is owner of Spurlock Communications, LLC and former chief executive for The News-Star Media Group in Monroe. Her journalism career spans forty years and includes periods of time in Shreveport, Baton Rouge and Jackson. Under her leadership, The News-Star was recognized locally, regionally and nationally for excellence in journalism. She is also an award-winning writer and a published author and songwriter. She has held numerous leadership positions in journalism and non-profits and is a current board member for United Way of Northeast Louisiana and Goodfellows and is President of the Twin City Art Foundation.
Dr. Thomas St. Clair Williams, Sr.	Began serving as an advisory member in 2016. Dr. Williams is a physician in private practice in the Lakeshore area. He has served on numerous medical boards and committees, including Franciscan House and Ethics committees for St. Francis Medical Center.

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Executive Management

William D. Hogan	President and Chief Executive Officer
Lorie R. Hamlin	Senior Vice President and Chief Operations Officer – Bank of Ruston
Jeremy R. Harrell	Senior Vice President and Ouachita Parish Market President – Bank of Ruston
Mark A. Taylor, CPA CGMA	Senior Vice President and Chief Financial Officer
David L. Weeks	Senior Vice President and Chief Credit Officer

Officers of Bank of Ruston

G. Randall Allison	Vice President-Secretary-Treasurer
Courtnie Beach	Vice President-Lending
Angie Biscomb	Vice President - Employee & Community Engagement
Terry Burns	Vice President-Lending Compliance
Sheri Burt	Vice President-Retail
Lee Denny	Vice President-Lending
Mitsy Huffstetler, CRCM	Vice President-Compliance
Warren Post	Vice President-Mortgage Lending
Carla Raborn	Vice President-Human Resources
Alan Roberson	Vice President-Controller
Amanda Taunton	Vice President-Information Systems
John Tompkins	Vice President-Lending
Tammy Walsworth	Vice President-Credit Administration
Chastain Wardlaw	Vice President-Business Development
Matt Winkelpleck	Vice President-Lending
Christy Duncan	Assistant Vice President-Relationship Banking
Stacy Harper	Assistant Vice President-Mortgage Lending
Patricia Murad	Assistant Vice President-Administrative
Melinda Bonnette	Mortgage Loan Officer

Community Involvement

Bank of Ruston is committed to serving our community and enhancing the quality of life locally. We are proud to serve alongside our community partners in Lincoln, Ouachita, and the surrounding Parishes.

Louisiana Tech University
Grambling State University
ULM Athletic Foundation
Lincoln Parish Schools
Lincoln Parish Chamber & Visitors Bureau
North Louisiana Medical Center
Industrial Development Bond Board for Lincoln Parish
Ruston Lincoln Industrial Development Corp.
Lincoln Parish Narcotics Enforcement Team
Ruston Housing Authority
Louisiana Methodist Children's Home
Big Brother Big Sister Program
Christian Community Action
Lincoln Parish First Responders
Lions Club
Pipes Foundation
United Way
Lincoln Health Foundation
Dixie Center For The Arts
North Central Louisiana Arts Council
Ruston Community Theatre
Ducks Unlimited
Ruston Lincoln Peach Festival
Crime Stoppers
Rotary Clubs of Ruston and Monroe
Kiwanis International
Quota Club
The Culture Guild
Weekend At The Cross
Buddy Ball
Rolling Hills Ministries
Teen Challenge
American Cancer Society
American Heart Association
DART
Life Choices Pregnancy Resource Center
Rotary of Monroe
Monroe Chamber of Commerce
Northeast Louisiana Home Builders Association
Northeast Louisiana Board of Realtors
Lincoln Parish FFA
Health Hut
Fellowship of Christian Athletes
Ruston-Lincoln Community Foundation
Boy Scouts of America
Cedar Creek School
North Central Louisiana Arts Council
Temple Baptist Church
Lincoln Parish Senior Expo
Ruston Parks and Recreation
Med Camps of Louisiana
4PAWS
Ruston Country Club
Ruston Masonic Lodge
Louisiana Military Museum
Lincoln Parish Museum
Lincoln Parish 4-H Extension Service
City of Ruston
City of Grambling
Dubach Chicken Festival
The Wellspring
Life House Ministries
The Ross Lynn Charitable Foundation
YEA!
VFW

And many, many more!

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Company Information

Century Next Financial Corporation is the holding company for Bank of Ruston (the "Bank") which conducts business from three full-service banking centers. The Company was formed in 2010 and is subject to the regulatory oversight of the Board of Governors of the Federal Reserve System. The Bank is a wholly-owned subsidiary and is an insured federally-chartered stock savings association subject to the regulatory oversight of the Office of the Comptroller of the Currency. The Bank was established in 1905 and is headquartered in Ruston, Louisiana. The Bank is a full-service bank with two banking offices in Ruston and one banking office in Monroe. The Bank emphasizes professional and personal banking service directed primarily to small and medium-sized businesses, professionals, and individuals. The Bank provides a full range of banking services including its primary business of real estate lending to residential and commercial customers.

The corporate headquarters are located at 505 North Vienna Street, Ruston, Louisiana 71270.

The common stock of Century Next Financial Corporation trades on the Over-the-Counter Bulletin Board under the symbol CTUY.

BŌR
BANK OF RUSTON
LINCOLN | OUACHITA

BANKING LOCATIONS

505 North Vienna Street
Ruston, Louisiana 71270
(318) 255-3733

2109 Farmerville Highway
Ruston, Louisiana 71270
(318) 255-3733

2450 Tower Drive
Monroe, Louisiana 71201
(318) 812-2265

www.bor.bank

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Financial Highlights

Selected Financial Data: *(data in thousands)*	**At December 31,** 2017	2016	2015
Total Assets	$ 283,613	$ 239,431	$ 211,026
Cash and cash equivalents	30,611	22,382	22,029
Securities available-for-sale	471	654	4,141
Securities held-to-maturity	686	1,191	1,198
FHLB stock and other investments	1,457	1,215	1,207
Total net loans	237,449	201,486	172,553
Total deposits	227,922	191,361	162,804
Short-term borrowings including FHLB Advances	3,250	20,000	3,000
Long-term borrowings - FHLB Advances	22,134	179	20,222
Total equity	28,152	25,909	23,434

	For the Year Ended December 31, 2017	2016	2015
Selected Operating Data:			
Interest income	$ 12,100	$ 10,218	$ 8,040
Interest expense	1,658	1,042	681
Net interest income before provision for loan losses	10,442	9,176	7,359
Provision for loan losses	645	480	288
Net interest income after provision for loan losses	9,797	8,696	7,071
Non-interest income	1,652	1,369	988
Non-interest expense	7,419	6,396	5,674
Income before income taxes	4,030	3,669	2,385
Income taxes	1,675	1,188	771
Net income	$ 2,355	$ 2,481	$ 1,614

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Financial Highlights (continued)

	At or For the Year Ended December 31,		
	2017	2016	2015
Select Operating Ratios:[1]			
Average yield on interest-earning assets	4.92%	4.79%	4.84%
Average rate on interest-bearing liabilities	0.79%	0.58%	0.50%
Average interest rate spread [2]	4.13%	4.21%	4.34%
Net interest margin [2]	4.25%	4.31%	4.43%
Average interest-earning assets to average interest-bearing liabilities	116.58%	117.87%	121.10%
Net interest income after provision for loan losses to non-interest expense	132.05%	135.96%	124.62%
Total non-interest exepnse to average assets	2.84%	2.84%	3.21%
Efficiency ratio[3]	61.34%	60.65%	67.98%
Return on average assets	0.90%	1.10%	0.91%
Return on average equity	8.63%	10.05%	7.16%
Average equity to average assets	10.46%	10.95%	12.75%
Asset Quality Ratios:[4]			
Non-performing loans as a percent of total net loans[5]	0.32%	0.50%	0.53%
Non-performing assets as a percent of total assets[5]	0.26%	0.44%	0.48%
Allowance for loan losses to total loans	0.82%	0.67%	0.57%
Allowance for loan losses as a percent of non-performing loans	262.91%	136.74%	108.11%
Net charge-offs to average total loans	0.02%	0.05%	0.03%
Capital Ratios:[6]			
Total Capital	13.26%	13.60%	13.28%
Tier 1 Capital	12.32%	12.85%	12.68%
Common Equity Tier 1 Capital	12.32%	12.85%	12.68%
Leverage Capital	9.30%	9.95%	10.90%
Tangible Capital to Tangible Assets	NA	NA	NA
Asset Growth	18.5%	13.5%	24.4%
Loan Growth	17.8%	16.8%	21.0%
Deposit Growth	19.1%	17.5%	19.9%
Net Income Growth	-5.1%	53.7%	30.0%
Other Data:			
Banking offices	3	3	2

(1) With the exception of end of period ratios, all ratios are based on average monthly balances during the indicated periods.

(2) Average interest rate spread represents the difference between the average yield on interest-earning assets and the average rate paid on interest-bearing liabilities, and net interest margin represents net interest income as a percent of average interest-earning assets.

(3) The efficiency ratio represents the ratio of non-interest expense divided by the sum of net interest income and non-interest income.

(4) Asset quality ratios are end of period ratios, except for net charge-offs to average net loans.

(5) Non-performing loans consist of all loans 90 days or more past due and all non-accruing loans. Non-performing assets consist of non-performing loans and other repossessed assets.

(6) Capital ratios for 2017, 2016 and 2015 are under the 'New Basel III Capital Rule'. Total Capital and Tier 1 Capital are the same under current and prior capital rules. Under the new rule, Common Equity Tier 1 Capital is Tier 1 Capital divided by Total Risk-Weighted Assets, and Leverage Capital is Tier 1 Capital divided by Total Average Assets.

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Contents

Heard, McElroy, & Vestal
LLC

Certified Public Accountants

333 Texas Street, Suite 1525
Shreveport, Louisiana 71101
318-429-1525 Phone • 318-429-2070 Fax

The Board of Directors and Stockholders
Century Next Financial Corporation

Report of Independent Registered Public Accounting Firm

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Century Next Financial Corporation and Subsidiary (the "Company") as of December 31, 2017 and 2016, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2017, and the related notes and schedules, collectively referred to as the financial statements. In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of the internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion. We have served as the Company's auditor since 2010.

Heard, McElroy & Vestal, LLC

March 21, 2018
Shreveport, Louisiana

HMV
A Professional Services Firm
Shreveport · Monroe · Delhi
hmv@hmvcpa.com E-mail
www.hmvcpa.com Web Address

CENTURY NEXT
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CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)	December 31 2017	December 31 2016
ASSETS		
Cash and cash equivalents	$ 30,611	$ 22,382
Debt securities:		
Available-for-sale	471	654
Held-to-maturity (including $695 and $1,185 at fair value)	686	1,191
Total Debt Securities	1,157	1,845
Federal Home Loan Bank stock	1,137	895
Other equity investments	320	320
Loans:		
Loans, net of unearned income	238,920	199,964
Loans held for sale	497	2,888
Allowance for loan losses	(1,968)	(1,366)
Net Loans	237,449	201,486
Accrued interest receivable	998	978
Premises and equipment, net of accumulated depreciation of $3,334 and $3,073	5,627	5,508
Other foreclosed assets	-	48
Other assets	6,314	5,969
TOTAL ASSETS	$ 283,613	$ 239,431
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits		
Noninterest-bearing	$ 23,817	$ 17,723
Interest-bearing	204,105	173,638
Total Deposits	227,922	191,361
Advances from borrowers for insurance and taxes	76	75
Short-term borrowings (FHLB advances)	3,250	20,000
Long-term borrowings (FHLB advances)	22,134	179
Accrued interest payable	176	74
Other liabilities	1,903	1,833
Total Liabilities	255,461	213,522
Stockholders' equity:		
Preferred Stock, $.01 par value – 1,000,000 shares authorized; none issued	-	-
Common Stock, $.01 par value – 9,000,000 shares authorized; 1,091,186 issued and outstanding	11	11
Additional paid-in capital	11,118	11,087
Unearned shares held by Recognition and Retention Plan (341 shares)	(4)	(4)
Unearned ESOP Shares (44,647 and 48,150 shares)	(426)	(459)
Retained earnings	17,437	15,253
Accumulated other comprehensive income(loss)-net of taxes, $16 and $10	16	21
Total Stockholders' Equity	28,152	25,909
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 283,613	$ 239,431

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

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except share data)	Years Ended December 31 2017	2016
INTEREST INCOME		
Loans (including fees)	$ 11,767	$ 10,030
Debt securities:		
Taxable	17	50
Tax-exempt	34	40
Other	282	98
Total Interest Income	12,100	10,218
INTEREST EXPENSE		
Deposits	1,456	945
Short-term borrowings	180	8
Long-term debt	22	89
Total Interest Expense	1,658	1,042
Net Interest Income	10,442	9,176
Provision for loan losses	645	480
Net Interest Income After Loan Loss Provision	9,797	8,696
NON-INTEREST INCOME		
Service charges on deposit accounts	456	354
Loan servicing release fees	889	591
Gain(Loss) on sale of loans	(155)	36
Gain on sale of foreclosed assets	25	32
Other	437	356
Total Non-interest Income	1,652	1,369
NON-INTEREST EXPENSE		
Salaries and employee benefits	4,659	3,929
Occupancy and equipment	548	537
Data processing	530	443
Directors' expense	153	184
Advertising	246	241
Legal and professional	22	22
Audit and examination fees	191	161
Office supplies	52	46
FDIC deposit insurance	129	121
Foreclosed assets	57	24
Other operating expense	832	688
Total Non-interest Expense	7,419	6,396
Income Before Taxes	4,030	3,669
Income Taxes	1,675	1,188
NET INCOME	$ 2,355	$ 2,481
Basic Earnings per Share	$ 2.26	$ 2.39
Diluted Earnings per Share	$ 2.18	$ 2.34

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)	Years Ended December 31 2017	2016
Net income	$ 2,355	$ 2,481
Other comprehensive income gain (loss), net of tax*		
Unrealized gains (losses) on securites:		
Unrealized holding gain (losses) arising during the period	(5)	9
Less: reclassification adjustments for gains (losses) included in net income	-	-
Net change in unrealized gains (losses) on securities	(5)	9
Other comprehensive income gain (loss), net of tax*	(5)	9
Comprehensive income	$ 2,350	$ 2,490

The accompanying notes are an integral part of these consolidated financial statements.
**All other comprehensive amounts are shown net of tax.*

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(In thousands)	Common Stock Amount	Additional Paid-In Capital	Unearned RRP Shares	Unearned ESOP Shares	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
Balance, December 31, 2015	$ 11	$ 11,100	$ (104)	$ (492)	$ 12	$ 12,907	$23,434
Comprehensive income:							
Net income	-	-	-	-	-	2,481	2,481
Unrealized gains (losses) on securities available for sale, net of tax	-	-	-	-	9	-	9
Total comprehensive income							2,490
Shares vested and issued for RRP	-	(100)	100	-	-	-	-
ESOP shares released	-	32	-	33	-	4	69
Cash out of stock options (9,975 shares)	-	(38)	-	-	-	(4)	(42)
Stock option expense	-	47	-	-	-	-	47
Amortization of awards under RRP	-	45	-	-	-	-	45
Shares repurchases (594 shares)	-	(6)	-	-	-	(4)	(10)
Excess tax benefit- RRP vesting	-	7	-	-	-	-	7
Cash dividends	-	-	-	-	-	(131)	(131)
Balance December 31, 2016	$ 11	$ 11,087	$ (4)	$ (459)	$ 21	$ 15,253	$25,909
Comprehensive income:							
Net income	-	-	-	-	-	2,355	2,355
Unrealized gains (losses) on securities available for sale, net of tax	-	-	-	-	(5)	-	(5)
Total comprehensive income							2,350
ESOP shares released	-	64	-	33	-	7	104
Cash out of stock options (10,951 shares)	-	(42)	-	-	-	(25)	(67)
Stock option expense	-	8	-	-	-	-	8
Amortization of awards under RRP	-	1	-	-	-	-	1
Cash dividends	-	-	-	-	-	(153)	(153)
Balance December 31, 2017	$ 11	$ 11,118	$ (4)	$ (426)	$ 16	$ 17,437	$ 28,152

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

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CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Years Ended December 31 2017	2016
Cash flows from operating activities:		
Net income	$ 2,355	$ 2,481
Adjustments to reconcile net income		
to net cash provided by operating activities:		
Provision for possible loan losses	645	480
Depreciation and amortization	280	295
Stock-based compensation expense, net of tax benefits	80	128
ESOP shares released	33	33
Excess tax benefit from stock-based compensation	-	-
Net (gain)loss on sale of loans	155	(36)
Net gain on sale of foreclosed assets	(25)	(32)
Income from change in cash surrender value of life insurance	(103)	(99)
Deferred income tax benefit-Current Year	(169)	(131)
Deferred income tax expense-Cumulative Adjustment	312	-
Net amortization(accretion) of premium(discount) and fair value adjustments to investments	11	(10)
Decrease(increase) in loans held for sale	2,236	(1,771)
Decrease in foreclosed assets	48	61
Increase in interest receivable and other assets	(410)	(406)
Increase in accrued interest payable and other liabilities	172	421
Total adjustments	3,265	(1,067)
Net cash provided by operating activities	5,620	1,414
Cash flows from investing activities:		
Proceeds from sales and maturities of investment securities	677	3,505
Net purchase of FHLB stock and other equity investments	(242)	(8)
Proceeds from sales of foreclosed assets	25	32
Purchase of fixed assets	(399)	(2,316)
Net increase in loans	(38,999)	(27,607)
Net cash used by investing activities	(38,938)	(26,394)
Cash flows from financing activities:		
Net increase in demand deposits and savings accounts	32,324	10,480
Net increase in time deposits	4,237	18,077
Increase(decrease) in advances from borrowers for insurance and taxes	1	(5)
Net increase(decrease) in FHLB advances	5,205	(3,043)
Stock repurchases	-	(10)
Expenditures from cash out of stock options	(67)	(42)
Excess tax benefit from stock-based compensation	-	7
Cash dividends paid on common stock	(153)	(131)
Net cash provided by financing activities	41,547	25,333
Net increase in cash and cash equivalents	8,229	353
Cash and cash equivalents, at beginning of period	22,382	22,029
Cash and cash equivalents, at end of period	$ 30,611	$ 22,382
Supplemental disclosures of cash flow information		
Cash paid during the period for:		
Interest on deposits and borrowed funds	$ 1,556	$ 1,015
Income taxes	$ 1,550	$ 1,401

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

1. Summary of Significant Accounting Policies

a. *Investments in securities*

The Bank's investments in securities are classified in two categories and accounted for as follows:

- *Securities Held to Maturity*. Bonds, notes and debentures for which the Bank has the positive intent and ability to hold to maturity are reported at cost, adjusted for amortization of premiums and accretion of discounts, which are recognized in interest income using the straight-line method over the period to maturity.

- *Securities Available for Sale*. Securities available for sale consist of bonds, notes, debentures, and certain equity securities not classified as trading securities nor as securities held to maturity.

Declines in the fair value of individual held-to-maturity and available-for-sale securities below cost, that are other than temporary, result in write-downs of the individual securities to their fair value. The related write-downs are included in earnings as realized losses. No such write-downs were made in fiscal 2017 or fiscal 2016.

Unrealized gains and losses, net of income taxes, on securities available for sale are accounted for in accumulated other comprehensive income as part of stockholders' equity. Changes in unrealized gains and losses on these securities are separately reported as components of other comprehensive income.

Gains and losses on the sale of securities available for sale are determined using the specific-identification method.

b. *Use of estimates*

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

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for losses on loans and the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans. In connection with the determination of the allowances for losses on loans and foreclosed real estate, management obtains independent appraisals for significant properties.

Most of the Bank's business activity is with customers located within the Ruston and Monroe, Louisiana area. The loan categories are detailed in Note 3. The economies of these areas are diversified but depend on timber, agriculture, and oil and gas. Although these areas of the economy and the economy in general in the area are doing well, they could decline in the future.

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

1. Summary of Significant Accounting Policies (Continued)

c. Loans and allowance for loan losses

Loans are stated at the amount of unpaid principal, reduced by deferred loan fees and an allowance for loan losses. Deferred loan fees are generally recognized as income under the effective yield method. Interest on loans is calculated by using the simple interest method on daily or monthly balances of the principal amount outstanding. Loans held for sale are reported at the lower of cost or market, with market value determined on the aggregate method.

The allowance for loan losses is established through a provision for loan losses charged to expense. Loans are charged against the allowance for loan losses when management believes that the collectibility of the principal is unlikely. The allowance is an amount that management believes will be adequate to absorb possible losses on existing loans that may become uncollectible, based on evaluations of the collectibility of loans and prior loan loss experience. The evaluations take into consideration such factors as changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans, and current economic conditions that may affect the borrowers' ability to pay.

Accrual of interest is discontinued on a loan after it is 90 days or more past due and when management believes, after considering economic and business conditions and collection efforts, that the borrowers' financial condition is such that collection of interest is unlikely. Past due status is based on contractual terms of the loan. However, loans may be placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off are reversed against interest income. The interest on these loans is accounted for on the cash basis or cost recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Loans held for sale are disposed of within sixty days of origination; consequently, cost approximates fair value.

d. Premises and equipment

Premises and equipment are carried at cost less accumulated depreciation. Depreciation of premises and equipment is provided over the estimated useful lives of the respective assets using straight-line and accelerated methods. Expenditures for major renewals and betterments of premises and equipment are capitalized and those for maintenance and repairs are charged to expense as incurred.

e. Bank owned life insurance

The Bank has purchased insurance policies on the lives of certain directors and executive officers of the Bank. The Bank purchased the policies to insure the lives of certain key executives and provide additional benefits for their beneficiaries. The cash surrender value of the insurance policies, up to the total amount of premiums paid, is recorded as an asset in the balance sheets and included in other assets. At December 31, 2017 and 2016, the cash surrender value amounted to $5.1 million, and $4.8 million, respectively. The Bank may not invest more than 25 percent of its total capital in bank-owned life insurance without first notifying and obtaining authorization from the Bank’s OCC Regional Office. The bank-owned life insurance provides an attractive tax-exempt return to the Bank.

f. Income taxes

Deferred income taxes are recognized for the tax consequences of differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. Such differences arise primarily from differences in computing the provision for possible loan losses, and differences in recognizing interest expense.

1. Summary of Significant Accounting Policies (Continued)

g. Cash and cash equivalents
For purposes of the statement of cash flows, the Bank considers all cash on hand and demand deposits with other banks to be cash equivalents. The Bank is required to maintain balances on hand or with the Federal Reserve Bank. At December 31, 2017 and 2016, these reserve requirements amounted to $2.3 and $1.6 million, respectively.

h. Advertising costs
Advertising costs are expensed as incurred. Such costs amounted to approximately $246,000 and $241,000 for the years ended December 31, 2017 and 2016, respectively, and are included in other operating expense.

i. Comprehensive income (loss)
Generally accepted accounting principles ("GAAP") generally require that recognized revenues, expenses, gains, and losses be included in net earnings. Although certain changes in assets and liabilities, such as unrealized gains and losses on available for sale securities, are reported as a separate component of the equity section of the balance sheets, such items, along with net earnings, are components of comprehensive income. The Company presents comprehensive income in its consolidated statements of comprehensive income.

j. Reclassifications
Certain reclassifications have been made to prior period balances to conform to the current period presentation.

k. Recent accounting pronouncements

Accounting Standards Updates

In November 2015, the FASB issued ASU 2015-17, Income Taxes. The purpose is to simplify the presentation of deferred taxes by requiring deferred tax assets and liabilities to be classified as non-current on the balance sheet. This update was effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The guidance may be adopted prospectively or retrospectively and early adoption is permitted. The adoption of this guidance did not have a material effect on the Company's consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments. The amendments in this Update supersede the guidance to classify equity securities with readily determinable fair values into different categories and require equity securities to be measured at fair value with changes in the fair value recognized through net income. The amendments allow equity investments that do not have readily determinable fair values to be measured at fair value either upon the occurrence of an observable price change or upon identification of impairment. The amendments in this Update also simplify the impairment assessment of equity investments without readily determinable fair values by requiring assessment for impairment qualitatively at each reporting period.

The provisions within this Update require an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option. This amendment excludes from net income gains or losses that the entity may not realize because those financial liabilities are not usually transferred or settled at their fair values before maturity. The amendments in this Update require separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (that is, securities or loans and receivables) on the balance sheet or in the accompanying notes to the financial statements.

For public business entities, the amendments in ASU 2016-01 are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

1. Summary of Significant Accounting Policies (Continued)

In February 2016, the FASB issued ASU 2016-02, Leases. From the lessee's perspective, the new standard establishes a right-of-use (ROU) model that requires a lessee to record ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting pattern of expense recognition in the income statement for a lessee. For public business entities, the new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements, with certain practical expedients available. The adoption of this guidance is not expected to have a material effect on the Company's consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, Compensation – Stock Compensation (Topic 718). This Update is being issued as part of the Simplification Initiative. The areas of simplification in this Update involve several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. Some areas only apply to non-public entities. For public business entities, the amendments in this Update were effective for annual periods beginning after December 15, 2016, including interim periods within those fiscal years. The adoption of this guidance did not have a material effect on the Company's consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326). The amendments in this Update replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

In May 2017, the FASB issued ASU 2017-09, Compensation-Stock Compensation (Topic 718) – Scope of Modification Accounting. The amendments in this Update provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. The amendments in this Update are effective for all entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

2. Investment Securities

The carrying amounts (in thousands) of investment securities and their approximate fair values at December 31, 2017 and 2016 are as follows:

(In thousands)

December 31, 2017	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
Securities Available-for-Sale:				
Mortgage-backed securities	$ 451	$ 20	$ -	$ 471
Total Available-for-Sale Securities	451	20	-	471
Securities Held-to-Maturity:				
State and municipal	686	9	-	695
Total Held-to-Maturity Securities	686	9	-	695
Total Debt Securities	$ 1,137	$ 29	$ -	$ 1,166

(In thousands)

December 31, 2016	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
Securities Available-for-Sale:				
State and municipal	$ 50	$ -	$ -	$ 50
Mortgage-backed securities	573	31	-	604
Total Available-for-Sale Securities	623	31	-	654
Securities Held-to-Maturity:				
U.S. Government agency	3	-	-	3
State and municipal	1,188	-	6	1,182
Total Held-to-Maturity Securities	1,191	-	6	1,185
Total Debt Securities	$ 1,814	$ 31	$ 6	$ 1,839

2. Investment Securities (Continued)

Information pertaining to securities with gross unrealized losses at December 31, 2017 and 2016 aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows:

December 31, 2017	Less Than Twelve Months		Over Twelve Months		
(In thousands)	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Total Unrealized Losses
Securities Available-for-Sale, at fair value					
Total Available-for-Sale Securities	$ -	$ -	$ -	$ -	$ -
Securities Held-to-Maturity at amortized cost					
Total Held-to-Maturity Securities	$ -	$ -	$ -	$ -	$ -

December 31, 2016	Less Than Twelve Months		Over Twelve Months		
(In thousands)	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Total Unrealized Losses
Securities Held-to-Maturity at amortized cost					
State and municipal	6	$ 1,182	-	$ -	6
Total Held-to-Maturity Securities	$ 6	$ 1,182	$ -	$ -	$ 6

Management evaluates securities for other-than-temporary impairment on at least a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

Market changes in interest rates and market changes in credit spreads will cause normal fluctuations in the market value of securities and the possibility of temporary unrealized losses. The Company has determined that there was no other-than-temporary impairment associated with these securities at December 31, 2017 and 2016.

2. Investment Securities (Continued)

The scheduled maturities of debt securities at December 31, 2017 are as follows:

	Available-for-Sale	
(In thousands)	Amortized Cost	Fair Value
1 year or less	$ -	$ -
Over 1 year to 5 years	3	3
Over 5 years to 10 years	131	139
Over 10 years	317	329
Total	$ 451	$ 471

	Held-to Maturity	
(In thousands)	Amortized Cost	Fair Value
1 year or less	$ -	$ -
Over 1 year to 5 years	-	-
Over 5 years to 10 years	333	335
Over 10 years	353	360
Total	$ 686	$ 695

The FHLB stock is a restricted investment security, and is carried at cost. Total FHLB stock outstanding was $1.1 million and $895,000 at December 31, 2017 and 2016, respectively. Other equity investments consist of bankers' bank stock carried at cost totaling $320,000 at December 31, 2017 and 2016.

The following table summarizes investment activities for the periods ending December 31, 2017 and 2016:

	For the Years Ended December 31,			
	2017		2016	
(In thousands)	Held to Maturity	Available for Sale	Held to Maturity	Available for Sale
Purchases of securities	$ -	$ -	$ -	$ -
Sales and maturities of securities	$ 505	$ 172	$ 7	$ 3,498
Gross realized gains on sales	$ -	$ -	$ -	$ -
Gross realized losses on sales	$ -	$ -	$ -	$ -
Net tax expense applicable to net gains	$ -	$ -	$ -	$ -

3. Loans

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

(In thousands)	December 31 2017	December 31 2016
Loans secured by real estate:		
Held for sale 1-4 family	$ 497	$ 2,888
Residential 1-4 family	106,364	85,752
Commercial	64,043	57,268
Multi-family	5,415	3,221
Agricultural	4,573	2,134
Land	16,130	15,960
Residential Construction	11,666	5,521
Home equity lines of credit	5,658	5,946
Total loans secured by real estate	214,346	178,690
Commercial loans	19,098	18,337
Agricultural	758	782
Consumer loans, including overdrafts of $100 and $74	5,215	5,043
Total loans	239,417	202,852
Less: Allowance for loan losses	(1,968)	(1,366)
Loans, net	$ 237,449	$ 201,486

The Bank is obligated to repurchase those mortgage loans sold which do not have complete documentation or which experience an early payment default. At December 31, 2017 and 2016, loans sold for which the Bank is contingently liable to repurchase amounted to approximately $5.1 million and $6.5 million, respectively. The Bank also is committed to sell loans approximating $497,000 and $2.9 million at December 31, 2017 and 2016, respectively.

The following table details loans individually evaluated for impairment at the respective dates:

(In thousands)	December 31 2017	December 31 2016
Loans secured by real estate:		
Residential 1-4 family	$ 269	$ 879
Home equity lines of credit	30	-
Total loans secured by real estate	299	879
Commercial loans	-	35
Consumer loans	8	85
Total loans	$ 307	$ 999

All other loans were evaluated collectively.

3. Loans (Continued)

	Impaired Loans For the Periods Ended,				
(In thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
December 31, 2017					
With no related allowance recorded:					
Residential-prime	$ 299	$ 299	$ -	$ 325	$ -
Consumer	8	8	-	15	-
Total:					
Residential-prime	$ 299	$ 299	$ -	$ 325	$ -
Consumer	$ 8	$ 8	$ -	$ 15	$ -
December 31, 2016					
With no related allowance recorded:					
Residential-prime	$ 879	$ 879	$ -	$ 866	$ -
Commercial non-real estate	35	35	-	131	-
Consumer	9	9	-	89	-
With an allowance recorded:					
Consumer	76	76	30	-	-
Total:					
Residential-prime	$ 879	$ 879	$ -	$ 866	$ -
Commercial non-real estate	$ 35	$ 35	$ -	$ 131	$ -
Consumer	$ 85	$ 85	$ 30	$ 89	$ -

Under ASU No. 2010-20, separate disclosures are required for troubled-debt restructurings (TDRs). As of December 31, 2017 and 2016, the Company had no TDRs to report.

4. Allowance for Loan Losses and Credit Quality

Allowance for Loan Losses

The allowance for loan losses is established through a provision charged to earnings. Loan losses are charged against the allowance when management determines that the collection of the loan balance outstanding is unlikely. Subsequent recoveries, if any, are credited to the allowance. Allowances for impaired loans are generally determined based on collateral values or the present value of estimated cash flows. Changes in the allowance related to impaired loans are charged or credited to the provision for loan losses.

The allowance for loan losses is maintained at a level which, in management's opinion, is adequate to absorb credit losses inherent in the portfolio. The Company utilizes an historical analysis of the Company's portfolio to validate the overall adequacy of the allowance for loan losses. In addition to these objective criteria, the Company subjectively assesses the adequacy of the allowance for loan losses with consideration given to current economic conditions, changes to loan policies, concentrations of credit, the level of classified and criticized credits, and other factors.

A summary of changes in the allowance for loan losses is as follows:

	December 31	
(In thousands)	2017	2016
Beginning balance	$ 1,366	$ 983
Provision for loan losses	645	480
Loans charged-off	(43)	(101)
Recoveries of loans previously charged-off	-	4
Ending balance	$ 1,968	$ 1,366

The following tables detail the balance in the allowance for loan losses by portfolio segment at the respective dates:

	For the Year Ended December 31, 2017				
(In thousands)	Beginning Balance	Chargeoffs	Recoveries	Provision	Ending Balance
Loans secured by real estate:					
Residential 1-4 family	$ 658	$ -	$ -	$ 262	$ 920
Commercial	332	-	-	205	537
Multi-family	5	-	-	31	36
Agricultural	23	-	-	8	31
Land	84	-	-	25	109
Residential construction	34	-	-	44	78
Home equity lines of credit	44	-	-	14	58
Totals by loans secured by real estate	1,180	-	-	589	1,769
Commercial loans	129	(11)	-	29	147
Agricultural	4	-	-	1	5
Consumer loans	53	(32)	-	26	47
Totals for all loans	$ 1,366	$ (43)	$ -	$ 645	$ 1,968

4. Allowance for Loan Losses and Credit Quality (Continued)

(In thousands)	Beginning Balance	Chargeoffs	Recoveries	Provision	Ending Balance
	For the Year Ended December 31, 2016				
Loans secured by real estate:					
Residential 1-4 family	$ 370	$ (3)	$ -	$ 291	$ 658
Commercial	271	-	-	61	332
Multi-family	27	-	-	(22)	5
Agricultural	13	-	-	10	23
Land	78	-	-	6	84
Residential construction	20	-	-	14	34
Home equity lines of credit	31	-	-	13	44
Totals by loans secured by real estate	810	(3)	-	373	1,180
Commercial loans	145	(95)	-	79	129
Agricultural	4	-	-	-	4
Consumer loans	24	(3)	4	28	53
Totals for all loans	$ 983	$ (101)	$ 4	$ 480	$ 1,366

At December 31, 2017, the Company had no allowance for loan losses for loans disaggregated by impairment method. There was $30,000 in allowance for loan losses for consumer loans disaggregated by impairment method at December 31, 2016.

Credit Quality

Loans are categorized 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 following definitions are utilized for risk ratings, which are consistent with the definitions used in supervisory guidance:

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

Substandard – Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidations 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.

Loss - This classification includes those loans which are considered uncollectible and of such little value that their continuance as loans is not warranted. Even though partial recovery may be possible in the future, it is not practical or desirable to defer writing off these loans. Accordingly, these loans are charged-off before period end.

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

4. <u>Allowance for Loan Losses and Credit Quality</u> (Continued)

The table below illustrates the carrying amount of loans by credit quality indicator at December 31, 2017 and 2016:

(In thousands)	Pass	Special Mention	Substandard	Doubtful	Loss	Total
December 31, 2017						
Loans secured by real estate:						
Residential 1-4 family	$ 106,548	$ 13	$ 300	$ -	$ -	$ 106,861
Commercial	62,079	1,964	-	-	-	64,043
Multi-family	5,415	-	-	-	-	5,415
Agricultural	4,573	-	-	-	-	4,573
Land	16,130	-	-	-	-	16,130
Residential Construction	11,666	-	-	-	-	11,666
Home equity lines of credit	5,628	-	30	-	-	5,658
Totals by loans secured by real estate	212,039	1,977	330	-	-	214,346
Commercial loans	19,098	-	-	-	-	19,098
Agricultural	758	-	-	-	-	758
Consumer loans	5,206	-	9	-	-	5,215
Totals for all loans	$ 237,101	$ 1,977	$ 339	$ -	$ -	$ 239,417
December 31, 2016						
Loans secured by real estate:						
Residential 1-4 family	$ 86,930	$ 18	$ 1,692	$ -	$ -	$ 88,640
Commercial	55,284	-	1,984	-	-	57,268
Multi-family	3,221	-	-	-	-	3,221
Agricultural	2,134	-	-	-	-	2,134
Land	15,960	-	-	-	-	15,960
Residential Construction	5,521	-	-	-	-	5,521
Home equity lines of credit	5,946	-	-	-	-	5,946
Totals by loans secured by real estate	174,996	18	3,676	-	-	178,690
Commercial loans	18,302	-	35	-	-	18,337
Agricultural	782	-	-	-	-	782
Consumer loans	4,958	-	85	-	-	5,043
Totals for all loans	$ 199,038	$ 18	$ 3,796	$ -	$ -	$ 202,852

Interest income on impaired loans, other than non-accrual loans, is recognized on an accrual basis. Interest income on non-accrual loans is recognized only as collected. Loans on which the accrual of interest has been discontinued amounted to approximately $307,000 and $999,000 at December 31, 2017 and 2016, respectively. If the non-accrual loans had been accruing interest at their original contracted rates, related income would have been $43,000 for 2017 and $63,000 for 2016.

4. Allowance for Loan Losses and Credit Quality (Continued)

A summary of current, past due, and non-accrual loans at December 31, 2017 and 2016 are as follows:

(In thousands)	Past Due 30-89 Days	Past Due Over 90 Days Accruing	Non-Accruing	Total Past Due and Non-Accruing	Current	Total Loans
December 31, 2017						
Loans secured by real estate:						
Residential 1-4 family	$ 143	$ 442	$ 269	$ 854	$ 106,007	$ 106,861
Commercial	9	-	-	9	64,034	64,043
Multi-family	-	-	-	-	5,415	5,415
Agricultural	-	-	-	-	4,573	4,573
Land	27	-	-	27	16,103	16,130
Residential Construction	-	-	-	-	11,666	11,666
Home equity lines of credit	-	-	30	30	5,628	5,658
Totals by loans secured by real estate	179	442	299	920	213,426	214,346
Commercial loans	556	-	-	556	18,542	19,098
Agricultural	-	-	-	-	758	758
Consumer loans	27	-	8	35	5,180	5,215
Totals for all loans	$ 762	$ 442	$ 307	$ 1,511	$ 237,906	$ 239,417
December 31, 2016						
Loans secured by real estate:						
Residential 1-4 family	$ 39	$ -	$ 879	$ 918	$ 87,722	$ 88,640
Commercial	-	-	-	-	57,268	57,268
Multi-family	-	-	-	-	3,221	3,221
Agricultural	-	-	-	-	2,134	2,134
Land	-	-	-	-	15,960	15,960
Residential Construction	28	-	-	28	5,493	5,521
Home equity lines of credit	-	-	-	-	5,946	5,946
Totals by loans secured by real estate	67	-	879	946	177,744	178,690
Commercial loans	-	-	35	35	18,302	18,337
Agricultural	-	-	-	-	782	782
Consumer loans	19	-	85	104	4,939	5,043
Totals for all loans	$ 86	$ -	$ 999	$ 1,085	$ 201,767	$ 202,852

The Bank grants consumer, commercial and residential loans to customers in Ruston, Louisiana and the surrounding area. Although the Bank has a diversified loan portfolio, a substantial portion of loan repayment is dependent upon the general economic sector.

5. Premises and Equipment

Premises and equipment are summarized as follows at the respective dates:

(In thousands)	Estimated Useful Lives	December 31, 2017		December 31, 2016	
Cost:					
Land		$	1,566	$	1,566
Building and improvements	15-40 years		4,892		4,652
Furniture and equipment	3-10 years		2,409		2,273
Vehicles	4-5 years		94		90
Total Cost			8,961		8,581
Less: Accumulated depreciation and amortization			(3,334)		(3,073)
Total Premises and Equipment		$	5,627	$	5,508

Depreciation expense charged to operations amounted to $280,000 and $295,000 for the years ended in December 31, 2017 and 2016, respectively.

6. Regulatory Capital

The Bank is subject to various regulatory capital requirements administered by 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 Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and 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 Bank to maintain minimum amounts and ratios. Financial institutions are subject to capital adequacy pursuant to the Basel III Capital Rule set forth by the Basel Committee on Banking Supervision. The rule requires minimum capital and adjustments to Prompt Corrective Action (PCA) thresholds. The rule includes common equity tier 1 capital and establishes criteria that instruments must meet in order to be considered common equity tier 1 capital, additional tier 1 capital, or tier 2 capital. The rule maintains the general structure of the current PCA framework while incorporating increased minimum requirements. The tables that follow below present the Bank’s ratios under the capital rule for 2017 and 2016.

Management believes, as of December 31, 2017, that the Bank meets all capital adequacy requirements to which it is subject.

6. Regulatory Capital (Continued)

As of December 31, 2017, the most recent notification from the OCC categorized the Bank as well capitalized under the regulatory framework for Prompt Corrective Action. To be categorized as adequately capitalized the Bank must maintain minimum ratios as set forth in the following table. The Bank's actual capital amounts (in thousands) and ratios are also presented in the table. There are no conditions or events since that notification that management believes have changed the institution's category. The following tables present the capital amounts and ratios for the respective categories as of the dates indicated:

	Basel III Capital Rule Ratios					
(Dollars in thousands)	Actual		Minimum Capital Standards		Prompt Corrective Action Well-Capitalized Thresholds	
December 31, 2017	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital	$ 27,831	13.26%	$ 16,794	8.00%	$ 20,992	10.00%
Tier 1 Capital	$ 25,863	12.32%	$ 12,595	6.00%	$ 16,794	8.00%
Common Equity Tier 1 Capital	$ 25,863	12.32%	$ 9,446	4.50%	$ 13,645	6.50%
Leverage Capital	$ 25,863	9.30%	$ 11,129	4.00%	$ 13,911	5.00%
December 31, 2016						
Total Capital	$ 24,757	13.60%	$ 14,560	8.00%	$ 18,200	10.00%
Tier 1 Capital	$ 23,391	12.85%	$ 10,920	6.00%	$ 14,560	8.00%
Common Equity Tier 1 Capital	$ 23,391	12.85%	$ 8,190	4.50%	$ 11,830	6.50%
Leverage Capital	$ 23,391	9.95%	$ 9,405	4.00%	$ 11,756	5.00%

The following is a reconciliation of the Bank's equity under GAAP to regulatory capital at the dates indicated:

	December 31,	
(In thousands)	2017	2016
GAAP equity	$ 25,879	$ 23,412
Unrealized gains on debt securities	(16)	(21)
Allowance for loan losses (allowable portion)	1,968	1,366
Total risk-based Capital	$ 27,831	$ 24,757

The consolidated capital amounts are not significantly different than those for the Bank.

7. Other Comprehensive Income

The following tables show the related tax effects allocated to each component of other comprehensive income for the respective years ended:

	For the Year Ended December 31, 2017		
	Before-Tax Amount	Tax (Expense) or Benefit	Net-of-Tax Amount
Unrealized gains(losses) on securities:			
Unrealized holding gains(losses) arising during the period	$ (8)	$ 3	$ (5)
Less: reclassification adjustment for gains(losses) realized in net income	-	-	-
Net unrealized gains(losses)	(8)	3	(5)
Other comprehensive income(loss)	$ (8)	$ 3	$ (5)

	For the Year Ended December 31, 2016		
	Before-Tax Amount	Tax (Expense) or Benefit	Net-of-Tax Amount
Unrealized gains(losses) on securities:			
Unrealized holding gains(losses) arising during the period	$ 14	$ (5)	$ 9
Less: reclassification adjustment for gains(losses) realized in net income	-	-	-
Net unrealized gains(losses)	14	(5)	9
Other comprehensive income(loss)	$ 14	$ (5)	$ 9

8. Related Party Transactions

At both December 31, 2017 and 2016, principal officers, directors, or companies that have 10% or more beneficial ownership were indebted to the Bank in the approximate aggregate amount of $2.2 million and $3.2 million, respectively. Such parties held deposits in the Bank in the approximate amounts of $5.2 million, and $3.9 million at December 31, 2017 and 2016, respectively. Total principal additions were $896,000 and $1.5 million and total principal payments were $1.9 million and $1.7 million for the years ended December 31, 2017 and 2016, respectively.

9. Off-Balance Sheet Activities

Credit-Related Financial Instruments. The Company is a party to credit related financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include standby letters of credit, unfunded commitments under lines of credit, and commitments to extend credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets.

The Company's exposure to credit loss is represented by the contractual amount of these commitments. The Company follows the same credit policies in making commitments as it does for on-balance-sheet instruments.

9. <u>Off-Balance Sheet Activities</u> (Continued)

At December 31, 2017 and 2016, the following financial instruments were outstanding whose contract amounts represent credit risk:

(In thousands)	Contract Amount 2017	Contract Amount 2016
Standby letters of credit	$ 2,371	$ 1,696
Unfunded commitments under lines of credit	14,737	14,729
Commitments to originate loans	7,093	6,393
Total commitments	$ 24,201	$ 22,818

Unfunded commitments under lines-of-credit are commitments for possible future extensions of credit to existing customers. These lines-of-credit consist of commercial and consumer customers and may be secured or unsecured. All of these commitments have a specified maturity date and ultimately may not be drawn upon to the total extent to which the Company is committed.

Standby letters-of-credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those letters-of-credit are primarily issued to support private borrowing arrangements and have expiration dates ranging from within one year to three years. The credit risk involved in issuing letters-of-credit is essentially the same as that involved in extending loan facilities to customers. The Company generally holds collateral supporting those commitments but can also extend commitments unsecured. Of the standby letters of credit outstanding at December 31, 2017, $440,000 was secured and $1,931,000 was unsecured.

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. The commitments for equity lines of credit may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary by the Company, is based on management's credit evaluation of the customer.

The Bank is party to certain agreements for lease of premises, data processing and imaging services. These agreements' contractual terms vary and with a final expiration or renewal date between February 2018 and April 2021 at approximately $42,000 per month. Certain agreements automatically renew for a successive five-year term at market rates at the end of the current term, if no advance notice of termination is given.

Future estimated minimum payments at December 31, 2017 under these agreements are as follows:

(In thousands)	Amount
2018	$ 345
2019	108
2020	32
2021	-
2022	-
Total	$ 485

10. Deposits

Deposits are summarized as follows at:

	December 31, 2017		December 31, 2016	
(Dollars in thousands)	Amount	Weighted Average Rate	Amount	Weighted Average Rate
Demand and Savings				
Noninterest-bearing demand deposits	$ 23,817	-	$ 17,723	-
Interest-bearing demand deposits	72,665	0.97%	48,910	0.88%
Money market	12,872	0.26%	13,668	0.25%
Savings	29,086	0.62%	25,815	0.59%
Total Demand and Savings	$ 138,440		$ 106,116	
Time Deposits				
0.00% to 0.99%	$ 31,241	0.64%	$ 71,313	0.64%
1.00% to 1.99%	50,947	1.30%	10,499	1.30%
2.00% to 2.99%	6,944	2.00%	3,083	2.00%
3.00% to 3.99%	350	3.25%	350	3.25%
Total Time Deposits	$ 89,482		$ 85,245	
Total Deposits	$ 227,922		$ 191,361	

Scheduled maturities of time deposits at December 31, 2017 are as follows:

2018	$ 68,093
2019	10,091
2020	6,541
Thereafter	4,757
Total	$ 89,482

Time deposits more than $250,000 or more amounted to approximately $20.3 million and $19.3 million at December 31, 2017 and 2016, respectively.

11. Income Taxes

In December of 2017, the Tax Cuts and Jobs Act of 2017 was enacted into law. The new law lowered the corporate tax rate from a maximum of 34% to 21%. This affected the recognition of future tax benefits and liabilities reflected on the balance sheet as deferred tax assets or liabilities and resulted in a cumulative adjustment to deferred taxes for 2017. This cumulative adjustment is reflected as a separate amount in the following tables below as “Cumulative Adjustment Tax Rate Change.”

Income tax expense is summarized as follows:

	Years Ended December 31	
(In thousands)	2017	2016
Current:		
Federal	$ 1,532	$ 1,319
Deferred:		
Federal-Current Year	$ (169)	$ (131)
Federal-Cumulative Adjustment Tax Rate Change	312	-
Total Provision For Income Taxes	$ 1,675	$ 1,188

11. Income Taxes (Continued)

A reconciliation of the Company's provision for income taxes and the amount computed by applying the U.S. statutory federal income tax rate of 34% pretax income is as follows:

	Years Ended December 31	
(In thousands)	2017	2016
Tax computed at 34%, respectively	$ 1,370	$ 1,247
Increases (decreases) in taxes resulting from:		
Prior year tax benefit	(6)	-
Cumulative Adjustment Tax Rate Change	312	-
Nontaxable income	(47)	(47)
Other, net	46	(12)
Total Provision For Income Taxes	$ 1,675	$ 1,188
Effective Tax Rate	41.56%	32.38%
Effective Tax Rate excluding cumulative adjustment	33.82%	32.38%

The components of the deferred income taxes included in other assets in the statements of condition are approximately as follows:

	Years Ended December 31	
(In thousands)	2017	2016
Allowance for loan losses	$ 404	$ 451
Deferred compensation plan	343	475
Stock compensation plans	30	60
Subtotal deferred tax asset	777	986
Accumulated depreciation	(105)	(171)
Unrealized gain on available-for-sale securities	(4)	(10)
Subtotal deferred tax liability	(109)	(181)
Net deferred tax asset	$ 668	$ 805

Other assets at December 31, 2017 and 2016 included income taxes receivable of $12,000 and $90,000, respectively.

The Bank has reviewed its various tax positions taken or expected to be taken in its tax returns and has determined it does not have unrecognized tax benefits, nor does it expect that position to change significantly over the next twelve months. The Bank recognizes interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. As of December 31, 2017, it has not accrued interest or penalties related to uncertain tax positions.

The Bank files an annual U.S. Federal income tax return. Federal income tax returns for the tax years 2015 and beyond remain subject to examination by the Internal Revenue Service.

12. Foreclosed Assets

Foreclosed assets, including real estate, represent property acquired through foreclosure or deeded in lieu of foreclosure on loans on which the borrowers have defaulted as to payment of principal and interest. The Bank also transfers to this category those loans meeting the applicable criteria for loans considered repossessions in substance. Amounts are carried at the asset's estimated fair value less estimated costs to sell. Reductions in the balance at the date of transfer are charged to the allowance for loan losses. Any subsequent write downs to reflect current fair value are charged to noninterest expense and credited to a valuation allowance for foreclosed assets. Direct costs incurred in foreclosures are also charged to noninterest expense. At December 31, 2017, the Bank had no foreclosed assets. Foreclosed assets at December 31, 2016 were $48,000.

13. Retirement Plans

Defined Benefit Plan

Until March 1, 2007, the Bank participated in a multiple employer, noncontributory defined benefit retirement plan sponsored by the Financial Institutions Retirement Fund. This plan covered substantially all the Bank's employees, and provided benefits to employees who worked at least one thousand hours per year. Benefits were based upon each employee's benefit service and average annual compensation, with each employee becoming fully vested upon completion of five years of qualifying service. The Financial Institutions Retirement Fund applied a full funding test on an individual employer basis. This plan is now known as the Pentegra Defined Benefit Plan for Financial Institutions (the “DB Plan”).

Effective March 1, 2007, the Bank elected to freeze the benefits provided under the plan to existing participants, to cease future benefit accruals, and to cease eligibility for employees in the Plan. Those participants in the Plan as of March 1, 2007 will receive a benefit equal to the benefit accrued under the Plan as of that date. The Bank incurred pension contribution expense of $75,000 and $50,000 for the years ending December 31, 2017 and 2016, respectively. The Bank has a funding surplus in the Plan of an approximate amount of $217,000 as of July 1, 2017, the most recent valuation date.

The DB Plan is a tax-qualified defined benefit pension plan. The DB Plan’s Employer Identification Number is 13-5645888 and the Plan Number is 333. The DB Plan operates as a multiemployer plan for accounting purposes and as a multiple employer plan under the Employee Retirement Income Security Act of 1974 and the Internal Revenue Code. There are no collective bargaining agreements in place that require contributions to the DB Plan.

The DB Plan is a single plan under Internal Revenue Code Section 413(c) and, as a result, all of the assets stand behind all of the liabilities. Accordingly, under the DB Plan, contributions made by a participating employer may be used to provide benefits to participants of other participating employers.

Funded status (Market value of plan assets divided by funding target) as of July 1,

Source: Valuation Report	2017	2016
Bank Plan	115.71%	111.32%

* - Market value of plan assets reflects any contributions received through June 30, 2017.

Employer contributions, meaning all employers participating in the multiple employer plan, made to the DB Plan, as reported on Form 5500, equal $153.2 million and $163.1 million for plan years ending June 30, 2016 and 2015, respectively. The Bank contributions to the DB Plan for the fiscal year ending December 31, 2017 are not more than 5% of the total contributions to the DB Plan for the plan year ending June 30, 2016.

The following contributions were paid by the Bank during the fiscal years ending December 31,

2017		2016		2015	
Date Paid	Amount	Date Paid	Amount	Date Paid	Amount
12/20/2017	$ 100,000	12/29/2016	$ 50,000	12/7/2015	$ 50,000
	-		-		-
Total	$ 100,000		$ 50,000		$ 50,000

401K Plan

The Bank also participates in an employee 401(k) retirement plan. Employees contribute up to 6% of their compensation to the plan, with the Bank matching 75% of such contributions. The Bank’s contribution expense to this plan amounted to $128,000 and $107,000 for December 2017 and 2016, respectively.

14. **Deferred Compensation Plan**

The Bank implemented a deferred compensation plan in late 1993 for certain key employees, and in 1996, for certain directors. The plans generally provide for retirement, death or disability payments, payable over 25 years (20 years for directors). The Bank obtained insurance on these individuals to provide for funding of the plan; however, the policies themselves are not pledged against the benefits. The plan limits the ultimate benefits to the cash surrender value (CSV) in the policies, after a certain return is realized by the Bank from those policies. Thus, based upon this limitation, deferred compensation is recognized to the extent of the CSV increase each year, once the Bank realizes its return. The Bank incurred deferred compensation expense of $158,000 and $98,000 for the years ended December 31, 2017 and 2016, respectively.

Following is a summary of changes in deferred compensation payable and the related cash values of the life insurance contracts for December 31, 2017 and 2016:

	December 31,	
(In thousands)	2017	2016
Cash surrender value of life insurance contracts	$ 5,120	$ 4,813
Earnings of life insurance contracts - directors	23	15
Earnings of life insurance contracts - officers	80	84
Deferred compensation payable - directors	1,115	914
Deferred compensation payable - officers	519	485
Deferred compensation paid to retirees	26	26

15. **Stock-Based Compensation Plans**

The Company has three stock-based compensation plans. These are the 2010 Employee Stock Ownership Plan, the 2011 Recognition and Retention Plan (a restricted stock plan), and the 2011 Stock Option Plan.

The fair value of the options is calculated by using the Black-Scholes option pricing model which assumes that the option exercises occur at the end of the expected term of the option.

Employee Stock Ownership Plan

Under the Employee Stock Ownership Plan (ESOP), employees are generally eligible to participate in the ESOP after completion of one year of service and attaining the age of 21. The ESOP purchased 70,034 shares adjusted for stock dividends paid which were facilitated by a loan from the Company to the ESOP in the amount of $667,040. The loan is secured by a pledge of the ESOP shares. The shares pledged as collateral are reported as unearned ESOP shares in the Consolidated Balance Sheet. The corresponding note is being repaid in 80 quarterly debt service payments of $11,372 on the last business day of each quarter, beginning December 31, 2010, at a rate of 3.25%.

The Company may contribute to the ESOP, in the form of debt service, at the discretion of its board of directors. Cash dividends, if any, on the Company's stock shall either be used to repay the loan, be distributed to the participants in the ESOP, or be retained in the ESOP and reinvested in the Company stock. Shares are released for allocation to ESOP participants based on principal and interest payments on the note. Compensation expense is recognized based on the number of shares allocated to ESOP participants each year and the average fair value of the shares for the current year. Released ESOP shares become outstanding for earnings per share computations.

As compensation expense is incurred, the Unearned ESOP shares account is reduced based on the original cost of the stock. The difference between the cost and the average market price of shares released for allocation is applied to Additional Paid-In Capital. Compensation expense for the year ended December 31, 2017 and 2016 was $94,000 and $62,000, respectively. The total income tax benefit recognized in the income statement was $32,000 and $21,000 for 2017 and 2016, respectively. There were 3,503 shares released in both 2017 and 2016, adjusted for stock dividends paid. At December 31, 2017, 44,647 shares were unreleased with a market value of $1,305,911.

15. Stock-Based Compensation Plans (Continued)

Restricted Stock Plan

Under the recognition and retention plan (RRP), restricted stock was granted to directors and officer-employees. The objective of the plan is to enable the Company to provide directors and officer-employees with a proprietary interest in the Company and enhance shareholder value by aligning the financial interests of those participants with those of shareholders. The Company will contribute sufficient funds to the RRP Trust (the Trust) so that the Trust can purchase all 42,771 shares of common stock, or 3.9% of the currently outstanding common stock. The shares will be acquired through open market purchases to the extent available with any deficiency fulfilled by the issuance of un-issued shares of the Company. Restricted shares were granted in May of 2011 for 42,771 shares of Company stock allocated under the RRP. Of the shares granted, 1,622 have been forfeited. The plan allows for forfeited shares to be re-granted. In October of 2017, 1,200 additional restricted shares were granted under the plan and were all unvested as of December 31, 2017. Shares granted will vest at a rate of no more rapid than 20% per year beginning one year from the anniversary date of the grant. As of December 31, 2017, 41,490 shares have been purchased by the Trust and 41,149 shares have been earned and issued. Shares are recorded at cost at the time of purchase and reported in the Consolidated Balance Sheet as unearned shares, which is a contra-equity account. The balance in unearned purchased shares is reduced as shares vest. At December 31, 2017, there were 341 unearned purchased shares remaining and reported at cost in the Consolidated Balance Sheet. All shares have been adjusted for any stock dividends paid.

The following table represents unearned allocated restricted shares activity for the year ended December 31, 2017:

	Shares	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2017	-	$ -
Granted	1,200	28.25
Forfeited	-	-
Vested or earned	-	-
Outstanding at December 31, 2017	1,200	$ 28.25

During 2017, the Company made restricted share awards of 1,200 shares to participants. No shares were vested and issued to participants as of December 31, 2017. The compensation expense that has been charged against income was $1,000 and $45,000 in 2017 and 2016, respectively. The total income tax benefit recognized in the income statement for each of those years was $0 and $15,000, respectively. The total remaining unearned compensation related to restricted shares at December 31, 2017 was $34,000.

Compensation expense of restricted shares is based on the fair value of the shares determined at the date of grant and is recognized over the vesting period.

15. Stock-Based Compensation Plans (Continued)

Stock Option Plan

Under the Stock Option Plan (SOP), the Company may grant options to its directors and officer-employees. Stock options may be either Incentive Stock Options or Non-Qualified Stock Options. Incentive Stock Options may be granted only to employees of the Company or any affiliate. Non-Qualified Stock Options may be granted to employees and directors of the Company or its affiliate. The exercise price per share will be determined at the time of grant but will not be less than one hundred percent (100%) of the fair market value on the grant date in the case of Incentive Stock Options. If an Incentive Stock Option is granted to a person who owns 10% or more of the Company's voting stock, the exercise price per share for the common stock covered by such Incentive Stock Option will be not less than one hundred ten percent (110%) of the fair market value on the grant date. No stock option will be exercisable more than ten (10) years after the date of grant. If an Incentive Stock Option is granted to a person who owns 10% or more of the Company's voting stock, the term of such option will be no more than five (5) years from the grant date. Stock options shall become exercisable at such time or times, whether or not in installments, as shall be determined by the Board of Directors or the Committee and set forth in the option agreement evidencing such option. Any portion of an option that is not exercisable on the date of termination of an applicable service relationship shall immediately expire. Once any portion of an option becomes vested and exercisable, it shall continue to be exercisable by the grantee or his or her representatives at any time or times prior to the earliest of (i) the date which is (a) three years following the date on which the grantee's service relationship terminates due to retirement or disability, (b) twelve months following the grantee's death, or (c) six months following the date on which the grantee's service relationship terminates if the termination is due to any other reason, or (ii) the expiration date set forth in the option agreement; provided, however, that the Board or SOP Committee may revoke, rescind and terminate any options if the grantee's service relationship is terminated for cause. The options vest at a rate no more rapid than 20% per year. All options will vest and become exercisable upon death or disability of the grantee or following a change in control of the Company.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions for grants made during the year ended December 31. The Company made grants of 4,000 options during 2017. No grants were made during 2016.

	2017	2016
Expected dividend yield over contractual term	0.61%	N/A
Expected life in years	6.5	N/A
Expected volatility over contractual term	21.09%	N/A
Risk-free interest rate over contractual term	2.17%	N/A

The expected dividend yield assumption is based on the Company's expectation of dividend payouts. Because the Company has no historical data relating to the exercise of its options, management has elected to use the "simplified" method outlined in SAB 107 (question 6, interpretive response) to compute the expected life of the options since the options granted are "plain vanilla." The expected volatility is based on volatility of similar entities whose information is publicly available because the Company has limited information regarding the volatility of its share price on which to base an estimate of expected volatility. The risk-free interest rates for periods within the contractual life of the awards are based on the U.S. Treasury yield curve in effect at the time of the grant.

15. Stock-Based Compensation Plans (Continued)

A summary of the status of the Company's stock option plan adjusted for stock dividends paid is presented below for the years ended December 31, 2017 and 2016:

Options	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term in Years	Aggregate Intrinsic Value
Outstanding at January 1, 2017	86,921	$ 14.26		
Granted	4,000	28.25		
Exercised	(10,951)	14.29		
Forfeited or expired	-	-		
Outstanding at December 31, 2017	79,970	$ 14.78	3.83	$ 1,157,166
Exercisable at December 31, 2017	74,177	$ 14.26	3.83	$ 1,111,913
Outstanding at January 1, 2016	96,896	$ 14.26		
Granted	-	-		
Exercised	(9,975)	14.29		
Forfeited or expired	-	-		
Outstanding at December 31, 2016	86,921	$ 14.26	4.60	$ 498,927
Exercisable at December 31, 2016	83,337	$ 14.26	4.60	$ 478,354

The aggregate intrinsic value of a stock option in the table above represents the amount by which the current market value of the underlying stock exceeds the exercise price of the option had all option holders exercised their options on December 31, 2017 and 2016. This amount changes as the market value of the Company's stock changes.

Information pertaining to options outstanding at December 31, 2017 is as follows:

Options	Shares	Weighted Average Exercise Price
Nonvested at January 1, 2017	3,584	$ 14.26
Granted	4,000	28.25
Vested	(1,791)	14.29
Forfeited	-	-
Nonvested at December 31, 2017	5,793	$ 14.78

During 2017, the Company awarded 4,000 stock options. The compensation expense that has been charged against income was $8,000 and $47,000 in 2017 and 2016, respectively. The total income tax benefit recognized in the income statement for each of those years was $3,000 and $16,000, respectively. The total remaining unearned compensation related to stock options at December 31, 2017 was $37,000 and will be amortized over a weighted-average remaining vesting period of 3.5 years.

Compensation expense under the SOP is based on the fair value of the options granted determined at the date of grant and is also recognized as the options vest.

16. Short-Term Borrowings

Federal Funds Sold and Federal Home Loan Advances

The Company had an uncollateralized federal funds line of credit with a correspondent bank aggregating $7.5 million and a collateralized Federal Home Loan Bank of Dallas ("FHLB") line of credit totaling $96.6 million at December 31, 2017. The Bank's borrowing availability both short- and long-term with the Federal Home Loan Bank of Dallas at December 31, 2017 was $45.9 million under current terms with the Federal Home Loan Bank. At December 31, 2017 and 2016, the Company had advances on its FHLB line of credit in the amount of $25.4 million and $20.2 million, respectively. The average rate on the outstanding FHLB advances was 1.58% and 0.59% for December 31, 2017 and 2016, respectively. These lines of credit generally have interest rates indexed to the Federal Funds rate, short-term U.S. Treasury rates, or LIBOR. FHLB advances are collateralized by loans and investment securities. The Company also had letters of credit guarantees from the FHLB for $25.3 million at December 31, 2017. Of these letters of credit, $24.7 million were issued to secure public fund deposits and $623,000 was issued for loan customers. These letters of credit have expiration dates ranging from 2018 to 2019. As of December 31, 2017, $226.1 million in loans and no investment securities were pledged as collateral for FHLB advances. All lines of credit are on an "as available" basis and can be revoked by the grantor at any time.

Total short-term debt at the respective dates is summarized as follows:

(In thousands)	Interest Rate	Settlement Date	Maturity Date	December 31, 2017	December 31, 2016
Federal Home Loan Bank fixed-rate advance	1.30%	12/29/2027	1/2/2018	$ 3,250	$ 20,000
Total Short-Term Debt				$ 3,250	$ 20,000

Securities Sold Under Agreements to Repurchase

There were no securities sold under agreements to repurchase as of December 31, 2017 and 2016.

17. Long-Term Debt

Long-term debt consists of advances from the Federal Home Loan Bank of Dallas (FHLB). Such advances are secured by deposit accounts with the FHLB, Bank-owned FHLB capital stock, and investment securities held at the FHLB and a blanket lien on certain loans.

Total long-term debt at the respective dates is summarized as follows:

(In thousands)	Interest Rate	Settlement Date	Maturity Date	December 31, 2017	December 31, 2016
Federal Home Loan Bank floating-rate advance	1.56%	12/15/2017	12/13/2019	$ 22,000	$ -
Federal Home Loan Bank fixed-rate advance	3.23%	9/22/2010	10/1/2020	134	179
Total Long-Term Debt				$ 22,134	$ 179

18. Earnings Per Share

Basic and diluted earnings per share are calculated as follows:

	Years Ended December 31	
	2017	2016
Basic Earnings per Share:		
Net income	$ 2,355,000	$ 2,481,000
Weighted average common shares outstanding	1,044,017	1,037,771
Basic Earnings per Share	$ 2.26	$ 2.39
Diluted Earnings per Share:		
Net income	$ 2,355,000	$ 2,481,000
Weighted average common shares outstanding	1,044,017	1,037,771
Effect of dilutive securities	38,026	23,922
Weighted average common shares outstanding - diluted	1,082,043	1,061,693
Diluted Earnings per Share	$ 2.18	$ 2.34

Earnings per share are based on the weighted-average number of shares outstanding during the year and have been adjusted for stock dividends paid.

19. Fair Value of Assets and Liabilities

Determination of Fair Value

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Company's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

Fair value accounting guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

19. Fair Value of Assets and Liabilities (Continued)

Fair Value Hierarchy

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

- Level 1—Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

- Level 2—Valuation is based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on 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 asset or liability.

- Level 3—Valuation is based on 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 determination of fair value requires significant management judgment or estimation.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following methods and assumptions were used by the Company in estimating fair value disclosures for financial instruments:

Cash and Cash Equivalents

The carrying amounts of cash and short-term instruments approximate fair values based on the short-term nature of the assets.

Securities

Where quoted prices are available in an active market, we classify the securities within level 1 of the valuation hierarchy. Securities are defined as both long and short positions. Level 1 securities include highly liquid government bonds and exchange-traded equities.

If quoted market prices are not available, we estimate fair values using pricing models and discounted cash flows that consider standard input factors such as observable market data, benchmark yields, interest rate volatilities, broker/dealer quotes, and credit spreads. Examples of such instruments, which would generally be classified within level 2 of the valuation hierarchy, include GSE obligations, corporate bonds, and other securities. Mortgage-backed securities are included in level 2 if observable inputs are available. In certain cases where there is limited activity or less transparency around inputs to the valuation, we classify those securities in level 3.

Loans Receivable

The fair values for all loans are estimated using discounted cash flow analyses at market interest rates for comparable loans. Fair values for nonperforming loans are estimated using discounted cash flow analyses or underlying collateral values, where applicable.

19. Fair Value of Assets and Liabilities (Continued)

Deposit Liabilities

The fair values for noninterest- and interest-bearing checking, money market, and savings accounts are equal to the amount payable on demand at the reporting date, which is also equal to their carrying amounts. Fair values for certificates of deposit are estimated using a discounted cash flow calculation that applies market interest rates on comparable instruments to a schedule of aggregated expected monthly maturities on time deposits.

Short-Term Borrowings

The carrying amounts of federal funds purchased, borrowings under repurchase agreements, and other short-term borrowings maturing within ninety days approximate their fair values. Fair values of other short-term borrowings are estimated using discounted cash flow analyses based on current market rates for similar types of borrowing arrangements.

Long-Term Borrowings

Current market rates for debt with similar terms and remaining maturities are used to estimate fair value of existing debt. Fair value of long-term debt is based on quoted market prices or dealer quotes for the identical liability when traded as an asset in an active market. If a quoted market price is not available, an expected present value technique is used to estimate fair value.

Accrued Interest

The carrying amounts of accrued interest approximate fair value.

Off-Balance Sheet Credit-Related Instruments

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

19. Fair Value of Assets and Liabilities (Continued)

Items Measured at Fair Value on a Recurring Basis

For the Company, items recorded at fair value on a recurring basis are securities available for sale and loans held for sale. These securities consist primarily of mortgage-backed (including Agency) securities. When available, the Company uses quoted market prices of identical assets on active exchanges (Level 1 measurements). Where such quoted market prices are not available, the Company typically employs quoted market prices of similar instruments (including matrix pricing) and/or discounted cash flows to estimate a value of these securities (Level 2 measurements). Level 3 measurements include discounted cash flow analyses based on assumptions that are not readily observable in the market place, including projections of future cash flows, loss assumptions, and discount rates.

The following table presents financial assets measured at fair value on a recurring basis at December 31, 2017 and 2016:

	December 31, 2017			
(In thousands)	Level 1	Level 2	Level 3	Estimated Fair Value
Securities available for sale:				
FHLMC certificates	$ -	$ 120	$ -	$ 120
GNMA certificates	-	3	-	3
FHR certificates	-	7	-	7
FNMA certificates	-	336	-	336
FNR certificates	-	5	-	5
Total securities available for sale	-	471	-	471
Loans held for sale	-	497	-	497
Total assets at fair value	$ -	$ 968	$ -	$ 968

	December 31, 2016			
(In thousands)	Level 1	Level 2	Level 3	Estimated Fair Value
Securities available for sale:				
FHLMC certificates	$ -	$ 160	$ -	$ 160
GNMA certificates	-	3	-	3
FHR certificates	-	8	-	8
FNMA certificates	-	425	-	425
FNR certificates	-	7	-	7
Municipal securities	-	51	-	51
Total securities available for sale	-	654	-	654
Loans held for sale	-	2,888	-	2,888
Total assets at fair value	$ -	$ 3,542	$ -	$ 3,542

19. Fair Value of Assets and Liabilities (Continued)

Items Measured at Fair Value on a Non-Recurring Basis

From time to time, certain assets may be recorded at fair value on a non-recurring basis, typically as a result of the application of lower of cost or fair value accounting or a write-down occurring during the period. The only item recorded at fair value on a non-recurring basis is foreclosed assets, which is recorded at the estimated fair value less estimated costs to sell. Fair value is determined by reference to appraisals (performed either by the Bank or by independent appraisers) on the subject property, using market prices of similar real estate assets (Level 2 measurements). The Bank held foreclosed assets with an estimated fair value of $48,000 at December 31, 2016. The Bank had no foreclosed assets at December 31, 2017.

Fair value of assets and liabilities measured on a non-recurring basis at the dates presented are as follows:

(In thousands)	Level 1	Level 2	Level 3	Estimated Fair Value
December 31, 2017				
Other foreclosed assets	$ -	$ -	$ -	$ -
December 31, 2016				
Other foreclosed assets	$ -	$ 48	$ -	$ 48

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

	December 31, 2017		December 31, 2016	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Financial assets:				
Cash and cash equivalents	$ 30,611	$ 30,611	$ 22,382	$ 22,382
Securities available for sale	471	471	654	654
Securities held to maturity	686	695	1,191	1,185
Federal Home Loan Bank stock	1,137	1,137	895	895
Other equity investments	320	320	320	320
Loans held for sale	497	497	2,888	2,888
Loans, net of unearned income	238,920	238,041	199,964	197,059
Accrued interest receivable	998	998	978	978
Cash surrender value of bank-owned life insurance	5,120	5,120	4,813	4,813
Total financial assets	$ 278,760	$ 277,890	$ 234,085	$ 231,174
Financial liabilities:				
Deposits	$ 227,922	$ 230,222	$ 191,361	$ 192,131
Short-term borrowings	3,250	3,250	20,000	19,953
Long-term borrowings	22,134	21,813	179	185
Accrued interest payable	176	176	74	74
Total financial liabilitites	$ 253,482	$ 255,461	$ 211,614	$ 212,343
Off-balance sheet credit related to financial instruments:				
Standby letters of credit	-	22	-	4
Commitments to extend credit	-	40	-	26

20. Subsequent Events

The Bank is required to evaluate events or transactions that may occur after the balance sheet date for potential recognition or disclosure in the financial statements. The Bank performed such an evaluation through the date which the financial statements were available to be issued, and noted no such subsequent events.

21. Conversion and Stock Offering

On September 30, 2010, the Bank completed its conversion from a mutual to a stock form of organization as a subsidiary of Century Next Financial (the "Company"), and the Company completed an initial public offering in which it issued 1,058,000 shares of its common stock for a total of $10,580,000 in gross offering proceeds.

In conjunction with the conversion, the Bank established a liquidation account in an amount equal to the Bank's retained earnings contained in the final prospectus. The liquidation account will be maintained for the benefit of eligible account holders and supplemental eligible account holders who maintain deposit accounts in the Bank after the conversion.

In the event of a complete liquidation (and only in such event), each eligible account holder and supplemental eligible account holder will be entitled to receive a liquidation distribution from the liquidation account in the amount of the then current adjusted balance of deposit accounts held, before any liquidation distribution may be made with respect to common stock. Except for the payment of dividends by the Bank, the existence of the liquidation account will not restrict the use or application of such retained earnings.

22. Parent Company Financial Statements

Financial information pertaining only to Century Next Financial Corporation as of December 31, 2017 and 2016 is as follows:

CENTURY NEXT FINANCIAL CORPORATION
CONDENSED BALANCE SHEETS

	December	
(In thousands)	2017	2016
ASSETS		
Cash and cash equivalents	$ 1,799	$ 1,993
Investment in subsidiary	25,879	23,412
Note receivable-subsidiary for ESOP	472	503
Other assets	2	1
TOTAL ASSETS	28,152	25,909
LIABILITIES AND STOCKHOLDERS' EQUITY		
Stockholders' Equity	28,152	25,909
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 28,152	$ 25,909

22. Parent Company Financial Statements (Continued)

CENTURY NEXT FINANCIAL CORPORATION
CONDENSED STATEMENTS OF INCOME

(In thousands)	Years Ended December 31 2017	2016
INCOME		
Interest income	$ 16	$ 17
Total Income	16	17
EXPENSE		
Professional expense	22	22
Other noninterest expense	-	1
Total Expense	22	23
Income (loss) Before Taxes	(6)	(6)
Applicable income taxes (benefit)	(2)	(2)
Net Income (loss) before equity in undistributed income of subsidiary	(4)	(4)
Equity in subsidiary earnings	2,359	2,485
NET INCOME	$ 2,355	$ 2,481

22. Parent Company Financial Statements (Continued)

CENTURY NEXT FINANCIAL CORPORATION
CONDENSED STATEMENTS OF CASH FLOWS

(In thousands)	Years Ended December 31, 2017	2016
Cash flows from operating activities:		
Net Income	$ 2,355	$ 2,481
Adjustments to reconcile net income		
to net cash provided by operating activities:		
Equity in undistributed earnings of subsidiary	(2,359)	(2,485)
Net decrease in accrued interest and other liabilities	-	(1)
Net decrease in notes receivable and other assets	30	27
Total adjustments	(2,329)	(2,459)
Net cash provided by operating activities	26	22
Cash flows from investing activities:		
Net cash used by investing activities	-	-
Cash flows from financing activities:		
Stock repurchases	-	(10)
Expenditures from cash out of stock options	(67)	(42)
Cash dividends paid on common stock	(153)	(131)
Net cash used by financing activities	(220)	(183)
Net decrease in cash and cash equivalents	(194)	(161)
Cash and cash equivalents, at beginning of period	1,993	2,154
Cash and cash equivalents, at end of period	$ 1,799	$ 1,993