METAIRIE BANK AND TRUST COMPANY

DECEMBER 31, 2016 AND 2015

METAIRIE, LOUISIANA

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Audited Financial Statements:

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Certified Public Accountants

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Independent Auditor's Report

To the Board of Directors and Stockholders
Metairie Bank and Trust Company
Metairie, Louisiana

We have audited the accompanying financial statements of Metairie Bank and Trust Company (a Corporation), which comprise the Balance Sheets as of December 31, 2016 and 2015, and the related Statements of Income, Comprehensive Income, Changes in Shareholders' Equity and Cash Flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Metairie Bank and Trust Company as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Respectfully submitted,

Harris T. Bourgeois, LLP

New Orleans, Louisiana
March 8, 2017

METAIRIE BANK AND TRUST COMPANY

BALANCE SHEETS

AS OF DECEMBER 31, 2016 AND 2015

ASSETS

	2016	2015
Cash and Due From Banks	$ 15,524,449	$ 20,408,975
Federal Funds Sold	425,000	3,401,368
Total Cash and Cash Equivalents	15,949,449	23,810,343
Interest Bearing Deposits with other Banks	1,221,196	1,221,151
Securities Available-for-Sale	74,351,114	72,342,559
Mortgage Loans Available-for Sale	200,000	-
Loans, Less Allowance for Loan Losses of $2,208,759 for 2016 and $2,084,168 for 2015	269,190,466	251,465,371
Bank Premises and Equipment, Net	11,335,758	10,513,714
Accrued Interest Receivable	935,867	860,867
Investment in FNBB Stock	250,000	250,000
Investment in FHLB of Dallas Stock	157,000	156,500
Other Investments	400,000	400,000
Cash Surrender Value of Life Insurance	2,820,877	2,769,997
Other Assets	1,857,517	1,893,832
Total Assets	$ 378,669,244	$ 365,684,334

LIABILITIES

	2016	2015
Deposits:		
Non-Interest Bearing	$ 115,864,539	$ 106,510,617
Interest Bearing	223,315,807	219,708,057
Total Deposits	339,180,346	326,218,674
Accrued Interest Payable	33,061	46,070
Dividends Payable	1,021,772	1,021,772
Deferred Tax Liability	720,253	782,070
Other Liabilities	1,079,958	1,135,691
Total Liabilities	342,035,390	329,204,277

STOCKHOLDERS' EQUITY

	2016	2015
Common Stock - $1 Par Value, 2,100,000 Shares Authorized 2,043,543 Issued and Outstanding	2,043,543	2,043,543
Capital Surplus	9,956,457	9,956,457
Retained Earnings	25,695,226	25,332,634
Accumulated Other Comprehensive Income (Loss)	(1,061,372)	(852,577)
Total Stockholders' Equity	36,633,854	36,480,057
Total Liabilities and Stockholders' Equity	$ 378,669,244	$ 365,684,334

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

METAIRIE BANK AND TRUST COMPANY

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Interest Income:		
Interest and Fees on Loans	$ 12,626,264	$ 10,994,573
Interest and Dividends on Securities-Taxable	997,458	1,106,257
Interest and Dividends on Securities-Non-taxable	107,336	124,280
Interest on Federal Funds Sold	10,239	3,273
Total Interest Income	13,741,297	12,228,383
Interest Expense:		
Interest Expense on Deposits	442,598	498,489
Interest on Borrowings	-	24
Total Interest Expense	442,598	498,513
Net Interest Income	13,298,699	11,729,870
Provision for Loan Losses	321,951	290,000
Net Interest Income after Provision for Loan Losses	12,976,748	11,439,870
Noninterest Income:		
Customer Service Fees	2,444,256	2,467,015
Gain on Sale of Loans	91,783	107,058
Other	832,382	704,634
Total Noninterest Income	3,368,421	3,278,707
Noninterest Expense:		
Salaries and Employee Benefits	7,210,882	6,510,713
Occupancy Expense	1,273,339	1,205,396
Other Operating Expenses	4,417,644	4,005,618
Total Noninterest Expense	12,901,865	11,721,727
Income Before Income Taxes	3,443,304	2,996,850
Provision for Income Taxes	1,037,171	990,000
Net Income	$ 2,406,133	$ 2,006,850

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

METAIRIE BANK AND TRUST COMPANY

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

		2016		2015
Net Income	$	2,406,133	$	2,006,850
Other Comprehensive Income (Loss):				
Unrealized (Losses) Gains on Investment Securities		(272,997)		361,952
Income Tax Effect		92,819		(123,064)
		(180,178)		238,888
Reclassification Adjustment for Losses (Gains) Realized		-		1,554
Income Tax Effect		-		(528)
		-		1,026
Unrecognized Pension Plan Gains (Losses)		(43,359)		(251,447)
Income Tax Effect		14,742		85,492
		(28,617)		(165,955)
Total Other Comprehensive Income (Loss), Net of Taxes		(208,795)		73,959
Comprehensive Income	$	2,197,338	$	2,080,809

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

METAIRIE BANK AND TRUST COMPANY

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balances, December 31, 2014	$ 2,043,543	$ 9,956,457	$ 25,267,150	$ (926,536)	$ 36,340,614
Comprehensive Income:					
Net Income	-	-	2,006,850	-	2,006,850
Other Comprehensive Income	-	-	-	73,959	73,959
Cash Dividends ($.95 per Share)	-	-	(1,941,366)	-	(1,941,366)
Balances, December 31, 2015	2,043,543	9,956,457	25,332,634	(852,577)	36,480,057
Comprehensive Income:					
Net Income	-	-	2,406,133	-	2,406,133
Other Comprehensive Income (Loss)	-	-	-	(208,795)	(208,795)
Cash Dividends ($1.00 per Share)	-	-	(2,043,541)	-	(2,043,541)
Balances, December 31, 2016	$ 2,043,543	$ 9,956,457	$ 25,695,226	$ (1,061,372)	$ 36,633,854

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

METAIRIE BANK AND TRUST COMPANY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Cash Flows From Operating Activities:		
Net Income	$ 2,406,133	$ 2,006,850
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Net Amortization on Securities Available-for-Sale	214,754	355,886
Net (Gain) Loss on Sale of Securities Available-for-Sale	-	1,554
Net (Gain) Loss on Sale of Foreclosed Assets	4,740	18,479
Provision for Loan Losses	321,951	290,000
Provision (Benefit) for Deferred Income Taxes	45,744	52,962
Provision for Write Down of Other Real Estate	-	14,499
Depreciation and Amortization	607,013	616,371
Stock Dividend on FHLB of Dallas Stock	(500)	(400)
Changes in Assets and Liabilities:		
(Increase) Decrease in Loans Held for Sale	(200,000)	546,000
(Increase) Decrease in Accrued Interest Receivable	(75,000)	(17,273)
(Increase) Decrease in Cash Surrender Value of Life Insurance	(50,880)	222,102
(Increase) Decrease in Other Assets	(7,044)	(130,101)
Increase (Decrease) in Accrued Interest Payable	(13,009)	(15,071)
Increase (Decrease) in Dividends Payable	-	102,178
Increase (Decrease) in Other Liabilities	(55,733)	(996)
Net Cash Provided by Operating Activities	3,198,169	4,063,040
Cash Flows From Investing Activities:		
Purchases of Securities Available-for-Sale	(8,496,306)	-
Proceeds from Maturities, Calls and Paydowns of Securities Available-for-Sale	6,000,000	13,031,429
Purchase of Interest Bearing Deposits in Other Financial Institutions	(1,221,196)	(976,152)
Proceeds from Maturities of Interest Bearing Deposits in Other Finacial Institutions	1,221,151	976,152
Proceeds from Sale of Foreclosed Assets	71,576	136,922
Net (Increase) Decrease in Loans	(18,123,362)	(23,927,105)
Purchases of Premises and Equipment	(1,429,057)	(463,449)
Net Cash Used in Investing Activities	(21,977,194)	(11,222,203)

(CONTINUED)

	2016	2015
Cash Flows From Financing Activities:		
Net Increase (Decrease) in Deposits	12,961,672	17,732,845
Cash Dividends	(2,043,541)	(1,941,366)
Net Cash Provided by (Used in) Financing Activities	10,918,131	15,791,479
Net Increase (Decrease) in Cash and Cash Equivalents	(7,860,894)	8,632,316
Cash and Cash Equivalents - Beginning of Year	23,810,343	15,178,027
Cash and Cash Equivalents - End of Year	$ 15,949,449	$ 23,810,343
Supplemental Disclosures of Cash Flow Information:		
Cash Payments for:		
Interest on Deposits	$ 455,607	$ 513,560
Interest on Federal Funds Purchased	$ -	$ 24
Income Taxes	$ 872,000	$ 1,028,531
Supplemental Schedule of Noncash Investing Activities:		
Change in Unrealized (Loss) Gain on Securities Available-for-Sale	$ (272,997)	$ 363,506
Change in Deferred Tax Effect on the Unrealized Gain (Loss) on Securities Available-for-Sale	$ (92,819)	$ 123,592
Foreclosed Real Estate Acquired in Settlement of Loans	$ 76,316	$ 71,700

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

Note 1 - Summary of Significant Accounting Policies -

Nature of Operations

Metairie Bank and Trust Company (the Bank) operates under a state bank charter and provides full banking services. The Bank is subject to regulation of the Federal Deposit Insurance Corporation and the Office of Financial Institutions of the State of Louisiana. The Bank serves the immediate and surrounding geographic areas from its various offices located in Metairie, Mandeville, and Covington, Louisiana, and generates commercial, mortgage and consumer loans to and receives deposits from individual and business customers located in these and surrounding areas. In addition, the Bank operates a full service insurance agency, MB Insurance, and an investment advisory firm, MB Investments.

The Bank's loan portfolio consists mainly of permanent and construction mortgage loans collateralized by residential and commercial real estate. These loans are structured as traditional closed-end mortgage loans, as well as revolving lines of credit. The loans are expected to be repaid from cash flows of the borrowers. Some of the activities that the economy of the region of Louisiana in which the Bank operates is dependent upon include the petrochemical industry, port activity along that region of the Mississippi River, healthcare and tourism. Significant declines in these activities and the general economic conditions in the Bank's market areas could affect borrowers' abilities to repay loans and cause a decline in value of the assets securing the loan portfolio.

The Bank's operations are subject to customary business risks associated with activities of a financial institution. Some of those risks include competition from other institutions and changes in economic conditions, interest rates and regulatory requirements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for losses on loans, the valuation of foreclosed real estate, the valuation of deferred tax assets, other than temporary impairments of securities and the fair value of financial instruments. While management uses available information to recognize losses on loans, further reductions in the carrying amounts of loans 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 estimated losses on loans. Such agencies may require the Bank to recognize additional losses based on their judgments about information available to them at the time of their examination.

Because of these factors, it is reasonably possible that these estimates may change in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

The accounting and reporting policies of the Bank are in accordance with U.S. generally accepted accounting principles and conform to general practices within the banking industry. The more significant of the principles used in preparing the financial statements are briefly described below:

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand and due from banks, interest bearing deposits with maturities of less than 90 days and federal funds sold.

Securities

Management determines the appropriate classification of debt securities at the time of purchase and re-evaluates this classification periodically. Trading account securities are held for resale in anticipation of short-term market movements. Debt securities are classified as held to maturity when the Bank has the positive intent and ability to hold the securities to maturity. Securities not classified as held to maturity or trading are classified as available for sale.

Trading account securities are carried at market value. Gains and losses, both realized and unrealized, are reflected in earnings. Held to maturity securities are stated at amortized cost. Available for sale securities are stated at fair value, with unrealized gains and losses, net of tax, reported in a separate component of other comprehensive income.

The amortized cost of debt securities classified as held to maturity or available for sale is adjusted for amortization of premiums and accretion of discounts to maturity or, in the case of mortgage-backed securities, over the estimated life of the security. Amortization, accretion and accrued interest are included in interest income on securities.

Realized gains and losses, and declines in value judged to be other than temporary, are included in net securities gains and losses. The cost of securities sold is determined based on the specific identification method.

Declines in the fair value of individual held-to-maturity and available-for-sale securities below their cost that are other-than-temporary result in write-downs of the individual securities to their fair value. The written down amount then becomes the security's new cost basis. The related write-downs are included in earnings as realized losses. In estimating whether to recognize other-than-temporary impairment losses on a security, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Bank to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. Current guidance replaced the "intent and ability" indication in prior guidance by specifying that (a) if management does not have the intent to sell a debt security prior to recovery and (b) it is more likely than not that it will not have to sell the debt security prior to recovery, the security would not be considered other-than-temporarily impaired unless there is a credit loss identified within the security. When management does not intend to sell the security, and it is more likely than not management will not have to sell the security before recovery of its cost basis, it will recognize the credit component of an other-than-temporary impairment of a debt security in earnings and the remaining portion in other comprehensive income. For held-to-maturity debt securities, the amount of an other-than-temporary impairment recorded in other comprehensive income for the noncredit portion of a previous other-than-temporary impairment should be amortized prospectively over the remaining life of the security on the basis of the timing of future estimated cash flows of the security.

Mortgage Loans Held for Sale

Mortgage loans originated and intended for sale in the secondary market are carried at the lower of cost or fair value under fair value option accounting guidance for financial instruments. For these loans, gains and losses on loan sales are recorded in noninterest income, and direct loan origination costs and fees are deferred at origination of the loan and are recognized in noninterest income upon sale of the loan.

Loans

The Bank grants mortgage, commercial and consumer loans to customers. Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at their outstanding unpaid principal balances adjusted for unearned income, the allowance for loan losses and any unamortized deferred fee or costs on originated loans, and premiums or discounts on purchased loans. Unearned income relates principally to consumer installment loans. Interest income on these loans is recognized using the interest method over the life of the loan.

When the payment of principal or interest on a loan is delinquent for 90 days, or earlier in some cases, the loan is placed on non-accrual status, unless the loan is in the process of collection and the underlying collateral fully supports the carrying value of the loan. Past due status is based on contractual terms of the loan. In all cases, loans are placed on non-accrual status or charged off at an earlier date if collection of principal or interest is considered doubtful.

If the decision is made to continue accruing interest on the loan, periodic reviews are made to confirm the accruing status of the loan. When a loan is placed on a non-accrual basis, interest accrued during the current year prior to the judgment of uncollectabilty is charged to operations. Interest accrued during prior periods is charged to allowance for loan losses. Generally, any payments received on non-accrual loans are applied first to outstanding loan amounts and next to the recovery of charged-off loan amounts. Any excess is treated as recovery of lost interest.

The Bank considers a loan to be impaired when, based upon current information and events, it believes it is probable that the Bank will be unable to collect all amounts due according to the contractual terms of the loan agreement. The Bank's impaired loans include non-performing troubled debt restructurings and loans in which full payment of principal or interest is not expected. The Bank calculates a reserve required for impaired loans based on the present value of expected future cash flows discounted at the loan's effective interest rate, or at the loan's observable market price or the fair value of its collateral.

Allowance for Loan Losses

The allowance for loan losses is maintained at a level which is considered adequate to reflect estimated probable credit losses inherent in the loan portfolio that have been incurred as of the balance sheet date as well as estimated credit losses associated with specifically identified loans. A formal review of the allowance for loan losses is prepared periodically to assess the risk of loss in the loan portfolio and to determine the adequacy of the allowance for loan losses. For purposes of the periodic review, loans are aggregated into pools based on various characteristics. Some of those characteristics include payment status, concentrations, risk rating, loan to collateral value and the financial status of borrowers.

The allowance allocated to each of these pools is based on historical charge-off rates, adjusted for changes in the credit risk characteristics within these pools, as determined from current information and analyses. Management also ensures that the overall allowance appropriately reflects current macroeconomic conditions, industry exposure and a margin for the imprecision inherent in most estimates of expected credit losses.

As a result, such amount is reflected in a portion of the allowance that is included to provide for probable losses incurred but unidentified within the loan portfolio as of the balance sheet date and not to provide for possible or future losses beyond the balance sheet date. This portion of the allowance, which is judgmentally determined, generally serves to compensate for the uncertainty in estimating loan losses, particularly in times of changing economic conditions, and considers the possibility of improper risk rating and possible over or under allocation of specific allowances.

The allowance considers trends in delinquencies and non-accrual loans, concentrations, the volatility of risk ratings and the evolving portfolio mix in terms of collateral, relative loan size and the degree of seasoning within the various loan products. Changes in underwriting standards, credit administration and collection policies, regulation and other factors which affect the credit quality and collectability of the loan portfolio also impact this portion of the allowance level. The allowance also consists of amounts provided for each loan that is reviewed for impairment or for which a probable loss has been identified.

The allowance related to loans that are identified as impaired is based on discounted expected future cash flows (using the loan's initial effective interest rate), the observable market value of the loan or the estimated fair value of the collateral for certain collateral dependent loans. Factors contributing to the determination of specific allowances include the financial condition of the borrower, changes in the value of pledged collateral and general economic conditions.

The allowance for loan losses is based on management's estimate of probable credit losses inherent in the loan portfolio and represents an estimate in the financial statements. As such, the actual level of allowance required could vary from the amount estimated by management at the balance sheet date and actual credit losses could vary from the current estimate. As adjustments to the allowance for loan losses become necessary, they are reflected as a provision for loan losses in current-period earnings. Actual loan charge-offs are deducted from and subsequent recoveries of previously charged-off loans are added to the allowance.

<u>Impaired Loans</u>

A loan is considered impaired, in accordance with the impairment accounting guidance of FASB ASC 310-10-35-16, Receivables, when based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal and interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of delay, the reasons for the delay, the borrower's prior payment record, and the amount of shortfall in relation to the principal and interest owed. Impairment is measured on a loan by loan basis by either the present value of expected cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent. When the measure of the impaired loan is less than the recorded investment in the loan, the impairment is recorded through a valuation allowance. This valuation allowance is recorded in the allowance for loan losses on the balance sheet.

Interest payments received on impaired loans are recorded as interest income unless collection of the remaining recorded investment is doubtful, at which time payments received are recorded as reductions of principal. Changes in the present value due to the passage of time are recorded as interest income, while changes in estimated cash flows are recorded in the provision for loan losses.

Bank Premises and Equipment

Bank premises and equipment are carried at cost less accumulated depreciation and amortization. Depreciation expense is computed using the straight-line method for bank premises and leaseholds over estimated useful lives of those assets of 39 years and the straight-line method for equipment, furniture and fixtures over their estimated useful lives ranging from 3 to 7 years.

Foreclosed Assets

Properties acquired through foreclosure or deed taken in lieu of foreclosure are recorded at fair value at the time of foreclosure, net of disposal costs. Write-downs from cost to fair value at the time of foreclosure are charged to the allowance for loan losses. Subsequent write-downs and gains and losses recognized on the sales of such properties are included in the statements of income. Determinations of fair value are based on periodic appraisals, which are subject to significant fluctuations as economic conditions change.

Other Investments

Investments in entities such as a partnership or a limited liability company are accounted for under the cost method in which the original investment is recorded at its historical cost.

Income Taxes

The Bank accounts for income taxes in accordance with income tax guidance of FASB ASC 740, Income Taxes, and has adopted the recent accounting guidance related to accounting for uncertainty in income taxes, which sets forth a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions.

The income tax guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of enacted tax law to the taxable income or excess deductions over revenues. The Bank determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the difference between the book and tax bases of assets and liabilities. Enacted changes in tax rates and laws are recognized in the period in which they occur.

Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50 percent; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more likely than not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more likely than not recognition threshold considers the facts, circumstances, and information available at the reporting date and is subject to management's judgment. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

The Bank evaluates all significant tax positions as required by accounting principles generally accepted in the United States of America. As of December 31, 2016 and 2015, the Bank does not believe that it has taken any positions that would require the recording of any additional tax liability nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next year.

The Bank files income tax returns in the U.S. federal jurisdiction. With few exceptions, the Bank is no longer subject to federal tax examinations by the federal tax authorities for years before 2013. The Bank recognizes interest and penalties on income taxes, if incurred, as a component of income tax expense.

The Bank is not currently subject to state or local income taxes. The Bank is subject to the Louisiana Shares Tax which is an ad valorem tax imposed on the assessed value of the Bank's stock.

Comprehensive Income

The Bank reports comprehensive income in accordance with the accounting guidance related to FASB ASC 220, Comprehensive Income. Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes net unrealized gains and (losses) on securities and net unrecognized pension plan gains and (losses) and is presented in the statements of stockholders' equity and comprehensive income. FASB ASC 220 requires only additional disclosures in the financial statements and does not affect the Bank's financial position or results of operations.

Statement of Cash Flows

The statement of cash flows was prepared in accordance with the accounting guidance of FASB ASC 230, Statement of Cash Flows, which permits certain financial institutions to report, in a statement of cash flows, net receipts and payments for deposits placed, time deposits accepted and repaid and loans made and collected.

Fair Value Measurement

The Bank uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with FASB ASC 820, Fair Value Measurements and 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 on quoted market prices.

However, in many instances, there are no quoted market prices for the Bank's various financial instruments.

In cases where quoted market prices are not available, fair values are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, fair value estimates may not be realized in an immediate settlement of the instrument.

The 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.

In accordance with this guidance, the Bank groups its financial assets and financial liabilities 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 - Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. Level 2 inputs include the following:

a. Quoted prices for similar assets or liabilities in active markets;
b. Quoted prices for identical or similar assets or liabilities in markets that are not active, that is, markets in which there are few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers (for example, some brokered markets), or in which little information is released publicly (for example, a principal-to-principal market);
c. Inputs other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates);
d. Inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).

Level 3 - Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of a market participant that holds the asset or owes the liability.

Therefore, unobservable inputs shall reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs shall be developed based on the best information available in the circumstances, which might include the reporting entity's own data. However, the reporting entity's own data used to develop unobservable inputs shall be adjusted if information is reasonably available without undue cost and effort that indicates that market participants would use different assumptions.

Advertising

The Bank follows the policy of charging the costs of advertising to expense as incurred. Advertising expense was $248,029 and $179,142 for the years ended December 31, 2016 and 2015, respectively, and is included in other operating expenses.

Reclassifications

Certain amounts in the 2015 financial statements have been reclassified to conform to the presentation in the current year financial statements. Such reclassifications had no effect on previously reported net income.

Subsequent Events

Management has evaluated subsequent events and transactions for any potential recognition or disclosure in the financial statements through March 8, 2017 the date which the financial statements were available to be issued.

Note 2 - Investment Securities -

At December 31, 2016 and 2015 the Bank had no securities classified as trading or held to maturity.

A summary of investment securities classified as available for sale is presented below.

	December 31, 2016			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Available for Sale:				
U.S. Treasury Securities and Obligations of U.S. Government Agencies	$ 60,659,890	$ 187,326	$ (63,589)	$ 60,783,627
Securities Issued by States and Political Subdivisions in the U. S.	13,849,570	23,795	(305,878)	13,567,487
	$ 74,509,460	$ 211,121	$ (369,467)	$ 74,351,114

	December 31, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Available for Sale:				
U.S. Treasury Securities and Obligations of U.S. Government Agencies	$ 62,782,163	$ 226,852	$ (107,399)	$ 62,901,616
Securities Issued by States and Political Subdivisions in the U. S.	9,445,747	116,823	(121,627)	9,440,943
	$ 72,227,910	$ 343,675	$ (229,026)	$ 72,342,559

The carrying value and estimated fair value of securities at December 31, 2016, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available for Sale	
	Amortized Cost	Estimated Fair Value
Amounts Maturing in:		
One Year or Less	$ 19,997,885	$ 20,010,708
After One Year through Five Years	37,922,198	38,065,367
After Five Years through Ten Years	8,698,549	8,640,574
Over Ten Years	7,890,828	7,634,465
	$ 74,509,460	$ 74,351,114

Estimated fair values for securities are determined from quoted prices or quoted market prices of similar securities of comparable risk and maturity where no quoted market price exists. Management does not anticipate a requirement to sell any of the Bank's investment securities for liquidity or other operating purposes.

For the year ended December 31, 2016 and 2015, there were realized gains of $-0- and $43,022 and realized losses of $-0- and $44,576 from the sales and calls of securities, respectively. Investment securities with amortized costs of $5,134,881 and $3,059,359 and estimated market values of $5,156,695 and $3,061,486 at December 31, 2016 and 2015, respectively, were pledged to secure public deposits and for other purposes as required or permitted by law.

Fair values of investment securities measured on a recurring basis at December 31, 2016 and 2015 are as follows:

December 31, 2016	Fair Value	Fair Value at Reporting Date Using: Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Available for Sale:				
U.S. Treasury Securities and Obligations of U.S. Government Agencies	$ 60,783,627	$ -	$ 60,783,627	$ -
Securities Issued by States and Political Subdivisions in the U. S.	13,567,487	-	13,567,487	-
	$ 74,351,114	$ -	$ 74,351,114	$ -

December 31, 2015	Fair Value	Fair Value at Reporting Date Using: Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Available for Sale:				
U.S. Treasury Securities and Obligations of U.S. Government Agencies	$ 62,901,616	$ -	$ 62,901,616	$ -
Securities Issued by States and Political Subdivisions in the U. S.	9,440,943	-	9,440,943	-
	$ 72,342,559	$ -	$ 72,342,559	$ -

Gross unrealized losses in investment securities at December 31, 2016 and 2015 existing for continuous periods of less than 12 months and for continuous periods of 12 months or more are required financial statement disclosures and are as follows:

	December 31, 2016					
	Less Than 12 Months		12 Months or More		Totals	
Security Description	Fair Value	Unrealized (Losses)	Fair Value	Unrealized (Losses)	Fair Value	Unrealized (Losses)
Available for Sale:						
U.S. Treasury Securities and Obligations of U.S. Government Agencies	$3,996,238	$ (6,627)	$13,972,393	$ (56,962)	$17,968,631	$ (63,589)
Securities Issued by States and Political Subdivisions in the U. S.	-	-	10,429,998	(305,878)	10,429,998	(305,878)
Totals	$3,996,238	$ (6,627)	$24,402,391	$(362,840)	$28,398,629	$(369,467)

	December 31, 2015					
	Less Than 12 Months		12 Months or More		Totals	
Security Description	Fair Value	Unrealized (Losses)	Fair Value	Unrealized (Losses)	Fair Value	Unrealized (Losses)
Available for Sale:						
U.S. Treasury Securities and Obligations of U.S. Government Agencies	$ -	$ -	$18,387,772	$(107,399)	$18,387,772	$(107,399)
Securities Issued by States and Political Subdivisions in the U. S.	-	-	4,484,663	(121,627)	4,484,663	(121,627)
Totals	$ -	$ -	$22,872,435	$(229,026)	$22,872,435	$(229,026)

Management evaluates securities for other-than-temporary impairment on a periodic and regular basis, as well as 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 Bank to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

At December 31, 2016 and 2015, these unrealized losses related principally to current interest rates for similar types of securities. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition. As the Bank has the ability to hold debt securities until maturity, or for the foreseeable future if classified as available-for-sale, no declines are deemed to be other-than-temporary.

Note 3 - Loans -

The loan portfolio consists of loans classified by major types at December 31, 2016 and 2015 as follows (in thousands):

	2016	2015
Real Estate Loans:		
Residential	$ 143,538	$ 134,854
Non-Residential	86,278	81,806
Commercial Loans	16,455	15,708
Consumer and Credit Cards	8,509	10,232
Construction and Land Development	16,819	10,950
	271,599	253,550
Allowance for Loan Losses	(2,209)	(2,084)
	$ 269,390	$ 251,466

Loans held for sale in the amount of $200,000 and $-0- at December 31, 2016 and 2015, respectively, are included in the above table.

An analysis of activity in the allowance for loan losses is as follows for the years ended December 31, 2016 and 2015.

	2016	2015
Balance, January 1	$ 2,084,168	$ 1,896,304
Loans Charged Off	(317,857)	(234,284)
Recoveries	120,497	132,148
Provision for Estimated Loan Losses	321,951	290,000
Balance, December 31	$ 2,208,759	$ 2,084,168

The Bank has entered into transactions with certain directors, executive officers, significant stockholders and their affiliates. Such transactions were made in the ordinary course of business on substantially the same terms and conditions, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other customers and did not, in the opinion of management, involve more than normal credit risk or present other unfavorable features.

An analysis of the aggregate of these loans at December 31, 2016 and 2015 is as follows:

	2016	2015
Balance, January 1	$ 2,793,895	$ 4,956,344
Advances	4,028,000	329,721
Payments	(2,749,720)	(2,492,170)
Balance, December 31	$ 4,072,175	$ 2,793,895

Management segregates the loan portfolio into portfolio segments which is defined as the level at which the Bank develops and documents a systematic method for determining its allowance for loan losses. The portfolio segments are segregated based on loan types and the underlying risk factors present in each loan type. Such risk factors are periodically reviewed by management and revised as deemed appropriate. The following tables set forth, as of December 31, 2016 and 2015, the balance of the allowance for loan losses by portfolio segment, disaggregated by impairment methodology, which is then further segregated by amounts evaluated for impairment collectively and individually. The allowance for loan losses allocated to each portfolio segment is not necessarily indicative of future losses in any particular portfolio segment and does not restrict the use of the allowance to absorb losses in other portfolio segments.

Allowance for Loan Losses and Recorded Investment in Loans Receivable for the year ended December 31, 2016 and 2015 (in thousands):

2016	Real Estate-Residential	Real Estate-Non Residential	Commercial	Consumer & Credit Card	Construction & Land Development	Total
Allowance for Loan Losses:						
Beginning Balance	$ 1,125	$ 673	$ 87	$ 153	$ 46	$ 2,084
Charge-Offs	(49)	-	-	(269)	-	(318)
Recoveries	11	-	-	110	-	121
Provision	76	38	15	178	15	322
Ending Balance	$ 1,163	$ 711	$ 102	$ 172	$ 61	$ 2,209
Ending Balance of Allowance for Loan Losses Allocated to:						
Loans Individually Evaluated for Impairment	$ 11	$ -	$ -	$ -	$ -	$ 11
Loans Collectively Evaluated for Impairment	$ 1,152	$ 711	$ 102	$ 172	$ 61	$ 2,198
Loans Receivable:						
Total Loans Receivable	$ 143,538	$ 86,278	$ 16,455	$ 8,509	$ 16,819	$ 271,599
Loans Individually Evaluated for Impairment	$ 481	$ -	$ -	$ -	$ -	$ 481
Loans Collectively Evaluated for Impairment	$ 143,057	$ 86,278	$ 16,455	$ 8,509	$ 16,819	$ 271,118

2015	Real Estate-Residential	Real Estate-Non Residential	Commercial	Consumer & Credit Card	Construction & Land Development	Total
Allowance for Loan Losses:						
Beginning Balance	$ 1,093	$ 648	$ 76	$ 44	$ 35	$ 1,896
Charge-offs	(65)	-	-	(169)	-	(234)
Recoveries	1	-	-	131	-	132
Provision	96	25	11	147	11	290
Ending Balance	$ 1,125	$ 673	$ 87	$ 153	$ 46	$ 2,084
Ending Balance of Allowance for Loan Losses Allocated to:						
Loans Individually Evaluated for Impairment	$ 37	$ -	$ -	$ -	$ -	$ 37
Loans Collectively Evaluated for Impairment	$ 1,088	$ 673	$ 87	$ 153	$ 46	$ 2,047
Loans Receivable:						
Total Loans Receivable	$ 134,854	$ 81,806	$ 15,708	$ 10,232	$ 10,950	$ 253,550
Loans Individually Evaluated for Impairment	$ 362	$ -	$ -	$ -	$ 341	$ 703
Loans Collectively Evaluated for Impairment	$ 134,492	$ 81,806	$ 15,708	$ 10,232	$ 10,609	$ 252,847

Management further disaggregates the loan portfolio segments into classes of loans, which are based on the initial measurement of the loan, risk characteristics of the loan and the method for monitoring and assessing the credit risk of the loan.

As of December 31, 2016 and 2015, there were no loan balances outstanding more than 90 days and still accruing interest.

At December 31, 2016 and 2015, the credit quality indicators (performing and non-performing loans), disaggregated by class of loan, are as follows (in thousands):

2016	Unclassified*	Sub-Standard	Doubtful	Loss	Total
Real Estate Loans:					
Residential	$ 141,977	$ 1,561	$ -	$ -	$ 143,538
Non-Residential	85,872	406	-	-	86,278
Commercial Loans	16,420	35	-	-	16,455
Consumer and Credit Cards	8,444	65	-	-	8,509
Construction and Land Development	16,819	-	-	-	16,819
	$ 269,532	$ 2,067	$ -	$ -	$ 271,599

2015	Unclassified*	Sub-Standard	Doubtful	Loss	Total
Real Estate Loans:					
Residential	$ 134,027	$ 827	$ -	$ -	$ 134,854
Non-Residential	81,546	260	-	-	81,806
Commercial Loans	15,694	14	-	-	15,708
Consumer and Credit Cards	10,232	-	-	-	10,232
Construction and Land Development	10,609	341	-	-	10,950
	$ 252,108	$ 1,442	$ -	$ -	$ 253,550

*Includes loans classified as pass and watch.

The following table reflects certain information with respect to the loan portfolio delinquencies by loan class and amount as of December 31, 2016 and 2015 (in thousands):

2016	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans Receivable	Recorded investment Over 90 Days and Still Accruing
Real Estate Loans:							
Residential	$ 554	$ -	$ 481	$ 1,035	$ 142,503	$ 143,538	$ -
Non-Residential	173	-	-	173	86,105	86,278	-
Commercial Loans	-	-	-	-	16,455	16,455	-
Consumer and Credit Cards	284	-	-	284	8,225	8,509	-
Construction and Land Development	-	-	-	-	16,819	16,819	-
	$ 1,011	$ -	$ 481	$ 1,492	$ 270,107	$ 271,599	$ -

2015	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans Receivable	Recorded investment Over 90 Days and Still Accruing
Real Estate loans:							
Residential	$ 496	$ -	$ 362	$ 858	$ 133,996	$ 134,854	$ -
Non-Residential	-	-	-	-	81,806	81,806	-
Commercial Loans	-	-	-	-	15,708	15,708	-
Consumer and Credit Cards	38	-	-	38	10,194	10,232	-
Construction and Land Development	23	-	341	364	10,586	10,950	-
	$ 557	$ -	$ 703	$ 1,260	$ 252,290	$ 253,550	$ -

All impaired loans by class of loans as of December 31, 2016 and 2015 are as follows (in thousands):

2016	Recorded Investment	Unpaid Principal Balance	Recorded Allowance	Average Recorded Investment	Interest Income Recognized
Impaired Loans with no Related Allowance Recorded:					
Real Estate Loans:					
Residential	$ 481	$ 481	$ -	$ 422	$ -
Non-Residential	-	-	-	-	-
Commercial Loans	-	-	-	-	-
Construction and Land Development	-	-	-	171	-
Consumer and Credit Cards	-	-	-	-	-
	$ 481	$ 481	$ -	$ 593	$ -
With an Allowance Recorded:					
Real Estate loans:					
Residential	$ -	$ -	$ -	$ -	$ -
Non-Residential	-	-	-	-	-
Commercial Loans	-	-	-	-	-
Construction and Land Development	-	-	-	-	-
Consumer and Credit Cards	-	-	-	-	-
	$ -	$ -	$ -	$ -	$ -
Total Impaired Loans:					
Real Estate loans:					
Residential	$ 481	$ 481	$ -	$ 422	$ -
Non-Residential	-	-	-	-	-
Commercial Loans	-	-	-	-	-
Construction and Land Development	-	-	-	171	-
Consumer and Credit Cards	-	-	-	-	-
	$ 481	$ 481	$ -	$ 593	$ -

2015	Recorded Investment	Unpaid Principal Balance	Recorded Allowance	Average Recorded Investment	Interest Income Recognized
Impaired Loans with no Related Allowance Recorded:					
Real Estate Loans:					
Residential	$ 362	$ 362	$ -	$ 354	$ -
Non-Residential	-	-	-	-	-
Commercial Loans	-	-	-	-	-
Construction and Land Development	341	341	-	225	-
Consumer and Credit Cards	-	-	-	-	-
	$ 703	$ 703	$ -	$ 579	$ -
With an Allowance Recorded:					
Real Estate loans:					
Residential	$ -	$ -	$ -	$ -	$ -
Non-Residential	-	-	-	-	-
Commercial Loans	-	-	-	-	-
Construction and Land Development	-	-	-	-	-
Consumer and Credit Cards	-	-	-	-	-
	$ -	$ -	$ -	$ -	$ -
Total Impaired Loans:					
Real Estate loans:					
Residential	$ 362	$ 362	$ -	$ 354	$ -
Non-Residential	-	-	-	-	-
Commercial Loans	-	-	-	-	-
Construction and Land Development	341	341	-	225	-
Consumer and Credit Cards	-	-	-	-	-
	$ 703	$ 703	$ -	$ 579	$ -

The fair value of impaired loans is measured at the fair value of the collateral for collateral-dependent loans. Impaired loans are level 2 assets measured on a non-recurring basis using appraisals from external parties of the collateral less any prior liens. In addition, repossessed assets are initially recorded at fair value less estimated costs to sell. The fair value of repossessed assets is based on property appraisals and an analysis of similar properties available. As such, repossessed assets are also level 2 assets measured on a nonrecurring basis.

Loans receivable on non-accrual status (which are those past due greater than 90 days) by loan class at December 31, 2016 and 2015 are as follows (in thousands):

2016	
Real Estate Loans:	
Residential	$ 481
Non-Residential	-
Commercial Loans	-
Construction and Land Development	-
Consumer and Credit Cards	-
	$ 481

2015	
Real Estate Loans:	
Residential	$ 362
Non-Residential	-
Commercial Loans	-
Construction and Land Development	341
Consumer and Credit Cards	-
	$ 703

The following tables summarize information relative to loan modifications determined to be Troubled Debt Restructurings as of December 31, 2016 and 2015 (dollars in thousands). At December 31, 2016, two of the troubled debt restructurings defaulted subsequent to the restructuring through the date the financial statements were available to be issued. One of the restructured loans was in default at December 31, 2015.

	Number of Contracts	Pre-Modification Outstanding Recorded Investments	Post-Modification Outstanding Recorded Investments
2016			
Real Estate Loans:			
Residential	2	$ 187	$ 187
Non-Residential	-	-	-
Commercial Loans	-	-	-
Construction and Land Development	-	-	-
Consumer and Credit Cards	-	-	-
	2	$ 187	$ 187

2015	Number of Contracts	Pre-Modification Outstanding Recorded Investments	Post-Modification Outstanding Recorded Investments
Real Estate Loans:			
Residential	4	$ 379	$ 372
Non-Residential	-	-	-
Commercial Loans	-	-	-
Construction and Land Development	-	-	-
Consumer and Credit Cards	-	-	-
Totals	4	$ 379	$ 372

The following provides information about the Bank's non-performing assets at December 31, 2016 and 2015 (dollars in thousands):

	2016	2015
Non-Accrual Loans	$ 481	$ 703
Loans Past Due 90 or More Days and Still Accruing Interest	-	-
Total Non-Performing Loans	481	703
Foreclosed Real Estate	-	-
Total Non-Performing Assets	$ 481	$ 703
Allowance for Loan Losses	$ 2,209	$ 2,084
Non-Performing Loans to Year-End Loans, Excluding Loans Held for Sale	0.18%	0.28%
Allowance for Loan Losses to Year-End Loans, Excluding Loans Held for Sale	0.81%	0.82%
Non-Performing Assets as a Percentage of:		
Loans and Foreclosed Real Estate	0.18%	0.28%
Total Assets	0.13%	0.19%
Ratio of Allowance for Loan Losses to Non-Performing Loans	459.25%	296.44%

Note 4 - Bank Premises and Equipment -

Bank premises and equipment at December 31, 2016 and 2015 are summarized below:

	2016	2015
Land	$ 2,272,424	$ 2,272,424
Buildings	8,463,949	7,647,707
Leasehold Improvements	3,312,758	3,291,439
Furniture, Fixtures and Equipment	6,169,011	5,543,922
	20,218,142	18,755,492
Less: Accumulated Depreciation	(8,920,448)	(8,313,433)
	11,297,694	10,442,059
Construction in Progress	38,064	71,655
	$ 11,335,758	$ 10,513,714

Depreciation and amortization amounted to $607,013 and $616,371 in 2016 and 2015, respectively.

Note 5 - Investments in Membership Stocks -

The Bank maintains investments in membership stocks of First National Bankers' Bank (FNBB) and the Federal Home Loan Bank (FHLB) of Dallas. The carrying amounts of these investments are stated at cost.

Note 6 - Other Investment -

The Bank has invested in Community Financial Insurance Center, L.L.C., a limited liability company organized to engage in the insurance agency business, including the acquisition of existing insurance agencies and such other related activities, but only to the extent such activities are permissible for banks, either directly or through their affiliates. The Bank's initial investment of $400,000 amounted to approximately 2.5% of the limited liability company's contributed capital at inception. The Bank accounts for its investment in the company by the cost method. The carrying amount of the investment approximates the Bank's investment in the amount of underlying equity in the company's net assets.

Note 7 - Deposits -

Deposit account balances at December 31, 2016 and 2015 are summarized as follows:

	2016	2015
Non-Interest Bearing Demand	115,864,539	106,510,617
Interest Bearing Demand	71,457,847	65,161,593
Savings	118,417,873	116,649,124
Certificates of Deposit	33,440,087	37,897,340
	$ 339,180,346	$ 326,218,674

The aggregate amount of certificates of deposit with denominations in excess of $250,000 was approximately $3,033,000 and $8,674,000 at December 31, 2016 and 2015, respectively. The Bank has no brokered deposits and there are no major concentrations of deposits.

Maturity data for all certificates of deposit as of December 31, 2016 is presented as follows (in thousands):

Three Months or Less	$	9,093
Over Three Months Through Twelve Months		10,149
Over One Year Through Three Years		8,661
Over Three Years		5,538
	$	33,441

Note 8 - Line of Credit with FHLB of Dallas -

The Bank has an available line of credit with the FHLB with a borrowing capacity at December 31, 2016 of approximately $131,000,000 which is secured by a blanket lien on the Bank's mortgage loans. The outstanding balance of those borrowings from the FHLB at December 31, 2016 and 2015 was $-0-.

At December 31, 2016, the amount of FHLB stock required to be owned by the bank was approximately $146,200. At December 31, 2016 and 2015, the bank owns $157,000 and $156,500, respectively of FHLB stock.

Note 9 - Income Taxes -

The provision (credit) for income taxes for the years ended December 31, 2016 and 2015 consists of the following:

	2016		2015	
Current	$	991,427	$	937,038
Deferred		45,744		52,962
	$	1,037,171	$	990,000

The provision for federal income taxes differs from that computed by applying federal statutory rates to income before federal income tax expense, as indicated in the following analysis:

	2016	2015
Federal Statutory Income Tax at 34%	$ 1,170,723	$ 1,018,929
Nontaxable Income	(36,494)	(52,195)
Nondeductible Expenses	6,482	8,962
Increase in Cash Surrender Value of Life Insurance	(17,336)	(20,932)
Other	(86,204)	35,236
	$ 1,037,171	$ 990,000

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Bank's deferred tax assets and liabilities as of December 31, 2016 and 2015 are as follows:

	2016	2015
Deferred Tax Assets:		
Allowance for Loan Losses	$ 474,634	$ 427,186
Deferred Compensation Payable	267,148	279,727
	741,782	706,913
Deferred Tax (Liabilities):		
Pension Costs	(854,170)	(803,740)
Depreciation	(1,154,633)	(1,124,451)
	(2,008,803)	(1,928,191)
Subtotal	(1,267,021)	(1,221,278)
Unrealized (Gains) Losses - Available for Sale Securities	53,838	(38,980)
Unrecognized Pension Plan (Gains) Losses	492,930	478,188
Net Deferred Tax Asset (Liability)	$ (720,253)	$ (782,070)

Note 10 - Noninterest Income -

The components of other noninterest income for the years ended December 31, 2016 and 2015 were as follows:

	2016	2015
Insurance Commissions	$ 361,686	$ 339,922
Increase in Cash Surrender of Life Insurance	50,880	61,565
Gain (Loss) on Sale of Available for Sale Securities	-	(1,554)
Other Income	419,816	304,701
	$ 832,382	$ 704,634

Note 11 - Noninterest Expense -

The components of other noninterest expense for the years ended December 31, 2016 and 2015 were as follows:

	2016	2015
Ad Valorem Taxes	$ 351,792	$ 324,000
Data Processing Services	285,005	287,728
Maintenance and Repairs	295,478	262,244
Directors' Fees	199,180	222,900
Telephone	237,531	203,264
Dues and Subscriptions	151,586	195,990
Postage	120,942	119,184
Software Maintenance	245,962	161,234
ATM Interchange Expense	172,772	139,540
Advertising	248,029	179,142
Insurance - Bank Other	140,709	134,558
Supplies	165,882	117,112
Professional Fees	202,896	192,639
FDIC Assessments	152,909	178,837
Other	1,446,971	1,287,246
	$ 4,417,644	$ 4,005,618

Note 12 - Employee Benefits -

Defined Benefit Plan

The Bank has a defined benefit retirement plan that covers eligible employees that entered the plan prior to September 30, 2012. Prior to that date, eligible employees entered the plan when they attained the age of 21 and had 18 months of service. Effective September 30, 2012, the Bank amended the plan to freeze benefit accruals and anyone who was not a participant in the plan as of that date will not be eligible to enter the plan. Participants are 100% vested upon entry into the plan. The defined benefit plan pays benefits to employees at retirement using formulas based on years of service and compensation rates near retirement. The Bank's funding policy is generally to make the maximum annual contributions required by applicable regulations. Contributions are intended to provide not only for benefits attributable to service to date but also for those expected to be earned in the future. The amount of the unrecognized net loss amount that will be amortized from accumulated other comprehensive income into pension expense in 2017 is estimated to be $80,000.

Accounting for defined benefit retirement plans is subject to the accounting guidance of FASB ASC 715, Compensation - Retirement Benefits.

At December 31, 2016 and 2015, the net periodic pension cost for each fiscal year was as follows:

	2016	2015
Service Cost	$ -	$ -
Interest Cost	186,106	187,492
Expected Return on Assets	(277,003)	(258,455)
Net Amortization Amounts		
(Gain) or Loss Recognized	66,391	66,233
Net Periodic Pension Cost (Credit)	$ (24,506)	$ (4,730)

At December 31, 2016 and 2015, the funded status of the plan was as follows:

	2016	2015
Fair Value of Plan Assets at December 31	$ 5,885,084	$ 5,614,150
Benefit Obligation at December 31	(4,791,296)	(4,569,409)
Funded Status	1,093,788	1,044,741
Unrecognized Net Loss	1,627,527	1,449,793
Prepaid Pension Cost	$ 2,721,315	$ 2,494,534

	2016	2015
Weighted Average Assumptions as of December 31:		
Discount Rate	3.95%	4.14%
Expected Return on Plan Assets	5.00%	5.00%
Rate of Compensation Increase	0.00%	0.00%

The plan's weighted-average asset allocations at December 31, by asset category, are as follows:

	2016	2015
Guaranteed Fixed Income Single Group Annuity Contract	100%	100%

The underlying portfolio backing this group annuity contract is a segment of the General Account of Metropolitan Life Insurance Company. The portfolio is primarily invested in bonds and mortgages and seeks to maintain the highest possible quality consistent with attractive long-term investment returns. Fair value of these type of investments are generally based on level 2 inputs.

There are no Bank securities in the plan assets.

The Bank's expected, estimated contribution to the plan in 2017 is $-0-.

The following estimated future benefit payments are expected to be made over the following periods:

	Amount
2017	$ 162,175
2018	203,245
2019	221,482
2020	223,697
2021	227,507
Thereafter	1,197,136
	$ 2,235,242

The reconciliation of the fair value of plan assets for 2016 and 2015 are as follows:

	2016	2015
Fair Value of Plan Assets - Beginning	$ 5,614,150	$ 5,242,142
Actual Contributions	202,274	385,841
Actual Distributions	(148,096)	(215,022)
Expected Return on Assets	277,003	258,455
Gain or (Loss)	(60,248)	(57,266)
Fair Value of Plan Assets - Ending	$ 5,885,083	$ 5,614,150

The reconciliation of the projected benefit obligation (PBO) for 2016 and 2015 are as follows:

	2016	2015
PBO - Beginning	$ 4,569,409	$ 4,484,635
Interest Cost	186,106	187,492
Service Cost Including Interest	-	-
Actual Distributions	(148,096)	(215,022)
Liability (Gain) or Loss	183,877	112,304
PBO - Ending	$ 4,791,296	$ 4,569,409

The plan allows lump sum payments. The above estimated benefit payments represent amounts payable as participants reach normal retirement age during the specified years. The lump sums were based on the plan's actuarial assumptions and do not reflect the governmentally prescribed assumptions, which are subject to change each year, and often provide for a higher amount.

Defined Contribution Plan

The Bank offers a 401(k) Employee Savings Plan that covers employees who are over 21 years of age. These employees are automatically enrolled in the Plan. Employees are 100% vested in the funds they have contributed. The matching and discretionary funds contributed by the employer are partially vested after three years and fully vested after seven years of service. In 2016, participants may make contributions in the form of salary deferrals up to 15% of their compensation, up to a maximum of $18,000, and, participants who have reached the age of 50 may make an additional $6,000 "catch-up" contribution annually without regard to the above limitations. Effective February 1, 2016, the Bank matches 100% of each employee's contributions, up to 5% of each employee's compensation. Prior to February 1, 2016, the Bank matched 50% of each employee's contributions, up to 4% of each employee's compensation. There was no change in the percentage of the Bank's matching contributions for 2015. The Bank's matching contribution for 2016 and 2015 amounted to $197,143 and $72,700, respectively.

Deferred Compensation Agreement

The Bank entered into a deferred compensation agreement covering one of its former officers. The total deferred compensation payable under the agreement is $1,275,000, payable $85,000 annually for fifteen years commencing upon the officer's retirement. In accordance with accounting principles generally accepted in the United States of America, the deferred compensation was accrued and charged to earnings as the related employee's services were rendered. The annual charge to earnings for 2016 and 2015 was approximately $51,000 and $48,000, respectively, and the amount of accrued deferred compensation at December 31, 2016 and 2015 was approximately $785,700 and $822,700, respectively. The agreement is unfunded and is payable from the general assets of the Bank.

Note 13 - Leases -

The Bank has long-term operating leases on certain buildings and land it occupies as branch offices in Metairie, Louisiana, which expire at various times through December 2057. Rent relating to these leases charged to expense was $327,970 in 2016 and $257,230 in 2015.

At December 31, 2016 the minimum rental commitments under these non-cancellable leases were as follows:

2017	$ 365,166
2018	326,531
2019	260,442
2020	260,430
2021	268,455
Thereafter	2,525,479
	$ 4,006,503

Note 14 - Financial Instruments with Off-Balance-Sheet Risk -

In the normal course of business, the bank has outstanding commitments and contingent liabilities, such as commitments to extend credit and standby letters of credit, which are not included in the accompanying financial statements. The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit and standby letters is represented by the contractual or notional amount of those instruments. The Bank uses the same credit policies in making such commitments as it does for instruments that are included in the Balance Sheet.

Financial instruments whose contract amount represents credit risk were as follows:

	2016	2015
Commitments to Extend Credit	$ 37,742,000	$ 35,579,000
Standby Letters of Credit	$ 396,000	$ 424,000

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation.

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

Note 15 - Significant Concentrations of Credit Risk -

As discussed previously, the Bank generates loans to individual and business customers within its immediate and surrounding geographic areas, and the majority of those loans, which are secured, are collateralized by area real estate and automobiles. Likewise, the Bank receives a majority of its deposits from substantially the same customers.

The Bank is required to maintain average cash reserve balances. The amount of these reserves at December 31, 2016 and 2015 was approximately $909,000 and $1,593,000, respectively. The Bank also had funds on deposit with the Federal Reserve Bank at December 31, 2016 and 2015 of approximately $7,098,000 and $13,407,000. Also included in cash and due from banks and federal funds sold are deposit balances in other financial institutions that may periodically exceed federally insured limits.

Note 16 - Regulatory Matters -

The Bank is subject to various regulatory capital requirements administered by its primary federal regulator, the Federal Deposit Insurance Corporation (FDIC). Failure to meet minimum regulatory 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 the regulatory capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines involving quantitative measures of the Bank's assets, liabilities and certain off-balance-sheet items as calculated under regulatory reporting requirements. The Bank's capital amounts and classification under the prompt corrective action guidelines 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 of Total capital, Tier 1 capital, Common Equity Tier 1 capital to risk-weighted assets (as defined in the regulations), and Leverage capital, which is Tier 1 capital to adjusted average total assets (as defined). Management believes, as of December 31, 2016 and 2015, that the Bank meets all the capital adequacy requirements to which it is subject.

As of December 31, 2016 and 2015, the most recent notifications from the FDIC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To remain categorized as well capitalized, the Bank will have to maintain minimum Total capital, Common Equity Tier 1 capital, Tier 1 capital, and Leveraged capital ratios as disclosed in the table below. There are no conditions or events since the most recent notification that management believes have changed the Bank's prompt corrective action category. The Bank's actual and required capital amounts and ratios are as follows:

	Actual		Required for Capital Adequacy Purposes		Required to be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2016:						
Tier I Leverage Capital (to Average Assets)	$37,695,226	9.89%	$15,238,960	4.00%	$19,048,700	5.00%
Tier I Capital (to Risk Weighted Assets)	$37,695,226	15.03%	$15,048,660	6.00%	$20,064,880	8.00%
Common Equity Tier 1 Capital (to Risk Weighted Assets)	$37,695,226	15.03%	$11,286,495	4.50%	$16,302,715	6.50%
Total Capital (to Risk Weighted Assets)	$39,903,985	15.91%	$20,064,880	8.00%	$20,064,880	10.00%
As of December 31, 2015:						
Tier I Leverage Capital (to Average Assets)	$37,332,634	10.19%	$14,659,160	4.00%	$18,323,950	5.00%
Tier I Capital (to Risk Weighted Assets)	$37,332,634	16.58%	$13,506,420	6.00%	$18,008,560	8.00%
Common Equity Tier 1 Capital (to Risk Weighted Assets)	$37,332,634	16.58%	$10,129,185	4.50%	$14,631,955	6.50%
Total Capital (to Risk Weighted Assets)	$39,416,802	17.51%	$18,008,560	8.00%	$22,510,700	10.00%

The Bank is subject to certain restrictions on the amount of dividends that it may pay without prior regulatory approval. In addition, dividends paid by the Bank would be prohibited if the effect thereof would cause the Bank's capital to be reduced below applicable minimum capital requirements.

Note 17 - Accumulated Other Comprehensive Income (Loss) -

The following is a summary of the changes in the balances of each component of accumulated other comprehensive income (loss) for the years ended December 31, 2016 and 2015:

	Unrealized Gains (Losses) Securities Available for Sale	Defined Benefit Pension Plan Unrecognized Gains (Losses)	Total Accumulated Other Comprehensive Income (Loss)
Balance, January 1, 2015	$ (164,245)	$ (762,291)	$ (926,536)
Other Comprehensive Income (Loss) Before Reclassification Adjustments, Net of Tax	238,888	(165,955)	72,933
Reclassification Adjustments, Net of Tax	1,026	-	1,026
Total Other Comprehensive Income (Loss), Net of Tax	239,914	(165,955)	73,959
Balance, December 31, 2015	75,669	(928,246)	(852,577)
Other Comprehensive Income (Loss) Before Reclassification Adjustments, Net of Tax	(180,178)	(28,617)	(208,795)
Reclassification Adjustments, Net of Tax	-	-	-
Total Other Comprehensive Income (Loss), Net of Tax	(180,178)	(28,617)	(208,795)
Balance December 31, 2016	$ (104,509)	$ (956,863)	$ (1,061,372)