AMENDED
AUG 09 2018

Board of Governors of the Federal Reserve System

Annual Report of Holding Companies—FR Y-6

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

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

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

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

I, Chadwick E. McClung
Name of the Holding Company Director and Official

President, CEO and Director
Title of the Holding Company Director and Official

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

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

Chadwick E. McClung
Signature of Holding Company Director and Official

08/07/2018
Date of Signature

For holding companies not registered with the SEC–
Indicate status of Annual Report to Shareholders:

- [x] is included with the FR Y-6 report
- [ ] will be sent under separate cover
- [ ] is not prepared

For Federal Reserve Bank Use Only

RSSD ID 2948254
C.I.

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

N/A
Reporter's Legal Entity Identifier (LEI) (20-Character LEI Code)

Reporter's Name, Street, and Mailing Address

Community Bancshares Company
Legal Title of Holding Company

P.O. Box 247
(Mailing Address of the Holding Company) Street / P.O. Box

Colfax	LA	71417
City	State	Zip Code

625 8th Street, Colfax, LA 71417
Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Chadwick E. McClung	Pres., CEO & Director
Name	Title

318-627-3161
Area Code / Phone Number / Extension

318-627-5904
Area Code / FAX Number

chad@colfaxbanking.com
E-mail Address

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

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

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

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

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

For Use By Tiered Holding Companies

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

Legal Title of Subsidiary Holding Company

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

City State Zip Code

Physical Location (if different from mailing address)

Legal Title of Subsidiary Holding Company

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

City State Zip Code

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Physical Location (if different from mailing address)

Form FR Y-6

Community Bancshares Company
Colfax, Louisiana
Fiscal Year Ending December 31, 2017

Report Item

1 The BHC does prepare an annual report for its shareholders. The information for this year is consolidated with the information for Colfax Banking Company.
Enclosed is one copy of the annual report.

2a. Organizational Chart

Community Bancshares Company
Colfax, LA
(LEI: None)
Incorporated in Louisiana

Colfax Banking Company 100%
Colfax, LA
(LEI: 549300MEK4ETDCVHFB89)
Incorporated in Louisiana

River To River Real Estate Company 100%
Colfax, LA
(LEI: None)
Incorporated in Louisiana

2b. Domestic Branch Listing.

There are no changes. Worksheet emailed 03/22/2018.

emailed 3.22.18

Results: A list of branches for your depository institution: COLFAX BANKING COMPANY (ID_RSSD: 178356).
This depository institution is **held by** COMMUNITY BANCSHARES COMPANY (2948254) of COLFAX, LA.
The data are as of 12/31/2017. **Data reflects information that was received and processed through** 01/04/2018.

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

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

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

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

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

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

Data Action	Effective Date	Branch Service Type	Branch ID_RSSD*	Popular Name	Street Address	City	State	Zip Code	County	Country	FDIC UNINUM*	Office Number*	Head Office	Head Office ID_RSSD*	Comments
OK		Full Service (Head Office)	178356	COLFAX BANKING COMPANY	625 8TH STREET	COLFAX	LA	71417	GRANT	UNITED STATES	Not Required	Not Required	COLFAX BANKING COMPANY	178356	
OK		Full Service	116152	DRY PRONG BRANCH	305 HIGHWAY 167	DRY PRONG	LA	71423	GRANT	UNITED STATES	Not Required	Not Required	COLFAX BANKING COMPANY	178356	
OK		Full Service	2536745	PROSPECT BRANCH	21700 U.S. HIGHWAY 167	DRY PRONG	LA	71423	GRANT	UNITED STATES	Not Required	Not Required	COLFAX BANKING COMPANY	178356	
OK		Full Service	3802353	KINGSVILLE BRANCH	3780 MONROE HIGHWAY	PINEVILLE	LA	71360	RAPIDES	UNITED STATES	Not Required	Not Required	COLFAX BANKING COMPANY	178356	
OK		Full Service	177854	POLLOCK BRANCH	8893 U.S. HIGHWAY 165	POLLOCK	LA	71467	GRANT	UNITED STATES	Not Required	Not Required	COLFAX BANKING COMPANY	178356	

Form FR Y-6
Community Bancshares Company
Fiscal Year Ending December 31, 2017

Report Item 3: Shareholders
(1)(a) (1)(b) (1)(c)

(1)(a) Name & Address (City, State, Country)	(1)(b) Country of Citizenship or Incorporation	(1)(c) Number and Percentage of Voting Shares
Samuel J. Bonnette Colfax, LA	USA	3,355 8.22%
Mary Louise Walters Harkins Shreveport, LA	USA	2,104 5.15%
Stephen Robert Tumminello Alexandria, LA	USA	2,170 5.32%

Community Bancshares Company has only one class of stock

Items (2)(a)(2)(b)(2)(c) are not applicable

Form FR Y-6
Community Bancshares Company
Fiscal Year Ending December 31, 2017

Report Item 4: Insiders
(1)(2)(3)(a)(b)(c) and (4)(a)(b)(c)

(1) Name & Address	(2) Principal Occupation if other than w/ BHC	(3)(a) Title & Position w/BHC	(3)(b) Title & Position w/Subsidiaries	(3)(c) Title & Position w/ Other Businesses	(4)(a) Percentage of Shares in BHC	(4)(b) Percentage of Shares in Subs	(4)(c) Names of Other Companies where 25% or more is owned
Chadwick E. McClung Colfax, LA	N/A	Director & President	Director, President & CEO Colfax Banking Company River To River Real Estate Co.	N/A	0.25%	N/A	N/A
Samuel H. Reitzell, Jr. Colfax, La	Pharmacist	Director & Chairman	Director & Chairman Colfax Banking Company	Owner Dixie Pharmacy	2.26%	N/A	Dixie Pharmacy 100%
Ludlow N. McNeely, Jr Natchitoches, LA	IRS Auditor	Director	Director Colfax Banking Company River to River Real Estate Co.	N/A	4.43%	N/A	N/A
Janet H. McGlothlin Colfax., LA	N/A	Director	Director Colfax Banking Company	N/A	1.35%	N/A	N/A
Mary Jo Moorhead Alexandria, LA	N/A	Director	Director Colfax Banking Company River to River Real Estate Co	N/A	2.04%	N/A	N/A
Samuel J. Bonnette Colfax, LA	N/A	Director	Director Colfax Banking Company	N/A	8.22%	N/A	N/A
Samuel J. Bonnette, Jr. Natchitoches, LA	Veterinary Pharmaceutical Sales	Director	Director Colfax Banking Company River To River Real Estate Co.	N/A	0.03%	N/A	N/A
Charles L. McNeely Natchitoches, LA	Retired IRS Auditor	Director & Secretary	Director & Secretary Colfax Banking Company	N/A	4.43%	N/A	N/A
Paul Hargis Alexandria, LA	Dentist	Director	Director Colfax Banking Company	Owner Paul C. Hargis, DDS	1.35%	N/A	Paul Hargis, DDS 100%
Louis G. Tumminello Pineville, LA	Job Procurement Officer	Director	Director Colfax Banking Company	N/A	2.19%	N/A	N/A

COMMUNITY BANCSHARES COMPANY AND SUBSIDIARY

COLFAX, LOUISIANA

DECEMBER 31, 2017 AND 2016

COMMUNITY BANCSHARES COMPANY AND SUBSIDIARY

COLFAX, LOUISIANA

TABLE OF CONTENTS

CONSOLIDATED FINANCIAL STATEMENTS

HEARD, MCELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

333 TEXAS STREET, SUITE 1525
SHREVEPORT, LOUISIANA 71101
318-429-1525 PHONE • 318-429-2070 FAX

February 23, 2018

The Board of Directors and Shareholders
Community Bancshares Company and Subsidiary
Colfax, Louisiana

Independent Auditor's Report

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

HMV

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hmv@hmvcpa.com E-MAIL
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

Heard, McElroy & Vestal, LLC

Monroe, Louisiana

COMMUNITY BANCSHARES COMPANY AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2017 AND 2016

ASSETS	2017	2016
Cash and cash equivalents:		
Cash and due from banks	4,208,794	3,189,398
Federal funds sold	5,700,000	950,000
Total cash and cash equivalents	9,908,794	4,139,398
Time deposits with other banks	730,000	730,000
Investment securities:		
Securities available for sale	43,768,520	44,114,011
Loans	52,627,408	51,035,789
Less-allowance for loan losses	(248,521)	(245,221)
Net loans	52,378,887	50,790,568
Bank premises and equipment, net	2,447,149	2,566,124
Accrued interest receivable	500,162	534,381
Federal Home Loan Bank stock-at cost	41,700	39,500
Other assets	508,058	591,963
Total assets	110,283,270	103,505,945

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

LIABILITIES AND STOCKHOLDERS' EQUITY	2017	2016
Liabilities:		
Deposits:		
Noninterest-bearing demand	29,995,497	26,365,812
Interest-bearing:		
Demand deposits (NOW accounts)	21,270,129	20,964,820
Savings deposits	14,939,497	13,615,848
Time deposits	33,797,554	33,393,362
Total deposits	100,002,677	94,339,842
Accrued interest payable	56,213	52,528
Distributions payable	489,972	408,310
Other liabilities	73,765	50,005
Total liabilities	100,622,627	94,850,685
Stockholders' equity:		
Common stock-$1 par value; 500,000 shares authorized; 40,831shares issued at December 31, 2017 and 2016	40,831	40,831
Capital surplus	3,576,312	3,576,312
Retained earnings	6,489,221	5,998,649
Accumulated other comprehensive income (loss)	(445,721)	(960,532)
Total stockholders' equity	9,660,643	8,655,260
Total liabilities and stockholders' equity	110,283,270	103,505,945

COMMUNITY BANCSHARES COMPANY AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Interest income:		
Interest and fees on loans	3,045,097	2,842,652
Interest on investment securities:		
Taxable	597,077	562,965
Non-taxable	388,771	394,051
Interest on federal funds sold	15,150	6,014
Interest on time deposits	9,699	7,761
Total interest income	4,055,794	3,813,443
Interest expense:		
Interest-bearing deposits	316,711	293,472
Federal Home Loan Bank borrowings	1,246	1,044
Total interest expense	317,957	294,516
Net interest income	3,737,837	3,518,927
Provision for Loan Losses	6,800	29,211
Net interest income, net of provision for loan losses	3,731,037	3,489,716
Other income:		
Service charges on deposit accounts	387,329	375,607
Credit life income	13,400	11,170
Net realized gain on sale of securities available for sale	109,486	204,636
Other	296,755	180,250
Total other income	806,970	771,663
Other expenses:		
Salaries	1,481,658	1,391,646
Profit sharing and other employee benefits	450,182	413,025
Directors' fees and expenses	120,321	120,744
Occupancy expenses, net	212,937	183,916
Equipment expense and depreciation	157,292	170,768
Administrative expenses	489,575	525,237
Data processing	292,875	285,584
Federal deposit & other insurance, regulatory	100,228	118,942
Other	7,409	8,165
Total other expenses	3,312,477	3,218,027
Net income	1,225,530	1,043,352

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

COMMUNITY BANCSHARES COMPANY AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Net income (per share $30.01 in 2017 and $25.55 in 2016)	1,225,530	1,043,352
Other comprehensive income (loss):		
Change in unrealized gain (loss) on available for sale securities:		
Unrealized gain (loss) arising during period	624,297	(1,060,516)
Less-reclassification adjustment for gains realized in net income	(109,486)	(204,636)
Total other comprehensive income (loss)	514,811	(1,265,152)
Comprehensive income (loss)	1,740,341	(221,800)

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

COMMUNITY BANCSHARES COMPANY AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance December 31, 2015	41,364	3,576,312	5,731,498	304,620	9,653,794
Comprehensive income					
Net income	-	-	1,043,352	-	1,043,352
Other comprehensive (loss)	-	-	-	(1,265,152)	(1,265,152)
Redemption of common stock	(533)	-	(122,905)	-	(123,438)
Cash distributions-$16.00 per share	-	-	(653,296)	-	(653,296)
Balance December 31, 2016	40,831	3,576,312	5,998,649	(960,532)	8,655,260
Comprehensive income					
Net income	-	-	1,225,530	-	1,225,530
Other comprehensive income	-	-	-	514,811	514,811
Cash distributions-$18.00 per share	-	-	(734,958)	-	(734,958)
Balance December 31, 2017	40,831	3,576,312	6,489,221	(445,721)	9,660,643

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

COMMUNITY BANCSHARES COMPANY AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Cash flows from operating activities:		
Net income	1,225,530	1,043,352
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	6,800	29,211
Depreciation	157,292	170,768
Amortization of securities-net	477,002	501,618
Realized (gain) on sale of securities available for sale	(109,486)	(204,636)
(Increase) decrease in:		
Accrued interest receivable	34,219	(53,289)
Prepaid expenses and other assets	(69,573)	7,004
Increase (decrease) in:		
Accrued interest payable	3,685	10,194
Other, including other liabilities	23,759	(3,928)
Net cash provided by operating activities	1,749,228	1,500,294
Cash flows from investing activities:		
(Increase) decrease in time deposits with other banks	-	245,000
Investment securities:		
Purchases of securities available for sale	(7,392,685)	(27,752,935)
Proceeds from sales and redemptions of available for sale securities	2,892,039	16,809,376
Maturities, calls, pay downs of available for sale securities	4,993,432	7,563,743
Redemption (acquisition) of FHLB stock	(2,200)	(1,900)
(Increase) in loans	(1,595,119)	(5,046,401)
Decrease in long-term loan clearings	153,479	121,648
Purchases of premises and equipment	(38,317)	(40,316)
Net cash (used) by investing activities	(989,371)	(8,101,785)
Cash flows from financing activities:		
Net increase in demand deposits, savings accounts and NOW accounts	5,258,643	3,671,108
Net increase in time deposits	404,192	2,303,349
Redemption of common stock	-	(123,438)
Distributions paid to stockholders	(653,296)	(741,354)
Net cash provided by financing activities	5,009,539	5,109,665
Net increase (decrease) in cash and cash equivalents	5,769,396	(1,491,826)
Cash and cash equivalents, beginning of year	4,139,398	5,631,224
Cash and cash equivalents, end of year	9,908,794	4,139,398
Supplementary cash flow information:		
Interest paid on deposits and borrowed funds	314,272	284,322

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

1. Summary of Significant Accounting Policies

Consolidation - The accounting and reporting policies of Community Bancshares Company and Subsidiary conform to accounting principles generally accepted in the United States of America and general practices within the banking industry. The consolidated financial statements include the accounts of Community Bancshares Company and its wholly owned subsidiary, Colfax Banking Company and the Bank's wholly-owned subsidiary, River to River Real Estate. All significant intercompany transactions and balances have been eliminated.

Nature of Operations - Community Bancshares Company, a Bank Holding Company was formed on December 31, 2000 under a plan approved by the stockholders of Colfax Banking Company. This plan provided that stockholders of Colfax Banking Company would exchange their shares for an equal number in Community Bancshares Company and those stockholders who did not want or meet criteria to be a stockholder in Community Bancshares Company, would have their shares purchased for $110.00 per share by Community Bancshares Company (the "Company"). Stockholders owning 6,146 shares had their shares purchased and retired by the Company with dividends paid from Colfax Banking Company to the Company. As part of the plan to form a Bank Holding Company, the stockholders also approved a provision to seek S Corporation status for federal income taxation and, accordingly, the Company and its wholly owned subsidiaries sought and obtained permission to become taxed as an S Corporation effective January 1, 2001.

Colfax Banking Company, the most significant entity in the organization, was organized in 1933 under the corporate laws of the State of Louisiana. The Colfax Banking Company (the "Bank") is insured by the Federal Deposit Insurance Corporation. The Bank generates commercial, real estate, mortgage and consumer loans and receives deposits from customers located primarily in Grant Parish and surrounding geographic areas adjacent to Grant Parish. Services are provided at its main office in Colfax, Louisiana and other regional branch offices. The Company is subject to regulation of the Office of Financial Institutions of the State of Louisiana and the Federal Reserve Bank of Dallas. The Bank operates under a state bank charter and provides full banking services. As a state bank, the Bank is subject to examination by the Office of Financial Institutions of the State of Louisiana and by the Federal Deposit Insurance Corporation.

The accounting and reporting policies of the Company and the Bank conform to accounting principles generally accepted in the United States of America and general practices within the banking industry. The following is a description of the more significant of those polices:

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.

1. **Summary of Significant Accounting Policies** **(Continued)**

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

Cash and Cash Equivalents – For purposes of reporting cash flows, cash and cash equivalents include cash on hand, noninterest-bearing balances, and interest-bearing deposits that have original maturities of less than three months, and federal funds sold.

Time Deposits With Other Banks - Time deposits with other banks mature in one year and are carried at cost.

Investment Securities – Securities are classified as either held to maturity, available for sale or trading. Management determines the appropriate classification of securities at the time of purchase. If management has the positive intent and ability to hold securities until maturity, then they are classified as held to maturity and carried at cost, adjusted for amortization of premiums and accretion of discounts which are recognized in interest income using the effective interest method over the period to maturity. Securities to be held for indefinite periods of time are classified as securities available for sale and carried at fair value with the unrealized gains and losses reported as a component of other comprehensive income, net of tax. Gains and losses on the sale of securities available for sale are determined using the specific-identification method. Securities held for resale in anticipation of short-term market movements are classified as trading and carried at fair value, with changes in unrealized holding gains and losses included in earnings. The Bank currently has no securities classified as trading or held-to-maturity.

The Bank reviews securities for impairment on at least an annual basis and more frequently when economic or market conditions warrant such an evaluation. Declines in the fair value of held to maturity and available for sale securities below their cost that are deemed to be other-than-temporary are reflected in earnings as realized losses to the extent the impairment is related to credit losses. The amount of impairment related to other factors is recognized in other comprehensive income. In estimating other-than-temporary impairment losses, management considers, among other things, the length of time and the extent to which the fair value has been less than cost, the financial condition and the near-term prospects of the issuer, and the intent and ability of the Bank to hold the security for a period of time sufficient to allow for any anticipated recovery in fair value. There were no impairment losses for the years ended December 31, 2017 and 2016.

Loans – Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off generally are reported at their outstanding unpaid principal balances adjusted for charge-offs and the allowance for loan losses. Interest income is accrued on the unpaid principal balance. Loan origination fees and those certain direct origination costs are recognized currently, and are not capitalized and amortized as the effect to income each year is deemed immaterial.

1. <u>**Summary of Significant Accounting Policies**</u> **(Continued)**

The accrual of interest on loans is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Past due status is based upon 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 is 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, or when the loan becomes well secured and in the process of collection.

Allowance for Loan Losses – The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses not associated with a related valuation reserve are charged against the allowance when management believes the un-collectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of allocated and general components. The allocated component relates to loans that are classified as impaired. For those loans that are classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers non-classified loans and is based on historical charge-off experience and expected loss given default derived from the Bank's internal risk rating process. Other adjustments may be made to the allowance for pools of loans after an assessment of internal or external influences on credit quality that are not fully reflected in the historical loss or risking rating data.

A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for commercial, real estate and construction loans by either the present value of expected future 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. Large groups of smaller balance homogeneous loans are collectively evaluated for impairment.

Bank Premises and Equipment. Land is carried at cost. Bank premises and equipment are carried at cost, less accumulated depreciation. Depreciation of premises, automobiles and equipment is provided on the straight-line and accelerated methods over the estimated useful lives of the related

1. **Summary of Significant Accounting Policies** **(Continued)**

assets. Maintenance and repairs are charged to expense as incurred, and renewals and betterments are capitalized. When premises, automobiles and equipment are retired or otherwise disposed of, the cost of the assets and related accumulated depreciation are removed from the accounts and the resulting gains or losses are recognized.

Other Real Estate. Other real estate represents 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. These properties are carried at the lower of the asset's fair market value, recorded loan balance at the date of acquisition, or regulatory value. Any loss incurred at the date of acquisition is charged to the reserve for loan losses. Any subsequent write-downs to reflect current fair value are charged to noninterest expense. After foreclosure, valuations are periodically performed by management and property held for sale is carried at the lower of the new cost basis or fair value.

Advertising Costs. The Bank expenses advertising costs as incurred. Advertising costs were $26,240 and $28,638 for the years ended December 31, 2017 and 2016, respectively.

Income Taxes. The Company and its wholly owned subsidiaries are taxed as an S Corporation for federal and state purposes and, accordingly, the Company's consolidated income is passed to its stockholders for taxation at federal and state levels. Under those provisions, the Company does not pay federal corporate income taxes on its taxable income. Instead, the shareholders are liable for individual federal income taxes on their proportionate share of the Company's taxable income. As a result of the election, no income taxes will be recognized in the financial statements. However, the Company is required to review various tax positions it has taken with respect to the continued applicability of its tax status as an S corporation, and whether it is appropriately filing tax returns for all jurisdictions for which it has nexus. The Company does not expect its positions to change significantly over the next twelve months. Any penalties related to late filing or other requirements would be recognized as penalties expense in the Company's accounting records. The Company's federal and state income tax returns for the tax years 2014 and beyond remain subject to examination by the Internal Revenue Service and La. Department of Revenue.

Compensated Absences. Employees of the Bank are entitled to paid vacations, sick days and other time off depending on job classification, length of service and other factors. The Bank does not accumulate vacation or sick time. The estimate for the amount of compensation for future absences was immaterial and, accordingly, no liability has been recorded in the accompanying financial statements. The Company's policy is to recognize the costs of compensated absences when paid.

Net Income per Share. Earnings per share are computed based on the weighted average number of shares outstanding during the period, which were 40,831 for the years ended December 31, 2017 and 2016.

Comprehensive Income – Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the equity section of the balance sheet, such items, along with net income, are components of comprehensive income. **FASB ASU 2011-05**, *"Comprehensive Income (Topic 220): Presentation of Comprehensive Income,"* amends the FASB Accounting Standards Codification (Codification) to allow an entity the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of

1. **Summary of Significant Accounting Policies** **(Continued)**

other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. **ASU 2011-05** eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. The amendments to the Codification in the ASU do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income.

Recent Accounting Pronouncements – 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 remeasured at fair value either upon the occurrence of an observable price change or upon identification of an 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. In addition, the amendments supersede the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities.

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.

The amendments in **ASU 2016-01** are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company has elected to early adopt the provision that allows the Company not to disclose the fair value of financial instruments in accordance with guidance in **ASC 825**. The adoption of the remaining provisions is not expected to have a material impact on the Company's consolidated financial statements.

In June 2016, the FASB issued **Accounting Standards Update ("ASU) No. 2016-13**, Financial Instruments – Credit Losses (Topic 326): *Measurements of Credit Losses on Financial Instruments.* Under current U.S. GAAP, companies generally recognize credit losses when it is probable that the loss has been incurred. The amendments in the ASU replace the incurred loss model for recognition of credit losses with a methodology that reflects expected credit losses over the life of the loan and requires consideration based on historical experience, current conditions, and reasonable and supportable forecasts. The new standard also requires enhanced disclosures related to the significant estimates and judgements used in estimating credit losses, as well as the credit quality and underwriting standards of an organization's portfolio. In addition, **ASU 2016-13** amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration.

ASU-2016-13 will be effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Bank is currently evaluating the potential impact of **ASU 2016-13** on its financial statements.

2. Investment Securities

Carrying amounts and approximate market values of investment securities at December 31, 2017 and 2016 were as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available for sale:				
December 31, 2017				
U.S. Government and Agency Securities	999,013	-	(55,606)	943,407
MBS/CMO's	28,219,974	29,114	(491,653)	27,757,435
State and municipal securities				
Taxable	1,325,834	7,771	-	1,333,605
Tax-Exempt	13,669,420	202,384	(137,731)	13,734,073
	44,214,241	239,269	(684,990)	43,768,520

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available for sale:				
December 31, 2016				
U.S. Government and Agency Securities	998,910	-	(69,770)	929,140
MBS/CMO's	28,774,808	34,408	(715,894)	28,093,322
State and municipal securities				
Taxable	827,358	1,680	(3,265)	825,773
Tax-Exempt	14,473,467	208,346	(416,037)	14,265,776
	45,074,543	244,434	(1,204,966)	44,114,011

The amortized cost and estimated fair value of investment securities at December 31, 2017, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

The projected maturities of investment securities at December 31, 2017 were as follows:

	Available for Sale	
	Amortized Cost	Fair Value
Due in 1 year or less	-	-
Due from 1 year to 5 years	1,116,645	1,138,547
Due from 5 to 10 years	8,012,046	7,983,470
Due over 10 years	35,085,550	34,646,503
	44,214,241	43,768,520

2. **Investment Securities** **(Continued)**

Maturities of mortgage-backed securities are reported at their estimated maturity date as furnished by the Bank's investment broker. Maturities may differ due to the borrowers' right to prepay obligations with or without penalty.

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

	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Securities available for sale:						
December 31, 2017:						
U.S. Government						
Agency securities	-	-	943,407	(55,606)	943,407	(55,606)
MBS/CMO	9,346,722	(72,487)	14,626,184	(419,166)	23,972,906	(491,653)
State and municipal						
securities	2,027,061	(32,240)	3,492,742	(105,491)	5,519,803	(137,731)
	11,373,783	(104,727)	19,062,333	(580,263)	30,436,116	(684,990)

	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
December 31, 2016:						
U.S. Government						
Agency securities	929,140	(69,770)	-	-	929,140	(69,770)
MBS/CMO	25,616,016	(665,857)	1,298,072	(50,037)	26,914,088	(715,894)
State and municipal						
securities	9,220,477	(392,835)	306,202	(26,467)	9,526,679	(419,302)
	35,765,633	(1,128,462)	1,604,274	(76,504)	37,369,907	(1,204,966)

The unrealized losses on the Bank's investment in debt securities were caused by interest rate increases. The Bank expects to recover the amortized cost basis over the term of the securities. Because the decline in market value is attributable to changes in interest rates and not credit quality, and because the Bank does not intend to sell the investments and it is not more likely than not the Bank will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Bank does not consider those investments to be other-than-temporarily impaired at December 31, 2017.

Proceeds from sales and maturities of available-for-sale securities during 2017 and 2016 were $7,885,471 and $24,373,119. Gross realized gains on sales of available-for-sale securities were $109,486 and $223,501 in 2017 and 2016, respectively. Gross realized losses on sales of available-for-sale securities were $-0- in 2017 and $18,865 in 2016, respectively.

Investment securities with an approximate carrying value of $28,304,000 and $30,864,000 at December 31, 2017, and 2016, respectively were pledged to secure public fund deposits and for other purposes required or permitted by law.

3. Loans and Allowance for Loan Losses

Loans

Major classifications of loans at December 31, 2017 and 2016 follow:

	2017	2016
Real estate	36,482,335	36,464,420
Commercial	11,148,774	9,994,726
Consumer and other	4,841,212	4,410,245
State and political subdivisions	148,661	162,000
Overdrafts	6,426	4,398
	52,627,408	51,035,789
Allowance for loan losses	(248,521)	(245,221)
Loans-net	52,378,887	50,790,568

A loan is considered impaired, in accordance with the impairment accounting guidance (ASC 310-10-35-16), when based on current information and events, it is probable the Bank will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan.

The following tables detail loans by type individually and collectively evaluated for impairment at December 31, 2017 and 2016:

	2017		
	Loans Evaluated for Impairment		
	Individually	Collectively	Total
Real estate	1,144,522	35,337,813	36,482,335
Commercial	105,597	11,043,177	11,148,774
State and political subdivisions	-	148,661	148,661
Consumer and other	16,412	4,831,226	4,847,638
	1,266,531	51,360,877	52,627,408

	2016		
	Loans Evaluated for Impairment		
	Individually	Collectively	Total
Real estate	748,971	35,715,449	36,464,420
Commercial	110,225	9,884,501	9,994,726
State and political subdivisions	-	162,000	162,000
Consumer and other	-	4,414,643	4,414,643
	859,196	50,176,593	51,035,789

3. Loans and Allowance for Loan Losses (Continued)

The following tables detail the carrying amounts of impaired loans and the related allowance as of December 31, 2017 and 2016:

	Impaired Loans For the Year Ended December 31, 2017				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no impairment allowance recorded:					
Real estate	1,144,522	1,144,522	-	946,747	47,337
Commercial	145,008	105,597	-	170,408	5,399
Consumer and other	16,412	16,412	-	8,206	1,232
	1,305,942	1,266,531	-	1,125,361	53,968
With an impairment allowance recorded:					
Real estate	-	-	-	-	-
Commercial	-	-	-	-	-
Consumer and other	-	-	-	-	-
	-	-	-	-	-
Total:					
Real estate	1,144,522	1,144,522	-	946,747	47,337
Commercial	145,008	105,597	-	145,300	5,399
Consumer and other	16,412	16,412	-	8,206	1,232
	1,305,942	1,266,531	-	1,100,252	53,968

	Impaired Loans For the Year Ended December 31, 2016				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no impairment allowance recorded:					
Real estate	748,971	748,971	-	947,539	47,377
Commercial	145,591	110,225	-	275,790	13,161
Consumer and other	-	-	-	-	-
	894,562	859,196	-	1,223,329	60,538
With an impairment allowance recorded:					
Real estate	-	-	-	-	-
Commercial	-	-	-	-	-
Consumer and other	-	-	-	-	-
	-	-	-	-	-
Total:					
Real estate	748,971	748,971	-	947,539	47,377
Commercial	145,591	110,225	-	275,790	13,161
Consumer and other	-	-	-	-	-
	894,562	859,196	-	1,223,329	60,538

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

At December 31, 2017 and 2016, the accrual of interest had been discontinued or reduced on loans having balances of $50,217 and $62,217, respectively. Net interest income for 2017 and 2016 would have been higher by approximately $4,765 and $4,800, respectively, had interest been accrued at contractual rates on nonperforming loans.

3. Loans and Allowance for Loan Losses (Continued)

Credit Indicators

Loans are categorized into various 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. The following risk ratings are utilized to assign loans to such categories and such are consistent with the supervisory guidance:

Special Mention – Loans with this rating have potential weakness that deserve management's close attention. These potential weaknesses could 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 liquidation of the debt. If existing conditions are not corrected, the bank could sustain some loss in the future.

Doubtful – Loans classified as doubtful have all the weaknesses as 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.

Loans not meeting the above criteria are considered to be pass related loans and are not analyzed individually.

The Bank has not changed its risk categories during the year and it performs quarterly evaluations for its loan risk categories. The Bank considers loans to evaluate for impairment as those that do not fall into the pass category.

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

	Pass	Special Mention	Substandard	Doubtful	Total
December 31, 2017					
Real estate	35,337,813	1,144,522	-	-	36,482,335
Commercial	11,043,177	55,380	-	50,217	11,148,774
State and political subdivisions	148,661	-	-	-	148,661
Consumer and other	4,831,226	16,412	-	-	4,847,638
Total	51,360,877	1,216,314	-	50,217	52,627,408

	Pass	Special Mention	Substandard	Doubtful	Total
December 31, 2016					
Real estate	35,715,449	748,971	-	-	36,464,420
Commercial	9,884,501	48,008	-	62,217	9,994,726
State and political subdivisions	162,000	-	-	-	162,000
Consumer and other	4,414,643	-	-	-	4,414,643
Total	50,176,593	796,979	-	62,217	51,035,789

3. Loans and Allowance for Loan Losses (Continued)

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

	Past Due 30-89 Days	Past Due Over 90 Days and Accruing	Past Due Over 90 Days Non-Accruing	Total Past Due	Current	Total Loans
December 31, 2017						
Real estate	1,368,635	130,411	-	1,499,046	34,983,289	36,482,335
Commercial	27,509	-	50,217	77,726	11,071,048	11,148,774
State and political subdivisions	-	-	-	-	148,661	148,661
Consumer and other	62,711	-	-	62,711	4,784,927	4,847,638
	1,458,855	130,411	50,217	1,639,483	50,987,925	52,627,408

	Past Due 30-89 Days	Past Due Over 90 Days and Accruing	Past Due Over 90 Days Non-Accruing	Total Past Due	Current	Total Loans
December 31, 2016						
Real estate	1,260,974	16,182	-	1,277,156	35,187,264	36,464,420
Commercial	-	-	62,217	62,217	9,932,509	9,994,726
State and political subdivisions	-	-	-	-	162,000	162,000
Consumer and other	45,001	-	-	45,001	4,369,642	4,414,643
	1,305,975	16,182	62,217	1,384,374	49,651,415	51,035,789

The Bank's loan portfolio at December 31, 2017 was comprised almost exclusively of fixed rate loans with the remaining portfolio consisting of variable rate loans that fluctuate based on rate changes established by the Bank.

At December 31, 2017, approximately $15,405,000 of the Bank's loan portfolio is scheduled to mature in 2018.

Allowance for Loan Losses

Changes in the allowance for loan losses during 2017 and 2016 are summarized as follows:

	2017	2016
Balance-beginning of year	245,221	221,854
Provision for loan losses	6,800	29,211
Loans charged off	(7,614)	(7,005)
Recoveries	4,114	1,161
Balance-end of year	248,521	245,221

The following tables detail the balance in the allowance for loan losses by portfolio segment at December 31, 2017 and 2016:

	2017				
	Balance January 1, 2017	Provision for Loan Losses	Loans Charged Off	Recoveries	Balance December 31, 2017
Real estate	175,766	3,328	(3,541)	3,540	179,093
Commercial	48,176	4,472	-	-	52,648
Consumer and other	21,279	(1,000)	(4,073)	574	16,780
	245,221	6,800	(7,614)	4,114	248,521

3. Loans and Allowance for Loan Losses (Continued)

	2016				
	Balance January 1, 2016	Provision for Loan Losses	Loans Charged Off	Recoveries	Balance December 31, 2016
Real estate	152,779	22,987)	-	-	175,766
Commercial	48,352	(176)	-	-	48,176
Consumer and other	20,723	6,400	(7,005)	1,161	21,279
	221,854	29,211	(7,005)	1,161	245,221

The following tables detail the balance in the allowance for loan losses disaggregated by impairment method at December 31, 2017 and 2016:

	2017 Allowance for Loan Losses Disaggregated by Impairment Method		
	Individually	Collectively	Total
Real estate	-	179,093	179,093
Commercial	-	52,648	52,648
Consumer and other	-	16,780	16,780
	-	248,521	248,521

	2016 Allowance for Loan Losses Disaggregated by Impairment Method		
	Individually	Collectively	Total
Real estate	-	175,766	175,766
Commercial	-	48,176	48,176
Consumer and other	-	21,279	21,279
	-	245,221	245,221

4. Bank Premises and Equipment

At December 31, 2017 and 2016 bank premises and equipment consisted of the following:

	2017	2016
Land	576,327	576,327
Buildings and improvements	3,608,101	3,596,851
Furniture, fixtures, and equipment	1,711,907	1,684,840
Total	5,896,335	5,858,018
Less accumulated depreciation	(3,449,186)	(3,291,894)
Net	2,447,149	2,566,124

5. Time Deposits

At December 31, 2017 and 2016, the Bank had time deposits of $250,000 or more of $17,399,652 and $15,949,633, respectively. Included in deposits were public funds of $32,030,557 and $31,699,732 at December 31, 2017 and 2016, respectively. During the years ended December 31, 2017 and 2016, interest paid on interest bearing deposit accounts and loans was $314,272 and $284,322, respectively.

5. **Time Deposits** **(Continued)**

At December 31, 2017, the scheduled maturities of all time deposits are as follows:

2018	28,413,850
2019	3,480,531
2020	1,162,563
2021	740,610
	33,797,554

6. **Accumulated Other Comprehensive Income (Loss)**

The following table presents amounts reclassified out of accumulated other comprehensive income (loss) for the year ended December 31, 2017 and 2016:

	Amount Reclassified from Accumulated Other Comprehensive Income (Loss)	Affected Line Items in the Consolidated Statement of Income
Unrealized gains and (losses) on available-for-sale securities	109,486	Net realized gain on sale of securities available for sale
Unrealized gains and (losses) on available-for-sale securities	204,636	Net realized gain on sale of securities available for sale

7. **Advances from Federal Home Loan Bank**

The Bank had no outstanding advances from the Federal Home Loan Bank at December 31, 2017 or 2016. Security for all indebtedness and outstanding commitments consists of a security interest in all of the farm/agriculture loans, small business loans, capital stock of Federal Home Loan Bank, and deposit accounts in the Federal Home Loan Bank owned by the Bank. The net available under the blanket floating lien as of December 31, 2017 and 2016 was $26,451,582 and $20,333,782, respectively.

The Bank also has the ability to borrow funds under a Federal Funds Master Purchase Agreement. The agreement with First National Banker's Bank includes a $3,400,000 unsecured federal funds line, and this line matures June 30, 2018. Borrowings under this line, including the rates and maturities for such borrowings, are at the sole discretion of the issuing bank and depend upon the availability of funds. Outstanding borrowings under this federal funds line were $-0- at December 31, 2017 and 2016.

8. **Simplified Employee Pension Plan**

All employees who meet minimum age and service requirements participate in a simplified employee pension plan where the Company's Board makes annual decisions whether to contribute to such plan. For this and prior years, the Company has contributed approximately one month salary to the plan of each eligible employee. The total expense for the years ending December 2017 and 2016 was $110,173 and $99,092, respectively.

9. **Financial Instruments with Off-Balance Sheet Risk**

The Bank is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments are comprised of standby letters of credit which are conditional commitments issued by the Bank to guarantee the

9. Financial Instruments with Off-Balance Sheet Risk (Continued)

performance of a customer to a third party. In addition, the Bank has both revolving and non-revolving loan commitments to extend credit. The credit risk involved in issuing letters of credit and loan commitments is essentially the same as that involved in extending loans to customers since the letters of credit and loan commitments are secured by appropriate collateral provided by the customers.

At December 31, 2017 and 2016, the Bank had no standby letters of credit outstanding. At December 31, 2017 and 2016, the Bank had unfunded commitments to extend credit of approximately $11,695,000 and $7,388,000.

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 of the counter-party. Collateral held varies but may include accounts receivable; inventory; property, plant, and equipment; real estate; and income-producing commercial properties.

Standby letters of credit and financial guarantees written are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private short-term borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Bank holds collateral supporting those commitments for which collateral is deemed necessary.

There are various claims and legal actions arising in the ordinary course of business involving the Bank. In the opinion of management of the Bank, the ultimate disposition of these matters will not have a material adverse effect on the Bank's financial condition.

10. Related Party Transactions

Some of the directors, officers and employees of the Company and the Bank are customers of the Bank, and some of the individuals are principals in entities which are customers of the Bank. As such customers, they have had transactions in the ordinary course of business with the Bank, including borrowings, all of which, in the opinion of management, were on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and did not involve more than a normal risk of collectability or present any other unfavorable features to the Bank. At December 31, 2017 and 2016, the aggregate indebtedness of those individuals and their interests as a group to the Bank was approximately $734,000 and $556,000. Total principal loan additions were approximately $372,000 and total principal payments were approximately $194,000 for the year ended December 31, 2017. Deposits from related parties held by the Bank at December 31, 2017 and 2016 amounted to approximately $2,775,000 and $2,035,000, respectively.

11. Selected Other Expense Details

The following provides the details of selected other expenses:

	2017	2016
Administrative Expenses:		
Taxes Other than Payroll	146,761	154,213
Postage and Supplies	77,727	73,850
Bank Service Charges and Other	51,089	62,978
Advertising	26,240	28,638
Dues and Subscriptions	17,026	16,231
Professional Fees	44,900	49,839
Telephone	45,435	47,558
Community Support	6,500	9,839
Technology, Development and Travel	73,125	82,812
Cash Short (Over)	772	(721)
	489,575	525,237
Other:		
Community Bancshares Co.	3,949	4,632
River to River Real Estate	3,460	3,533
	7,409	8,165

12. Dividend Restrictions

The Bank is restricted by regulatory agencies from making dividend payments in excess of prescribed limits. In this regard, the Bank can declare a dividend to Community Bancshares Company of its prior year difference between earnings and dividends plus an additional amount for year-to-date net income as of the date of the dividend.

13. Restrictions on Cash and Due from Banks

The Bank is required to maintain reserve funds in cash and or on deposit with the Federal Reserve Bank. At December 31, 2017, the bank was substantially in excess of such requirement.

14. Concentration of Credit Risk

The Bank's trade area is primarily all of Grant Parish Louisiana and adjacent areas in Rapides Parish. The Bank does not believe that it has an abnormal concentration of loans to any particular type industry, but a significant portion of its loans are secured by residential real property located in such trade areas. The Bank's ability to fully collect such loans could depend upon the real estate market in its trade area, which at present is considered to be a normal market.

Additionally, at times, the Bank maintains deposits and federal funds sold in federally insured financial institutions in excess of federally insured limits. Management monitors the soundness of these financial institutions and feels the Bank's risk is negligible.

15. Regulatory Matters

The Bank is subject to various regulatory capital requirements administered by federal and state banking agencies. Failure to meet the minimum regulatory capital requirements can initiate certain mandatory, and possible additional discretionary actions by regulators, which if undertaken, could have a direct material effect on the Bank and the 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 measure of the Bank's assets, liabilities, and certain

15. Regulatory Matters (Continued)

off-balance-sheet items as calculated under regulatory accounting practices. 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 weighting, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company and its subsidiary bank to maintain minimum amounts and ratios (set forth in the table below) of total, common equity and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), and Tier 1 capital (as defined) to average assets (as defined). Management believes that as of December 31, 2017, the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2017, according to its most recent notification, the Bank was categorized as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier I risk-based, Common Equity/Tier 1 risk-based, and Tier 1 leverage ratios as set forth in the table below. There are no conditions or events since the most recent notification that management believes have changed the Bank's category.

The Bank's actual capital amounts and ratios are also presented in the table.

	Actual		For Capital Adequacy Purposes:		To Be Well Capitalized Under Prompt Corrective Action Provisions:	
	Amount (000's)	Ratio	Amount (000's)	Ratio	Amount (000's)	Ratio
As of December 31, 2017:						
Total Capital Ratio (to Risk Weighted Assets)	$10,354	17.91%	≥$4,625	≥8.0%	≥$5,781	≥10.0%
Tier I Capital Ratio (to Risk Weighted Assets)	$10,105	17.48%	≥$3,469	≥6.0%	≥$4,625	≥8.0%
Common Equity/Tier 1 Capital Ratio (to Risk Weighted Assets)	$10,105	17.48%	≥$2,601	≥4.5%	≥$3,758	≥6.5%
Leverage Capital Ratio to Average (to Total Average Assets)	$10,105	9.45%	≥$4,279	≥4.0%	≥$5,349	≥5.0%
As of December 31, 2016:						
Total Capital Ratio (to Risk Weighted Assets)	$9,859	19.02%	≥$4,147	≥8.0%	≥$5,183	≥10.0%
Tier I Capital Ratio (to Risk Weighted Assets)	$9,614	18.55%	≥$3,110	≥6.0%	≥$4,147	≥8.0%
Common Equity/Tier 1 Capital Ratio (to Risk Weighted Assets)	$9,614	18.55%	≥$2,332	≥4.5%	≥$3,369	≥6.5%
Leverage Capital Ratio to Average (to Total Average Assets)	$9,614	9.40%	≥$4,091	≥4.0%	≥$5,113	≥5.0%

16. Condensed Individual Company Financial Information

The following provides condensed and selected financial data of the companies included in these consolidated financial statements at December 31, 2017 on an unconsolidated basis as follows:

	Community Bancshares Company	Colfax Banking Company	River to Real Estate Company
Total Assets	10,150,615	110,282,381	69,109
Total Liabilities	489,972	100,623,654	-
Total Stockholder Equity	9,660,643	9,658,727	69,109
Total Operating Revenue	1,100	4,817,310	44,354
Total Operating Expenses	3,949	3,629,825	3,460

All amounts and related disclosures in these consolidated financial statements regarding Federal Funds Sold, Time Deposits with other Banks, Investment Securities, Loans, Accrued Interest Receivable, Deposits, and Accrued Interest Payable are comprised of amounts of Colfax Banking Company.

17. Fair Value Measurements

Fair value measurements are used to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with **FASB ASC 820**, "*Fair Value Measurement 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 upon quoted market prices. However, in many instances, there are no quoted market prices for 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.

The fair value 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.

Fair Value Hierarchy - In accordance with this guidance, financial assets and financial liabilities, generally measured at fair value, are grouped 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.

17. Fair Value Measurements (Continued)

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.

Assets Measured at Fair Value on a Recurring Basis

For the Bank, the only items recorded at fair value on a recurring basis are securities available for sale. These securities consist primarily of U.S. Government Agency (including mortgage-backed) securities and state and municipal securities. When available, the Bank uses quoted market prices of identical assets on active exchanges (Level 1 measurements). Where such quoted market prices are not available, the Bank 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.

Fair values of assets and liabilities measured on a recurring basis at December 31, 2017 and 2016 are as follows:

	Level 1	Level 2	Level 3	Fair Value
December 31, 2017:				
Securities available-for-sale:				
U.S. Government securities	-	943,407	-	943,407
MBS/CMO's	-	27,757,435	-	27,757,435
State and municipal securities	-	15,067,678	-	15,067,678
Total securities available-for-sale	-	43,768,520	-	43,768,520
December 31, 2016:				
Securities available-for-sale:				
U.S. Government securities	-	929,140	-	929,140
MBS/CMO's	-	28,093,322	-	28,093,322
State and municipal securities	-	15,091,549	-	15,091,549
Total securities available-for-sale	-	44,114,011	-	44,114,011

17. **Fair Value Measurements** (Continued)

Assets Measured at Fair Value on a Nonrecurring Basis

Following is a description of the valuation methodologies used for assets and liabilities measured and recorded at fair value on a nonrecurring basis. These nonrecurring fair value adjustments typically are a result of lower of cost or fair value accounting or a write-down occurring during the period. In periods when there is no adjustment, the asset or liability is generally not considered to be at fair value.

Impaired Loans. Loans for which it is probable that the Bank will not collect all principal and interest due according to contractual terms are measured for impairment. Write-downs of impaired loans are estimated using the present value of expected cash flows or the appraised value of the underlying collateral discount as necessary due to management's estimates of changes in economic conditions.

Other Real Estate. Other real estate is carried at the lower of the recorded investment in the loan or fair value less estimated costs to sell the property. Fair values are based on appraisals (performed either by the Bank or by independent appraisers) on the subject property using market prices of similar real estate.

Carrying values of assets and liabilities measured at fair value on a nonrecurring basis at December 31, 2017 and 2016 are as follows:

	Level 1	Level 2	Level 3	Total
December 31, 2017:				
Impaired loans	-	1,266,531	-	1,266,531
Other real estate	-	-	-	-
December 31, 2016:				
Impaired loans	-	859,196	-	859,196
Other real estate	-	-	-	-

18. **Subsequent Events**

In accordance with **FASB Accounting Standards Codification Topic 855**, "*Subsequent Events,*" the Company evaluated events and transactions that occurred after the balance sheet date but before the financial statements were made available for potential recognition or disclosure in the financial statements. The Company evaluated such events through February 23, 2018, the date for which the financial statements were available for distribution, for potential recognition and disclosure. No subsequent events requiring potential recognition or disclosure were noted.