ATHENS BANCSHARES CORPORATION AND SUBSIDIARY

CONSOLIDATED FINANCIAL REPORT

DECEMBER 31, 2016

CONTENTS

MAULDIN
& JENKINS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Athens Bancshares Corporation
Athens, Tennessee

We have audited the accompanying consolidated financial statements of Athens Bancshares Corporation and Subsidiary (the "Company"), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, 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 of material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Athens Bancshares Corporation and Subsidiary as of December 31, 2016 and 2015, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Mauldin & Jenkins, LLC

Chattanooga, Tennessee
March 9, 2017

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ATHENS BANCSHARES CORPORATION AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
December 31, 2016 and 2015

	2016	2015
ASSETS		
Cash and due from banks	$ 51,216,738	$ 16,527,039
Federal funds sold	7,391,000	-
Interest-bearing deposits in banks	17,011	1,015,978
Total cash and cash equivalents	58,624,749	17,543,017
Securities available for sale	64,887,744	24,968,061
Investments, at cost	4,470,300	4,005,350
Loans, net of allowance for loan losses of $4,148,828 and $3,976,884 at December 31, 2016 and 2015, respectively	285,217,654	257,886,482
Premises and equipment, net	7,536,892	4,262,185
Accrued interest receivable	1,113,588	949,423
Cash surrender value of life insurance	10,636,077	10,366,283
Foreclosed real estate	961,100	1,097,885
Core deposit intangible	3,394,159	-
Other assets	3,024,876	2,725,298
Total assets	$ 439,867,139	$ 323,803,984
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Noninterest-bearing	$ 47,103,663	$ 27,531,988
Interest-bearing	330,296,022	234,240,364
Total deposits	377,399,685	261,772,352
Accrued interest payable	233,780	119,306
Securities sold under agreements to repurchase	1,684,522	1,389,838
Federal Home Loan Bank advances	-	10,000,000
Note payable to bank	7,500,000	-
Accrued expenses and other liabilities	5,211,530	4,728,900
Total liabilities	392,029,517	278,010,396
Stockholders' equity:		
Preferred stock, $0.01 par value; 10,000,000 shares authorized; none issued	-	-
Common stock, $0.01 par value; 50,000,000 shares authorized; 2,777,250 shares issued and 1,783,428 outstanding at December 31, 2016 and 1,806,275 outstanding at December 31, 2015	17,834	18,063
Additional paid-in capital	18,355,172	18,267,897
Common stock acquired by benefit plans:		
Restricted stock	(46,026)	(92,052)
Unallocated common stock held by Employee Stock Ownership Plan Trust	(1,184,960)	(1,333,079)
Retained earnings	31,111,591	28,629,596
Accumulated other comprehensive income (loss)	(415,989)	303,163
Total stockholders' equity	47,837,622	45,793,588
Total liabilities and stockholders' equity	$ 439,867,139	$ 323,803,984

The Notes to Consolidated Financial Statements are an integral part of these statements.

ATHENS BANCSHARES CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME
Years Ended December 31, 2016 and 2015

	2016	2015
INTEREST AND DIVIDEND INCOME		
Loans, including fees	$ 14,264,625	$ 13,162,286
Dividends	1,052,597	271,347
Securities and interest-bearing deposits in other banks	1,109,508	681,230
Total interest and dividend income	16,426,730	14,114,863
INTEREST EXPENSE		
Deposits	1,562,637	1,388,588
Federal funds purchased and securities sold under agreements to repurchase	1,269	1,204
Federal Home Loan Bank advances	12,660	11,410
Note payable to bank	186,198	-
Total interest expense	1,762,764	1,401,202
Net interest income	14,663,966	12,713,661
Provision for loan losses	312,351	303,671
Net interest income after provision for loan losses	14,351,615	12,409,990
NONINTEREST INCOME		
Customer service fees	2,292,113	2,102,147
Other charges and fees	2,158,656	1,896,990
Investment sales commissions	494,067	547,105
Increase in cash surrender value of life insurance	344,521	340,000
Other noninterest income	1,047,001	659,347
Total noninterest income	6,336,358	5,545,589
NONINTEREST EXPENSES		
Salaries and employee benefits	8,635,765	7,986,273
Occupancy and equipment	1,957,793	1,536,977
Federal deposit insurance premiums	172,000	188,000
Data processing	1,683,069	1,122,674
Advertising	302,713	243,319
Other operating expenses	3,132,966	2,559,773
Total noninterest expenses	15,884,306	13,637,016
Income before income taxes	4,803,667	4,318,563
Income tax expense	1,625,780	1,449,123
Net income	$ 3,177,887	$ 2,869,440
Earnings per common share:		
Basic	$ 1.92	$ 1.73
Diluted	$ 1.79	$ 1.61
Dividends per common share	$ 0.20	$ 0.20

The Notes to Consolidated Financial Statements are an integral part of these statements.

ATHENS BANCSHARES CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years Ended December 31, 2016 and 2015

	2016	2015
Net income	$ 3,177,887	$ 2,869,440
Other comprehensive loss, net of tax:		
Unrealized holding losses on securities available for sale	(1,159,923)	(55,545)
Income tax benefit related to other comprehensive income items	440,771	21,107
Other comprehensive loss, net of tax	(719,152)	(34,438)
Comprehensive income	$ 2,458,735	$ 2,835,002

The Notes to Consolidated Financial Statements are an integral part of these statements.

ATHENS BANCSHARES CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Years Ended December 31, 2016 and 2015

	Shares of Common Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Common Stock Acquired By Benefit Plans	Accumulated Other Comprehensive Income (Loss)	Total
BALANCE, December 31, 2014	1,801,701	$ 18,017	$ 17,956,982	$ 26,202,795	$ (1,835,513)	$ 337,601	$ 42,679,882
Net income		-	-	2,869,440	-	-	2,869,440
Other comprehensive loss		-	-	-	-	(34,438)	(34,438)
Dividends - $0.20 per share		-	-	(330,789)	-	-	(330,789)
Release of restricted stock plan shares		-	(262,261)	-	262,261	-	-
Shares released by ESOP trust		-	250,766	-	148,121	-	398,887
Stock compensation expense		-	392,171	-	-	-	392,171
Repurchase and retirement of Company common stock	(7,300)	(73)	(69,642)	(111,850)	-	-	(181,565)
Issuance of Company common stock	11,874	119	(119)	-	-	-	-
BALANCE, December 31, 2015	1,806,275	18,063	18,267,897	28,629,596	(1,425,131)	303,163	45,793,588
Net income		-	-	3,177,887	-	-	3,177,887
Other comprehensive loss		-	-	-	-	(719,152)	(719,152)
Dividends - $0.20 per share		-	-	(331,791)	-	-	(331,791)
Release of restricted stock plan shares		-	(46,025)	-	46,025	-	-
Shares released by ESOP trust		-	254,026	-	148,120	-	402,146
Stock compensation expense		-	97,234	-	-	-	97,234
Repurchase and retirement of Company common stock	(22,847)	(229)	(217,960)	(364,101)	-	-	(582,290)
BALANCE, December 31, 2016	1,783,428	$ 17,834	$ 18,355,172	$ 31,111,591	$ (1,230,986)	$ (415,989)	$ 47,837,622

The Notes to Consolidated Financial Statements are an integral part of these statements.

ATHENS BANCSHARES CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 3,177,887	$ 2,869,440
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	631,141	526,797
Amortization of securities and intangible assets	487,930	216,115
Provision for loan losses	312,351	303,671
Deferred income taxes	81,758	(126,508)
Other gains and losses, net	(718)	(29,970)
Stock based compensation expense	499,380	791,058
Net change in:		
Cash surrender value of life insurance	(269,794)	(270,092)
Accrued interest receivable	(164,165)	57,692
Accrued interest payable	114,474	(13,091)
Other assets and liabilities	132,613	474,307
Net cash provided by operating activities	5,002,857	4,799,419
CASH FLOWS FROM INVESTING ACTIVITIES		
Securities available for sale:		
Purchases	(47,133,354)	-
Maturities, prepayments and calls	5,851,034	3,605,366
Investments, at cost:		
Purchases	(464,950)	(556,350)
Loan originations and principal collections, net	(17,519,512)	(19,991,629)
Cash acquired from branch acquisitions	73,350,486	-
Purchase of premises and equipment	(1,010,351)	(767,053)
Proceeds from sale of premises and equipment	500	1,200
Proceeds from sale of foreclosed assets	288,195	961,911
Net cash provided by (used in) investing activities	13,362,048	(16,746,555)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in deposits	25,836,224	13,200,121
Net increase (decrease) in securities sold under agreements to repurchase	294,684	(123,155)
Net increase (decrease) in Federal Home Loan Bank advances	(10,000,000)	5,000,000
Proceeds from note payable to bank	7,500,000	-
Repurchase and retirement of Company common stock	(582,290)	(181,565)
Dividends paid	(331,791)	(330,789)
Net cash provided by financing activities	22,716,827	17,564,612
NET INCREASE IN CASH AND CASH EQUIVALENTS	41,081,732	5,617,476
CASH AND CASH EQUIVALENTS, beginning of year	17,543,017	11,925,541
CASH AND CASH EQUIVALENTS, end of year	$ 58,624,749	$ 17,543,017
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid on deposits and borrowed funds	$ 1,648,290	$ 1,414,293
Income taxes paid	1,950,680	1,926,285
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES		
Acquisition of real estate acquired through foreclosure	$ 152,517	$ 885,640
Financed sales of foreclosed real estate and premises	585,000	709,900

The Notes to Consolidated Financial Statements are an integral part of these statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Athens Bancshares Corporation (the "Company") and subsidiary conform with United States generally accepted accounting principles ("GAAP") and practices within the banking industry.

The policies that materially affect financial position and results of operations are summarized as follows:

Principles of Consolidation

The consolidated financial statements include the Company and its wholly-owned subsidiary. All material intercompany accounts and transactions have been eliminated in consolidation.

Nature of Operations

The Company is a holding company whose principal activity is the ownership and management of its wholly owned subsidiary, Athens Federal Community Bank, National Association (the "Bank"). The Bank provides a variety of financial services to individuals and corporate customers through its ten branches located in Athens, Sweetwater, Etowah, Madisonville, Cleveland and Lenoir City, Tennessee. The Bank's primary deposit products include checking, savings, certificates of deposit, and IRA accounts. Its primary lending products are one-to-four family residential, commercial real estate, and consumer loans. Southland Finance, Inc. ("Southland") is a consumer finance company with one branch located in Athens, Tennessee and one branch located in Cleveland, Tennessee. Ti-Serv, Inc. ("Ti-Serv") maintains the Bank's investment in Valley Title Services, LLC ("Valley Title"). Southland and Ti-Serv are wholly-owned subsidiaries of the Bank. Valley Title is a wholly-owned subsidiary of Ti-Serv.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP 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 consolidated 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 loan losses, the valuation of deferred tax assets, other-than-temporary impairment of securities, and the fair value of financial instruments.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, cash and cash equivalents include cash and balances due from banks, money market mutual funds and federal funds sold and securities purchased under agreements to resell, all of which mature within ninety days.

Securities

Debt securities are classified as held to maturity when the Company has the intent and ability to hold the securities to maturity. Securities held to maturity are carried at amortized cost. The amortization of premiums and accretion of discounts are recognized in interest income using the interest method over the period to maturity.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Securities (Continued)

Securities available for sale are carried at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income. Realized gains and losses on securities available for sale are included in other income and, when applicable, are reported as a reclassification adjustment, net of tax, in other comprehensive income. Gains and losses on sales of securities are determined on the specific-identification method. Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities.

The Company conducts a regular assessment of its securities portfolio to determine whether any are other-than-temporarily impaired. In estimating other-than-temporary impairment losses, management considers, among other factors, the length of time and extent to which the fair value has been less than cost, the financial condition and near term prospects of the issuer, and the intent and ability of the Company to retain its investment for a period of time sufficient to allow for any anticipated recovery. The term "other-than-temporary" is not intended to indicate that the decline is permanent, but indicates that the prospects for a near-term recovery of value is not necessarily favorable, or that there is a lack of evidence to support a realizable value equal to or greater than the carrying value of the investment. Once a decline in value for a debt security is determined to be other-than-temporary, the other-than-temporary impairment is separated into (a) the amount of the total other-than-temporary impairment related to a decrease in cash flows expected to be collected from the debt security (the credit loss) and (b) the amount of the total other-than-temporary impairment related to all other factors. The amount of the total other-than-temporary impairment related to the credit loss is recognized in earnings. The amount of the total other-than-temporary impairment related to all other factors is recognized in other comprehensive income.

Loans

The Company grants mortgage, commercial and consumer loans to customers. A substantial portion of the loan portfolio is represented by mortgage and commercial real estate loans to customers, and secured by properties, located primarily in the East Tennessee area. The ability of the Bank's debtors to honor their contracts is dependent upon the real estate and general economic conditions in this area.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off generally are stated at unpaid principal balances, less the allowance for loan losses, net deferred loan origination fees and costs, and unearned interest and fees.

Loan fees, net of estimated initial direct cost relating to initiating and closing mortgage loans, have been deferred and are being amortized into interest income over the remaining contractual lives of the loans as an adjustment of yield using the level yield method.

Unearned interest on consumer finance loans is recognized as income over the terms of the loans using a declining balance method. Interest on other loans is calculated using the simple interest method on the principal outstanding.

The accrual of interest on mortgage and commercial loans is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Other personal loans are typically charged off no later than 120 days past due. Past due status is based on contractual terms of the loan. In all cases, loans are 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 non-accrual 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 are charged against the allowance when management believes the uncollectibility 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 collectibility 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 risk rating data.

As part of management's assessment of the allowance, management divides the loan portfolio into five segments: commercial, residential 1-4 family, commercial real estate and multi-family, construction and land and consumer and other. Each segment is then analyzed such that a specific and general allocation of the allowance is estimated for each loan segment.

A loan is considered impaired when, based on current information and events, it is probable the Bank will be unable to collect the scheduled payments of principal and interest when due according to 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 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 by either the present value of 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. Accordingly, the Bank does not separately identify individual consumer loans for impairment disclosures, unless such loans are the subject of a restructuring agreement due to financial difficulties of the borrower.

The unallocated component of the allowance reflects the uncertainties inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

Significant Group Concentrations of Credit Risk

Most of the Company's activities are with customers located in East Tennessee. The types of securities that the Company invests in are disclosed in Note 3. The types of lending the Company engages in are disclosed in Note 5. The Company does not have any significant lending concentrations to any one customer or industry.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Group Concentrations of Credit Risk (Continued)

Commercial real estate, including commercial construction loans, represents 39.78% of the loan portfolio at December 31, 2016, and 38.92% of the loan portfolio at December 31, 2015.

Servicing

Generally, servicing assets are recognized as separate assets when rights are acquired through purchase or through sale of financial assets. For sales of mortgage loans, a portion of the cost of originating the loan is allocated to the servicing right based on fair value. Fair value is based on market prices for comparable mortgage servicing contracts, when available, or alternatively, is based on a valuation model that calculates the present value of estimated future net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income, such as the cost to service, the discount rate, the custodial earnings rate, an inflation rate, ancillary income, prepayment speeds, and default rates and losses.

The Company has not recorded any servicing assets or liabilities in accordance with ASC Topic 860, *Transfers and Servicing*, because the benefits received for servicing approximate the costs incurred by the Company for its servicing responsibilities.

Servicing fee income is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal; or a fixed amount per loan and are recorded as income when earned.

Foreclosed Real Estate

Foreclosed real estate is held for sale and is initially recorded at fair value less estimated selling cost at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed and any write-downs are recorded as a charge to operations, if necessary, to reduce the carrying value of a property to the lower of its cost or fair value less cost to sell. Costs of significant property improvements are capitalized, whereas costs relating to holding property are expensed. The portion of interest costs relating to development of real estate (if any) is capitalized. The amount of residential real estate properties where physical possession had been obtained included within foreclosed real estate at December 31, 2016 and 2015, was $47,000 and $179,000, respectively.

Premises and Equipment

Land is carried at cost. Other premises and equipment are stated at cost less accumulated depreciation. Depreciation, computed using a combination of accelerated and straight-line methods, is based on estimated useful lives of three to forty years. Maintenance and repairs are expensed as incurred while major additions and improvements are capitalized. Gains and losses on dispositions are included in current operations.

Cash Surrender Value of Bank Owned Life Insurance

The Company maintains bank owned life insurance policies ("BOLI") on certain key executives and directors to help offset the rising cost of employee benefits and to assist in the funding of deferred compensation and other employee benefits. BOLI is accounted for using the cash surrender value method and is recorded at the amount that can be realized under the insurance policies at the balance sheet date. At December 31, 2016 and 2015, the aggregate cash surrender value of these policies was $10,636,077 and $10,366,283, respectively.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Company accounts for income taxes in accordance with income tax accounting guidance in ASC Topic 740. The income tax accounting 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 the enacted tax law to taxable income or loss. The Company determines deferred income taxes using the liability method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities. The Company's deferred taxes relate primarily to differences between the basis of the allowance for loan losses and accumulated depreciation. Deferred tax assets and liabilities are reflected at income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. The Company files consolidated income tax returns with its subsidiary. With few exceptions, the Company is no longer subject to tax examinations by tax authorities for years before 2013.

The Company recognizes deferred tax assets if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The Company follows the statutory requirements for its income tax accounting and generally avoids risks associated with potentially problematic tax positions that may be challenged upon examination. The Company recognizes interest and penalties on income taxes as a component of income tax expense.

Advertising Costs

Advertising costs are expensed as incurred.

Securities Sold Under Agreements to Repurchase

The Company enters into sales of securities under agreements to repurchase identical securities the next day.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or the ability to unilaterally cause the holder to return specific assets.

The Company originates fixed-rate mortgage loans for sale to secondary market investors subject to contractually specified and limited recourse provisions. The Company may be required to repurchase a previously sold mortgage loan if there is major noncompliance with defined loan origination or documentation standards, including fraud, negligence or material misstatement in the loan documents. The Company has not been notified by FHLMC that any loans previously sold to them may not have qualified under their terms of purchase, but the Company may be required to repurchase these loans in the future. For the year ended December 31, 2016, the Company was required to repurchase one loan in the amount of $86,256. Any gains or loss associated with the repurchase was not significant. No loans were required to be repurchased for the year ended December 31, 2015. Recourse obligations, if any, are determined based upon an estimate of probable credit losses over the term of the loan, and are not significant to the consolidated financial statements. Loans held for sale are classified as loans on the consolidated balance sheets and were, $355,000 and $428,320 for the years ended December 31, 2016 or 2015, respectively. All loans held for sale at December 31, 2016 closed within 10 days of year end.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Earnings Per Share

Basic earnings per share ("EPS") is calculated by dividing net income available to common stockholders by the weighted-average number of shares of common stock outstanding during the period. Diluted EPS is computed in a manner similar to that of basic EPS except that the weighted-average number of common shares outstanding is increased to include the number of incremental common shares (computed using the treasury stock method) that would have been outstanding if all potentially dilutive common stock equivalents such as stock options were vested during the period.

Stock Compensation Plans

The Company recognizes compensation cost relating to share-based payment transactions in accordance with ASC Topic 718, *Compensation - Stock Compensation.* Compensation cost has been measured based on the grant date fair value of the equity instruments issued. Compensation cost is calculated and recognized over the employee service period, generally defined as the vesting period. The Company uses a stock option pricing model to determine the fair value of the award on the grant date.

Employee Stock Ownership Plan

The Company accounts for the Bank's Employee Stock Ownership Plan ("ESOP") in accordance with the ASC Topic 718, *Compensation - Stock Compensation.* ESOP shares are considered to be outstanding for the computation of EPS as they are committed to be released.

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains on securities available for sale, and unrealized losses related to factors other than credit losses on debt securities.

Subsequent Events

The Company has evaluated all transactions, events, and circumstances for consideration or disclosure through March 9, 2017, the date these financial statements were available to be issued, and has reflected or disclosed those items within the consolidated financial statements and related footnotes as deemed appropriate.

Core Deposit Intangible

The core deposit intangible arose from branch acquisitions during 2016, and is being amortized over its estimated useful life of 10 years on a straight-line basis. Intangible assets are tested for impairment on an annual basis, or more often if events or circumstances indicate that there may be impairment. The core deposit intangible was evaluated for impairment as of December 31, 2016, and based on that evaluation it was determined there was no impairment.

NOTE 2. CASH AND CASH EQUIVALENTS

Restrictions on Cash and Due From Banks

The Company is required to maintain average balances on hand or with the Federal Reserve Bank. At December 31, 2016 and 2015, these reserve balances amounted to $1,449,000 and $429,000, respectively.

NOTE 3. SECURITIES

The amortized cost and estimated fair value of securities classified as available for sale at December 31, 2016 and December 31, 2015, are as follows:

	December 31, 2016			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities of U.S. Government agencies and corporations	$ 1,427,648	$ 10,782	$ -	$ 1,438,430
Mortgage-backed and related securities (1)	53,285,407	108,905	(997,269)	52,397,043
State and municipal securities	10,845,639	209,474	(2,842)	11,052,271
	$65,558,694	$329,161	$(1,000,111)	$64,887,744

	December 31, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities of U.S. Government agencies and corporations	$ 1,525,939	$ 12,018	$ -	$ 1,537,957
Mortgage-backed and related securities (1)	10,246,324	142,264	(19,140)	10,369,448
State and municipal securities	12,706,825	380,022	(26,191)	13,060,656
	$24,479,088	$534,304	$(45,331)	$24,968,061

(1) Collateralized by residential mortgages and guaranteed by U.S. Government sponsored entities.

As of December 31, 2016 and 2015, the Company did not have any securities classified as held-to-maturity.

The amortized cost and estimated fair value of securities at December 31, 2016, 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.

	December 31, 2016	
	Amortized Cost	Fair Value
Due in one year or less	$ 1,945,843	$ 1,954,445
Due after one year through five years	6,747,366	6,839,865
Due five years to ten years	2,795,141	2,878,581
Due after ten years	784,937	817,810
Mortgage-backed securities	53,285,407	52,397,043
Total	$65,558,694	$64,887,744

NOTE 3. SECURITIES (Continued)

The Company had no realized gains or losses for the years ended December 31, 2016 or December 31, 2015.

The Company has pledged securities with carrying values of approximately $33,076,000 and $2,014,000 (which approximates market values) to secure deposits of public and private funds as of December 31, 2016 and December 31, 2015, respectively.

Securities with gross unrealized losses at December 31, 2016 and December 31, 2015, aggregated by investment category and length of time that individual securities have been in a continuous loss position, are as follows:

	December 31, 2016					
	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
			(dollars in thousands)			
Mortgage-backed and related securities (1)	$42,161	$ (997)	$ 9	$ -	$42,170	$ (997)
State and municipal securities	697	(3)	-	-	697	(3)
	$42,858	$(1,000)	$ 9	$ -	$42,867	$(1,000)

	December 31, 2015					
	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
			(dollars in thousands)			
Mortgage-backed and related securities (1)	$4,073	$(19)	$ -	$ -	$4,073	$(19)
State and municipal securities	1,478	(13)	913	(13)	2,391	(26)
	$5,551	$(32)	$913	$(13)	$6,464	$(45)

Management performs periodic reviews for impairment in accordance with ASC Topic 320, *Investments – Debt and Equity Securities*.

At December 31, 2016, the 22 securities with unrealized losses had depreciated 2.28 percent from the Company's amortized cost basis. At December 31, 2015, the 12 securities with unrealized losses had depreciated 0.70 percent from the Company's amortized cost basis.

Most of these securities are guaranteed by either U.S. government corporations or agencies or had investment grade ratings upon purchase. Further, the issuers of these securities have not established any cause for default. The unrealized losses associated with these investment securities are primarily driven by changes in interest rates and are not due to the credit quality of the issuers. These securities will continue to be monitored as a part of the Company's ongoing impairment analysis, but are expected to perform even if the rating agencies reduce the credit rating of the bond insurers. Management evaluates the financial performance of each issuer on a quarterly basis to determine if it is probable that the issuers can make all contractual principal and interest payments.

NOTE 3. SECURITIES (Continued)

Upon acquisition of a security, the Company determines the appropriate impairment model that is applicable. If the security is a beneficial interest in securitized financial assets, the Company uses the beneficial interests in securitized financial assets impairment model. If the security is not a beneficial interest in securitized financial assets, the Company uses the debt and equity securities impairment model. The Company conducts periodic reviews to evaluate each security to determine whether an other-than-temporary impairment has occurred. The Company did not have any securities that were classified as other-than-temporarily-impaired at December 31, 2016.

NOTE 4. INVESTMENTS, AT COST

The Bank carries the following investments at cost because they are not readily marketable and there is no established market price for the investments. These investments are normally redeemed by the issuer at par value and may carry call or put options under certain circumstances. Investments carried at cost at December 31, 2016 and 2015, consist of:

	December 31, 2016	December 31, 2015
Federal Home Loan Bank of Cincinnati common stock	$2,549,000	$2,549,000
Federal Reserve Bank stock	646,300	406,350
Resolute Capital Partners Fund III L.P., F.K.A. Tenth Street Fund III, L.P. investment	1,275,000	1,050,000
	$4,470,300	$4,005,350

The Bank, as a member of the Federal Home Loan Bank ("FHLB") of Cincinnati, is required to maintain an investment in capital stock of the FHLB. Based on redemption provisions of the FHLB, the stock has no quoted market value and is carried at cost. Management reviews for impairment based on the ultimate recoverability of the cost basis in the FHLB stock.

The Bank also maintains an investment in the capital stock of the Federal Reserve Bank. This investment is carried at cost which approximates the fair value of such stock. The amount of Federal Reserve Bank stock required to be held by the Bank is adjusted quarterly based on a determination made by the Federal Reserve Bank.

NOTE 5. LOANS AND ALLOWANCE FOR LOAN LOSSES

Portfolio Segmentation

The Company's loans consist of the following at December 31, 2016 and 2015 (in thousands).

	2016	2015
Mortgage loans on real estate:		
Residential 1-4 family	$100,544	$ 97,844
Commercial real estate and multi-family (5 or more units)	103,224	97,189
Construction and land	26,160	22,267
	229,928	217,300
Commercial loans	22,790	15,955
Consumer and Other	37,737	29,606
Total loans	290,455	262,861
Less: Allowance for loan losses	(4,149)	(3,977)
Unearned interest and fees	(538)	(495)
Net deferred loan origination fees	(550)	(503)
Loans, net	$285,218	$257,886

NOTE 5. LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

Portfolio Segmentation (Continued)

For purposes of the disclosures required pursuant to the adoption of ASC 310, the loan portfolio was disaggregated into segments. A portfolio segment is defined as the level at which an entity develops and documents a systematic method for determining its allowance for credit losses. There are five loan portfolio segments that include residential 1-4 family, commercial real estate and multi-family, construction and land, commercial loans, and consumer and other.

The following describe the risk characteristics relevant to each of the portfolio segments:

Residential 1-4 Family: Residential 1-4 family loans include real estate loans secured by 1-4 family first mortgage loans, second liens, or open end real estate loans, such as home equity lines. These are repaid by various means such as a borrower's income, sale of the property, or rental income derived from the property. Loans within this portfolio segment are particularly sensitive to unemployment factors and valuation of real estate.

Commercial Real Estate and Multi-Family: Commercial real estate and multi-family loans include owner-occupied commercial real estate loans, owner-occupied construction loans for commercial businesses, and loans secured by income producing properties. Owner-occupied commercial real estate loans to operating businesses are long-term financing of land and buildings. Owner-occupied construction loans for a commercial business are for the development of land or construction of a building. Both of these loans are repaid by cash flow generated from the business operation. Real estate loans for income-producing properties such as apartment buildings, office and industrial buildings, and retail shopping centers are repaid from rent income derived from the properties. Loans within this segment are particularly sensitive to the valuation of real estate.

Construction and Land: Loans for real estate construction and land development are repaid through cash flow related to the operations, sale or refinance of the underlying property. This portfolio segment includes extensions of credit to real estate developers or investors where repayment is dependent on the sale of the real estate or income generated from the real estate collateral. Loans within this portfolio segment are particularly sensitive to the valuation of real estate.

Commercial: The commercial loan portfolio segment includes commercial and financial loans. These loans include those loans to commercial customers for use in normal business operations to finance working capital needs, equipment purchases, or expansion projects. Loans are repaid by business cash flows. Collection risk in this portfolio is driven by the creditworthiness of the underlying borrower, particularly cash flows from the customers' business operations.

Consumer and Other: The consumer loan portfolio segment includes direct consumer installment loans, overdrafts and other revolving credit loans, and educational loans. Loans in this portfolio are sensitive to unemployment and other key consumer economic measures.

NOTE 5. LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

Credit Risk Management

The Company employs a credit risk management process with defined policies, accountability and routine reporting to manage credit risk in the loan portfolio segments. Credit risk management is guided by credit policies that provide for a consistent and prudent approach to underwriting and approval of credits. Within the Loan Policy, procedures exist that elevate the approval requirements as credits become larger and more complex. All loans are individually underwritten, risk-rated, approved, and monitored.

Responsibility and accountability for adherence to underwriting policies and accurate risk ratings lie in each portfolio segment. For the consumer portfolio segment, the risk management process focuses on managing customers who become delinquent in their payments. For the commercial and real estate portfolio segments, the risk management process focuses on underwriting new business and, on an ongoing basis, monitoring the credit of the portfolios, including a third party review of the largest credits on an annual basis or more frequently as needed. Credit quality and trends in the loan portfolio segments are measured and monitored regularly. Detailed reports, by product, collateral, accrual status, etc., are reviewed by the Directors Loan Committee.

The allowance for loan losses is a valuation reserve allowance established through provisions for loan losses charged against income. The allowance for loan losses, which is evaluated quarterly, is maintained at a level that management deems sufficient to absorb probable losses inherent in the loan portfolio. Loans deemed to be uncollectible are charged against the allowance for loan losses, while recoveries of previously charged-off amounts are credited to the allowance for loan losses. The allowance for loan losses is comprised of specific valuation allowances for loans evaluated individually for impairment, general allocations for pools of homogeneous loans with similar risk characteristics and trends, and an unallocated component that reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

The allowance for loan losses related to specific loans is based on management's estimate of potential losses on impaired loans as determined by (1) the present value of expected future cash flows; (2) the fair value of collateral if the loan is determined to be collateral dependent or (3) the loan's observable market price. The Company's homogeneous loan pools include residential 1-4 family loans, commercial real estate and multi-family loans, construction and land loans, commercial loans, and consumer and other loans. The general allocations to these loan pools are based on the historical loss rates for specific loan types and the internal risk grade, if applicable, adjusted for both internal and external qualitative risk factors. The qualitative factors considered by management include, among other factors, (1) changes in local and national economic conditions; (2) changes in asset quality; (3) changes in loan portfolio volume; (4) the composition and concentrations of credit; (5) the impact of competition on loan structuring and pricing; (6) the impact of interest rate changes on portfolio risk and (7) effectiveness of the Company's loan policies, procedures and internal controls. The total allowance established for each homogeneous loan pool represents the product of the historical loss ratio and the total dollar amount of the loans in the pool.

NOTE 5. LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

Credit Risk Management (Continued)

The following tables detail activity in the allowance for loan losses by portfolio segment for the years ended December 31, 2016 and 2015 (in thousands). Allocation of a portion of the allowance to one category of loans does not preclude its availability to absorb losses in other categories.

	Residential 1-4 Family	Commercial Real Estate and Multi-Family	Construction and Land	Commercial	Consumer and Other	Unallocated	Total
Balance, December 31, 2014	$1,111	$1,235	$ 624	$313	$ 501	$ 131	$3,915
Provision (reallocation) for loan losses	(34)	67	(33)	19	237	48	304
Loans charged-off	(54)	-	(164)	(14)	(231)	-	(463)
Recoveries	21	-	141	-	59	-	221
Balance, December 31, 2015	1,044	1,302	568	318	566	179	3,977
Provision (reallocation) for loan losses	118	183	(312)	233	237	(147)	312
Loans charged-off	(54)	-	(158)	(8)	(206)	-	(426)
Recoveries	6	-	200	1	79	-	286
Balance, December 31, 2016	$1,114	$1,485	$ 298	$544	$ 676	$ 32	$4,149

The composition of loans by primary loan classification as well as impaired and performing loan status at December 31, 2016 and 2015, is summarized in the tables below (in thousands):

	Year Ending December 31, 2016						
	Residential 1-4 Family	Commercial Real Estate and Multi-Family	Construction and Land	Commercial	Consumer and Other	Unallocated	Total
Specified reserves – impaired loans	$ 231	$ 88	$ 5	$ 91	$ 63	$ -	$ 478
General reserves	883	1,397	293	453	613	32	3,671
Total reserves	$ 1,114	$ 1,485	$ 298	$ 544	$ 676	$ 32	$ 4,149
Impaired loans	$ 2,549	$ 321	$ 43	$ 1,616	$ 255	$ -	$ 4,784
Performing loans	97,995	102,903	26,117	21,174	37,482	-	285,671
Total loans	$100,544	$103,224	$26,160	$22,790	$37,737	$ -	$290,455

	Year Ending December 31, 2015						
	Residential 1-4 Family	Commercial Real Estate and Multi-Family	Construction and Land	Commercial	Consumer and Other	Unallocated	Total
Specified reserves – impaired loans	$ 155	$ 78	$ 241	$ 13	$ 48	$ -	$ 535
General reserves	889	1,224	327	305	518	179	3,442
Total reserves	$ 1,044	$ 1,302	$ 568	$ 318	$ 566	$179	$ 3,977
Impaired loans	$ 2,448	$ 406	$ 1,795	$ 1,731	$ 227	$ -	$ 6,607
Performing loans	95,396	96,783	20,472	14,224	29,379	-	256,254
Total loans	$97,844	$97,189	$22,267	$15,955	$29,606	$ -	$262,861

NOTE 5. LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

Credit Risk Management (Continued)

A description of the general characteristics of the risk grades used by the Company is as follows:

Pass: Loans in this risk category include borrowers of acceptable to strong credit quality and risk who have the apparent ability to satisfy their loan obligations. Loans in this risk grade would possess sufficient mitigating factors, such as adequate collateral or strong guarantors possessing the capacity to repay the debt if required, for any weakness that may exist.

Special Mention: Loans in this risk grade are the equivalent of the regulatory definition of "Other Assets Especially Mentioned" classification. Loans in this category possess some credit deficiency or potential weakness, which requires a high level of management attention. Potential weaknesses include declining trends in operating earnings and cash flows and/or reliance on the secondary source of repayment. If left uncorrected, these potential weaknesses may result in noticeable deterioration of the repayment prospects for the asset or in the Company's credit position.

Substandard: Loans in this risk grade are inadequately protected by the borrower's current financial condition and payment capability or the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the orderly repayment of debt. They are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.

Doubtful: Loans in this risk grade have all weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or orderly repayment in full, on the basis of current existing facts, conditions and values, highly questionable and improbable. Possibility of loss is extremely high, but because of certain important and reasonably specific factors that may work to the advantage and strengthening of the exposure, its classification as an estimated loss is deferred until its more exact status may be determined.

Loss: Loans in this risk grade are considered to be non-collectible and of such little value that their continuance as bankable assets is not warranted. This does not mean the loan has absolutely no recovery value, but rather it is neither practical nor desirable to defer writing off the loan, even though partial recovery may be obtained in the future. Charge-offs against the allowance for loan losses are taken in the period in which the loan becomes uncollectible. Consequently, the Company typically does not maintain a recorded investment in loans within this category.

When the Company classifies an asset as substandard or doubtful, a specific allowance for loan losses may be established.

The following table outlines the amount of each loan classification and the amount categorized into each risk rating as of December 31, 2016 and December 31, 2015 (in thousands):

	Year Ending December 31, 2016					
	Residential 1-4 Family	Commercial Real Estate and Multi-Family	Construction and Land	Commercial	Consumer and Other	Total
Pass	$ 96,079	$102,903	$26,013	$21,174	$37,162	$283,331
Special mention	1,916	-	104	-	320	2,340
Substandard	2,549	321	43	1,616	255	4,784
Total	$100,544	$103,224	$26,160	$22,790	$37,737	$290,455

NOTE 5. LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

Credit Risk Management (Continued)

	Year Ending December 31, 2015					
	Residential 1-4 Family	Commercial Real Estate and Multi-Family	Construction and Land	Commercial	Consumer and Other	Total
Pass	$93,422	$96,783	$20,388	$14,217	$29,148	$253,958
Special mention	1,974	-	84	7	231	2,296
Substandard	2,448	406	1,795	1,731	227	6,607
Total	$97,844	$97,189	$22,267	$15,955	$29,606	$262,861

Past Due Loans

A loan is considered past due if any required principal and interest payments have not been received as of the date such payments were required to be made under the terms of the loan agreement. Generally, management places loans on nonaccrual when there is a clear indication that the borrower's cash flow may not be sufficient to meet payments as they become due, which is generally when a loan is 120 days past due. The following tables present the aging of the recorded investment in loans as of December 31, 2016 and 2015 (in thousands):

	Year Ending December 31, 2016					
	Past Due 30-89 Days and Accruing	Past Due 90 Days or More and Accruing	Nonaccrual	Total Past Due	Current Loans	Total Loans
Residential 1-4 family	$ 329	$ -	$ 744	$1,073	$ 99,471	$100,544
Commercial real estate and multi-family	-	-	67	67	103,157	103,224
Construction and land	59	-	28	87	26,073	26,160
Commercial	-	-	-	-	22,790	22,790
Consumer and other	178	7	119	304	37,433	37,737
Total	$566	$ 7	$ 958	$1,531	$288,924	$290,455

	Year Ending December 31, 2015					
	Past Due 30-89 Days and Accruing	Past Due 90 Days or More and Accruing	Nonaccrual	Total Past Due	Current Loans	Total Loans
Residential 1-4 family	$131	$ 23	$ 888	$1,042	$ 96,802	$ 97,844
Commercial real estate and multi-family	-	-	76	76	97,113	97,189
Construction and land	135	-	1,586	1,721	20,546	22,267
Commercial	-	-	8	8	15,947	15,955
Consumer and other	77	-	72	149	29,457	29,606
Total	$343	$ 23	$2,630	$2,996	$259,865	$262,861

NOTE 5. LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

Impaired Loans

A loan held for investment is considered impaired when based on current information and events, it is probable that the Company will be unable to collect all amounts due (both principal and interest) according to the terms of the loan agreement. The following tables detail impaired loans, by portfolio segment as of December 2016 and 2015 (in thousands):

	As of December 31, 2016			For the Year Ended December 31, 2016	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Impaired loans without a valuation allowance:					
Residential 1-4 family	$1,094	$1,094	$ -	$1,418	$123
Commercial real estate and multi-family	66	66	-	139	4
Construction and land	28	28	-	98	1
Commercial	14	14	-	11	6
Consumer and other	98	98	-	59	5
Total	1,300	1,300	-	1,725	139
Impaired loans with a valuation allowance:					
Residential 1-4 family	1,455	1,455	231	1,081	6
Commercial real estate and multi-family	255	255	88	225	14
Construction and land	15	15	5	822	-
Commercial	1,602	1,602	91	1,663	82
Consumer and other	157	157	63	182	-
Total	3,484	3,484	478	3,973	102
Total impaired loans	$4,784	$4,784	$478	$5,698	$241

	As of December 31, 2015			For the Year Ended December 31, 2015	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Impaired loans without a valuation allowance:					
Residential 1-4 family	$1,700	$2,092	$ -	$1,618	$146
Commercial real estate and multi-family	211	211	-	219	11
Construction and land	167	692	-	200	10
Commercial	8	8	-	19	3
Consumer and other	62	62	-	52	8
Total	2,148	3,065	-	2,108	178

NOTE 5. LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

Impaired Loans (Continued)

	As of December 31, 2015			For the Year Ended December 31, 2015	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Impaired loans with a valuation allowance:					
Residential 1-4 family	$ 748	$ 748	$155	$ 917	$ -
Commercial real estate and multi-family	195	195	78	239	14
Construction and land	1,628	1,628	241	464	-
Commercial	1,723	1,723	13	1,742	87
Consumer and other	165	165	48	181	-
Total	4,459	4,459	535	3,543	101
Total impaired loans	$6,607	$7,524	$535	$5,651	$279

Troubled Debt Restructurings

At December 31, 2016 and 2015, impaired loans included loans that were classified as Troubled Debt Restructurings ("TDRs"). The restructuring of a loan is considered a TDR if both (i) the borrower is experiencing financial difficulties and (ii) the creditor has granted a concession.

The following tables present a summary of loans that were modified as troubled debt restructurings during the years ended December 31, 2016 and 2015 (in thousands):

	Year Ended December 31, 2016		
	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Consumer and other	1	$4	$4

	Year Ended December 31, 2015		
	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Consumer and other	7	$19	$19

The Company did not have any loans that were modified as troubled debt restructurings during the year ended December 31, 2016, for which there was a subsequent payment default during the year. The following table presents a summary of loans that were modified as troubled debt restructurings during the year ended December 31, 2015, for which there was a subsequent payment default during the year (in thousands).

	Year Ended December 31, 2015	
	Number of Loans	Outstanding Recorded Investment at Default
Consumer and other	1	$3

NOTE 6. PREMISES AND EQUIPMENT

A summary of the Company's premises and equipment is as follows:

	December 31, 2016	December 31, 2015
Land	$ 1,805,680	$ 1,031,580
Buildings	7,371,451	5,767,791
Leasehold improvements	180,462	119,887
Equipment	6,119,371	5,079,539
Automobiles	33,805	33,805
Construction in progress	36,808	125,499
	15,547,577	12,158,101
Less accumulated depreciation	(8,010,685)	(7,895,916)
	$ 7,536,892	$ 4,262,185

Depreciation expense amounted to $631,141 and $526,797 for the years ended December 31, 2016 and 2015, respectively.

NOTE 7. TIME DEPOSITS

The aggregate amount of time deposits in denominations of $250,000 or more were $17,035,875 and $14,514,322 at December 31, 2016 and 2015, respectively. Deposit accounts are federally insured up to $250,000 per depositor.

At December 31, 2016, the scheduled maturities of time deposits are as follows:

2017	$ 69,356,290
2018	29,715,198
2019	8,980,726
2020	9,453,003
2021	12,452,422
	$129,957,639

NOTE 8. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

Securities sold under agreements to repurchase averaged approximately $1,268,000 and $1,205,000 for the years ended December 31, 2016 and 2015, respectively.

NOTE 9. FEDERAL HOME LOAN BANK ADVANCES

The schedule of advances from the Federal Home Loan Bank at December 31, 2016 and 2015, is as follows:

Date of Advance	Interest Rate	Final Maturity Date	2016	2015
December 29, 2015	0.38%	January 12, 2016	$ -	$10,000,000
			$ -	$10,000,000

NOTE 9. FEDERAL HOME LOAN BANK ADVANCES (Continued)

Pursuant to collateral agreements with the FHLB, the advances and letters of credit described below are secured by the Bank's FHLB stock and qualifying first mortgage loans. At December 31, 2016, the Bank had no pledged collateral requirements with the FHLB. Pledged collateral requirements with the FHLB totaled approximately $48,369,000 as of December 31, 2015.

The Bank has a Standby Letter of Credit for Public Unit Deposit Collateralization Line with the FHLB which provides an alternative for the Bank instead of pledging securities to public depositors. This line of credit is also secured by the same collateral described above. There were no letters of credit outstanding as of December 31, 2016. Letters of credit outstanding as of December 31, 2015, were $27,000,000.

NOTE 10. REGULATORY MATTERS

The Bank is subject to various regulatory capital requirements administered by federal and state banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Federal and state banking agencies have adopted regulations that substantially amend the capital regulations currently applicable. The regulations implement the Basel III regulatory capital reforms and changes required by the Dodd-Frank Act.

Effective January 1, 2015 (with some changes transitioned into full effectiveness over two to four years), the Bank became subject to new capital requirements that created a new required ratio for common equity Tier I capital, increased the leverage and Tier I capital ratios, changed the risk weight of certain assets for purposes of the risk-based capital ratios, created an additional capital conservation buffer over the required capital ratios and changed what qualified as capital for purposes of meeting these various capital requirements. Beginning in 2016, failure to maintain the required capital conservation buffer limits the ability of the Bank to pay dividends, repurchase shares or pay discretionary bonuses. The Company is exempt from consolidated capital requirements as those requirements do not apply to certain small bank holding companies with assets under $1 billion.

Under the current capital regulations, the minimum capital ratios are: (1) common equity Tier I capital ratio of 4.5% of risk-weighted assets, (2) a Tier I capital ratio of 6.0% of risk-weighted assets, (3) a total capital ratio of 8.0% of risk-weighted assets, and (4) a Tier I capital to average assets ratio of 4.0%. Common equity Tier I capital generally consists of common stock and retained earnings, subject to applicable regulatory adjustments and deductions.

There are a number of changes in what constitutes regulatory capital, some of which are subject to transition periods. These changes include the phasing-out of certain instruments as qualifying capital. The Bank does not use any of these instruments. Under the new requirements for total capital, Tier II capital is no longer limited to the amount of Tier I capital included in total capital. Mortgage servicing rights, certain deferred tax assets and investments in unconsolidated subsidiaries over designated percentages of common equity Tier I capital will be deducted from capital. The Bank has elected to permanently opt-out of the inclusion of accumulated other comprehensive income in its capital calculations, as permitted by the regulations. This opt-out reduces the impact of market volatility on regulatory capital levels.

NOTE 10. REGULATORY MATTERS (Continued)

The new requirements also included changes in the risk-weights of assets to better reflect credit risk and other risk exposures. These included a 150% risk weight (increased from 100%) for certain high volatility commercial real estate acquisition, development and construction loans and for non-residential mortgage loans that are 90 days past due or otherwise in non-accrual status; a 20% (increased from 0%) credit conversion factor for the unused portion of a commitment with an original maturity of one year or less that is not unconditionally cancellable; a 250% risk weight (increased from 100%) for mortgage servicing and deferred tax assets that are not deducted from capital; and increased risk weights (0% to 600%) for equity exposures.

In addition to the minimum common equity Tier I, Tier I and total capital ratios, the Bank will have to maintain a capital conservation buffer consisting of additional common equity Tier I capital greater than 2.5% to risk weighted assets above the required minimum levels in order to avoid limitations on paying dividends, engaging in share repurchases, and paying discretionary bonuses based on percentages of eligible retained income that could be utilized for such actions. This new capital conservation buffer requirement was phased in beginning in January 2016 at 0.635% of risk-weighted assets and increases each year until fully implemented in January 2019.

The prompt corrective action standards also changed effective January 1, 2015. Under the new standards, in order to be considered well-capitalized, the Bank must have a common equity Tier I ratio of 6.5% (new), a Tier I ratio of 8.0% (increased from 6.0%), a total risk-based capital ratio of 10.0% (unchanged) and a leverage ratio of 5.0% (unchanged). The Bank meets these requirements, including the full capital conservation buffer.

As of December 31, 2016, the Bank was well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since December 31, 2016, that management believes have changed the Bank's category.

The Bank's actual capital amounts and ratios as of December 31, 2016 and 2015, are presented in the following:

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2016:						
Total capital (to risk-weighted assets)	$51,249	18.5%	$22,185	8.0%	$27,731	10.0%
Tier I capital (to risk-weighted assets)	47,774	17.2%	16,639	6.0%	22,185	8.0%
Common equity Tier I capital (to risk-weighted assets)	47,774	17.2%	12,479	4.5%	18,025	6.5%
Tier I capital (to average assets)	47,774	11.1%	17,256	4.0%	21,570	5.0%
As of December 31, 2015:						
Total capital (to risk-weighted assets)	$41,725	17.6%	$18,981	8.0%	$23,726	10.0%
Tier I capital (to risk-weighted assets)	38,747	16.3%	14,236	6.0%	18,981	8.0%
Common equity Tier I capital (to risk-weighted assets)	38,747	16.3%	10,677	4.5%	15,422	6.5%
Tier I capital (to average assets)	38,747	12.1%	12,803	4.0%	16,003	5.0%

NOTE 11. INCOME TAXES

Net deferred tax assets consist of the following components as of December 31, 2016 and December 31, 2015:

	December 31,	
	2016	2015
Deferred tax assets:		
Allowance for loan losses	$ 773,820	$ 668,004
Deferred compensation	1,381,337	1,222,186
Executive benefit plan	62,503	69,489
Other	597,942	526,875
	2,815,602	2,486,554
Deferred tax liabilities:		
FHLB stock dividends	375,510	375,510
Depreciable assets	533,533	359,806
Other	399,982	544,913
	1,309,025	1,280,229
Net deferred tax assets	$1,506,577	$1,206,325

The provision for income taxes charged to income for the years ended December 31, 2016 and 2015, consists of the following:

	Years Ended December 31,	
	2016	2015
Current tax expense	$1,544,022	$1,575,631
Deferred expense	81,758	(126,508)
Provision for income taxes	$1,625,780	$1,449,123

The income tax provision is less than the expected tax provision computed by multiplying income before income taxes by the statutory federal income tax rates. The reasons for this difference are as follows:

	Years Ended December 31,			
	2016	%	2015	%
Expected tax at statutory rates	$1,633,000	34.00	$1,468,000	34.00
Tax-exempt earnings on life insurance policies	(100,102)	(2.08)	(100,619)	(2.33)
Tax-exempt interest	(108,040)	(2.25)	(117,047)	(2.71)
State income taxes, net of federal income tax benefit	206,077	4.29	185,266	4.29
Other	(5,155)	(0.11)	13,523	0.31
Provision for income taxes	$1,625,780	33.85	$1,449,123	33.56

NOTE 12. EMPLOYEE BENEFITS

401(k) Plan

The Bank has adopted a 401(k) plan covering substantially all employees. Employees are allowed to contribute up to 75% of earnings and, in addition, the Bank will match a portion of the employees' contributions. The expenses incurred by the Bank for the plan totaled $287,713 and $254,141 for the years ended December 31, 2016 and 2015, respectively.

2010 Equity Incentive Plan

The Athens Bancshares Corporation 2010 Equity Incentive Plan (the "2010 Plan") was approved by the Company's stockholders at the annual meeting of stockholders held on July 14, 2010. Under the terms of the 2010 Plan, the Company may grant restricted stock awards and stock options to its employees, officers, and directors. The purpose of the 2010 Plan is to promote the success of the Company by linking the personal interests of its employees, officers, and directors to the interest of the Company's shareholders, and by providing participants with an incentive for remarkable performance. All of the Company's employees, officers, and directors are eligible to participate in the 2010 Plan.

Under terms of the 2010 Plan, the Company is authorized to issue up to 277,725 stock options and up to 111,090 shares of restricted stock.

Stock Options:

The Company granted stock options to its directors, officers, and employees on December 15, 2010 and December 17, 2014. Both incentive stock options and non-qualified stock options were granted under the 2010 Plan. The exercise price for each option was equal to the market price of the Company's stock on the date of grant and the maximum term of each option is ten years. The vesting period for all options is five years, pro rata, from the date of grant. The Company recognizes compensation expense over the vesting period, based on the grant-date fair value of the options granted. The fair value of each option granted is estimated on the date of grant using the Black-Scholes option-pricing model. For the year ended December 31, 2016 and 2015, the Company recorded stock compensation expense of $41,743 and $95,894, respectively. At December 31, 2016, the total remaining compensation cost to be recognized on non-vested options is approximately $125,000.

A summary of the activity in the 2010 Plan for the years ended December 31, 2016 and 2015, is presented in the following table:

	2016		2015	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding at beginning of year	249,755	$13.78	270,584	$13.60
Options exercised	-	N/A	(20,829)	11.50
Outstanding at end of year	249,755	$13.78	249,755	$13.78
Option exercisable at year end	224,757	$12.51	216,425	$12.03

NOTE 12. EMPLOYEE BENEFITS (Continued)

2010 Equity Incentive Plan (Continued)

Stock Options: (Continued)

The aggregate intrinsic value of options outstanding at December 31, 2016, is $5,237,271. There were no options exercised during the year ended December 31, 2016. Intrinsic value of options exercised during the year ended December 31, 2015, was $317,642, respectively.

Other information regarding options outstanding and exercisable as of December 31, 2016, is as follows:

	Options Outstanding			Options Exercisable	
Exercise Prices	Number Outstanding	Weighted Average Remaining Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$11.50	208,092	4.0 Years	$11.50	208,092	$11.50
25.17	41,663	8.0 Years	25.17	16,665	25.17
Outstanding at end of year	249,755				

Information pertaining to non-vested options for the year ended December 31, 2016, is as follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Non-vested options, December 31, 2015	33,330	$5.57
Vested	(8,332)	$5.57
Non-vested options, December 31, 2016	24,998	$5.57

Restricted Stock:

On January 19, 2011, the Company awarded 94,426 shares of restricted stock to its directors, officers, and employees pursuant to the terms of the 2010 Plan. Compensation expense associated with the performance-based share awards is recognized over the time period that the restrictions associated with the awards lapse based on the total cost of the award, which is the fair market value of the stock on the date of the grant. The closing price on the date of the grants issued on January 19, 2011, was $12.75 per share.

On December 19, 2012, the Company awarded 16,664 shares of restricted stock to its officers and employees pursuant to the terms of the 2010 Plan. The closing price on the date of the grants issued on December 19, 2012, was $16.65.

The Company recognized $55,491 and $296,277 in compensation expense attributable to shares that have been awarded for the years ended December 31, 2016 and 2015, respectively. At December 31 2016, the total remaining compensation cost to be recognized on non-vested restricted stock is approximately $55,000.

NOTE 12. EMPLOYEE BENEFITS (Continued)

2010 Equity Incentive Plan (Continued)

Restricted Stock: (Continued)

A summary of activity for unvested restricted awards for the year ended December 31, 2016, is as follows:

	Number	Grant Date Weighted Average Cost
Unvested at December 31, 2015	25,551	$13.76
Restrictions lapsed and shares released	(22,218)	$13.34
Unvested at December 31, 2016	3,333	$16.65

Employee Stock Ownership Plan (ESOP)

The Bank sponsors a leveraged ESOP that covers substantially all employees who meet certain age and eligibility requirements. The ESOP purchased 222,180 shares with the proceeds of a 15 year loan from the Company which is payable in annual installments and bears interest at 3.25% per annum.

The Bank has committed to make contributions to the ESOP sufficient to support the debt service of the loan. The loan is secured by the unallocated shares, which are held in a suspense account, and are allocated among the participants as the loan is repaid. Cash dividends paid on allocated shares are distributed to the participant and cash dividends paid on unallocated shares are used to repay the outstanding debt of the ESOP.

ESOP shares are held by the plan trustee in a suspense account until allocated to participant accounts. Shares released from the suspense account are allocated to participants on the basis of their relative compensation in the year of allocation. Participants become vested in the allocated shares upon four years of employment with the Bank. Any forfeited shares are allocated to other participants in the same proportion as contributions.

As ESOP shares are allocated to participants, the Bank recognizes compensation expense equal to the fair value of the earned ESOP shares. Total compensation expense for the years ended December 31, 2016 and 2015, respectively, was $402,146 and $398,887.

A detail of ESOP shares is as follows:

	December 31, 2016	December 31, 2015
Allocated shares	103,684	88,872
Unallocated shares	118,496	133,308
Total ESOP Shares	222,180	222,180
Fair value of unreleased shares	$4,117,736	$3,299,373

NOTE 12. EMPLOYEE BENEFITS (Continued)

Executive Benefit Plans

The Company has employment agreements with three of its executive officers for post-retirement compensation and other related benefits. As of December 31, 2016 and 2015, the net present value liability of these benefits was approximately $2,633,000 and $2,148,000, respectively. The expenses incurred by the Company for these executive benefits totaled $485,016 and $358,941 for the years ended December 31, 2016 and 2015, respectively.

The Bank has an agreement with its former president that resulted in a net present value liability of $163,235 and $181,479 at December 31, 2016 and 2015, respectively. The expenses incurred by the Bank for such benefits were $10,347 and $12,036 for the years ended December 31, 2016 and 2015, respectively.

NOTE 13. DEFERRED COMPENSATION

The Bank has established deferred compensation plans for the benefit of its board of directors. Under the plans, any director electing to defer directors' fees will be entitled to receive the accumulated benefits, including interest earned, over a period of five to fifteen years following retirement. The Bank recognizes the liability for these benefits over the service period. As of December 31, 2016 and December 31, 2015, the liability for these benefits was $257,898 and $345,612, respectively. The expenses incurred by the Bank for these plans totaled $2,742 and $3,518 for the years ended December 31, 2016 and 2015, respectively. The Bank, utilizing bank owned life insurance, has insured the lives of certain directors who participate in the deferred compensation plans to assist in the funding of the deferred compensation liability. The Bank is the owner and beneficiary of the insurance policies.

NOTE 14. FAIR VALUE DISCLOSURES

Determination of Fair Value

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with ASC Topic 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 upon quoted market prices. 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.

NOTE 14. FAIR VALUE DISCLOSURES

Fair Value Hierarchy

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

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

Level 2 - Valuation is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 - Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and 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. There have been no changes in the methodologies used at December 31, 2016 and 2015.

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

Cash and Cash Equivalents: The carrying amounts of cash and cash equivalents approximate fair values based on the short-term nature of the assets.

Securities Available for Sale: Fair values are estimated using pricing models and discounted cash flows that consider standard input factors such as observable market data, benchmark yields, interest rate volatilities, broker/dealer quotes, and credit spreads. Securities classified as available for sale are reported at fair value utilizing Level 2 inputs.

Investments, at Cost: The carrying value of investments at cost is a reasonable estimate of fair value.

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

Loans: The fair value of loans is calculated by discounting scheduled cash flows through the estimated maturity using estimated market discount rates, adjusted for credit risk and servicing costs. The estimate of maturity is based on the Company's historical experience with repayments for each loan classification, modified, as required, by an estimate of the effect of current economic and lending conditions. Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement are considered impaired. Once a loan is identified as individually impaired, management measures impairment in accordance with ASC Topic 310, *Accounting by Creditors for Impairment of a Loan.*

NOTE 14. FAIR VALUE DISCLOSURES (Continued)

Fair Value Hierarchy (Continued)

Deposits: The fair value of deposits with no stated maturity, such as noninterest-bearing demand deposits and NOW, money market, and savings accounts, is equal to the amount payable on demand at the reporting date. The fair value of time deposits is based on the discounted value of contractual cash flows. The discount rate is estimated using the rates currently offered for deposits of similar remaining maturities.

Securities Sold under Agreements to Repurchase: The carrying value of these liabilities, which are extremely short term, approximates their fair value.

Federal Home Loan Bank Advances and Note Payable to Bank: Rates currently available to the Company for debt with similar terms and remaining maturities are used to estimate the fair value of existing debt.

Assets Measured at Fair Value on a Recurring Basis: Assets measured at fair value on a recurring basis are summarized below (in thousands):

	Balance as of December 31, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Securities available for sale:				
Securities of U.S. Government agencies and corporations	$ 1,439	$ -	$ 1,439	$ -
Mortgage-backed and related securities	52,397	-	52,397	-
State and municipal securities	11,052	-	11,052	-
Total securities available for sale	$64,888	$ -	$64,888	$ -

	Balance as of December 31, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Securities available for sale:				
Securities of U.S. Government agencies and corporations	$ 1,538	$ -	$ 1,538	$ -
Mortgage-backed and related securities	10,369	-	10,369	-
State and municipal securities	13,061	-	13,061	-
Total securities available for sale	$24,968	$ -	$24,968	$ -

The Company has no assets or liabilities whose fair values are measured on a recurring basis using Level 3 inputs.

NOTE 14. FAIR VALUE DISCLOSURES (Continued)

Fair Value Hierarchy (Continued)

Assets Measured at Fair Value on a Nonrecurring Basis: Under certain circumstances management makes adjustments to fair value for assets and liabilities although they are not measured at fair value on an ongoing basis. The following tables present the financial instruments carried on the consolidated balance sheets by caption and by level in the fair value hierarchy, for which a nonrecurring change in fair value has been recorded (in thousands):

	Balance as of December 31, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Impaired loans	$3,006	$ -	$1,440	$1,566
Foreclosed real estate	961	-	-	961

	Balance as of December 31, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Impaired loans	$3,924	$ -	$2,231	$1,693
Foreclosed real estate	1,098	-	-	1,098

Impaired Loans: Loans considered impaired under ASC 310-10-35, *Receivables*, are loans for which, based on current information and events, it is probable that the Company will be unable to collect all principal and interest payments due in accordance with the contractual terms of the loan agreement. Impaired loans can be measured based on the present value of expected payments using the loan's original effective rate as the discount rate, the loan's observable market price, or the fair value of the collateral less selling costs if the loan is collateral dependent.

The fair value of impaired loans were primarily measured based on the value of the collateral securing these loans. Collateral may be real estate and/or business assets including equipment, inventory, and/or accounts receivable. The Company determines the value of the collateral based on independent appraisals performed by qualified licensed appraisers. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Appraised values are discounted for costs to sell and may be discounted further based on management's historical knowledge, changes in market conditions from the date of the most recent appraisal, and/or management's expertise and knowledge of the customer and the customer's business. Such discounts by management are subjective and are typically significant unobservable inputs for determining fair value. Impaired loans are reviewed and evaluated on at least a quarterly basis for additional impairment and adjusted accordingly, based on the same factors discussed above.

Foreclosed Assets: Foreclosed real estate, consisting of properties obtained through foreclosure or in satisfaction of loans, is initially recorded at fair value less estimated costs to sell upon transfer of the loan to other real estate. Subsequently, other real estate is carried at the lower of carrying value or fair value less costs to sell. Fair values are generally based on third party appraisals of the property and are classified within Level 3 of the fair value hierarchy. The appraisals are sometimes further discounted based on management's historical knowledge, and/or changes in market conditions from the date of the most recent appraisal, and/or management's expertise and knowledge of the customer and the customer's business. Such discounts are typically significant unobservable inputs for determining fair value. In cases where the carrying amount exceeds the fair value, less cost to sell, a loss is recognized in noninterest expense.

NOTE 14. FAIR VALUE DISCLOSURES (Continued)

Fair Value Hierarchy (Continued)

The carrying amount and estimated fair value of the Company's financial instruments at December 31, 2016 and 2015, are as follows (in thousands):

	December 31, 2016		December 31, 2015	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets:				
Cash and cash equivalents	$ 58,625	$ 58,625	$ 17,543	$ 17,543
Securities available for sale	64,888	64,888	24,968	24,968
Investments, at cost	4,470	4,470	4,005	4,005
Loans, net	285,218	286,342	257,886	257,668
Accrued interest receivable	1,114	1,114	949	949
Liabilities:				
Deposits	377,400	379,595	261,772	263,497
Securities sold under agreements to repurchase	1,685	1,685	1,390	1,390
Federal Home Loan Bank advances	-	-	10,000	10,000
Note payable to bank	7,500	7,500	-	-
Accrued interest payable	234	234	119	119

NOTE 15. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Bank grants loans to principal officers and directors and their affiliates. The Bank is prohibited from making loans or extensions of credit to executive officers and directors at different rates or terms than those offered to the general public. Notwithstanding this rule, federal regulations permit the Bank to make loans to executive officers at reduced interest rates if the loan is made under a benefit program generally available to all other employees and does not give preference to any executive officer over any other employee. All Bank employees are provided a reduction in their interest rate of approximately 1.00%. Other than a reduced interest rate, the loans are made on substantially the same terms as those prevailing at the time for comparable transactions with other persons. Directors do not participate in this benefit program. Loans to directors are substantially on the same rates and terms offered to the general public. Further, in management's opinion, these loans did not involve more than normal risk of collectability or present other unfavorable features.

Activity for the years ended December 31, 2016 and 2015, consisted of the following:

	2016	2015
Beginning balance	$ 737,377	$ 379,875
New loans	433,368	660,447
Repayments	(456,583)	(302,945)
Ending balance	$ 714,162	$ 737,377

The Bank held related party deposits of $3,486,915 and $3,670,712 at December 31, 2016 and 2015, respectively.

NOTE 16. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

The Company is 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 include commitments to extend credit and standby letters of credit. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recorded in the accompanying consolidated balance sheets. Such financial instruments are recorded when they are funded.

The Company's exposure to credit loss in the event of nonperformance by the counterparty to the financial instruments for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. The Company uses the same credit policies in making such commitments as it does for instruments that are included in the balance sheet.

At December 31, 2016 and 2015, commitments under standby letters of credit were approximately \$1,252,000 and \$106,000, respectively. Undisbursed loan commitments aggregated approximately \$37,445,000 and \$32,954,000 at December 31, 2016 and 2015, respectively.

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 Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation. Collateral held varies but may include accounts receivable, inventory, property and equipment, and income-producing commercial properties.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Standby letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company's policy for obtaining collateral, and the nature of such collateral, is essentially the same as that involved in making commitments to extend credit.

The Company has not been required to perform on any financial guarantees during any of the periods presented. The Company did not incur any losses on its commitments for the years ended December 31, 2016 and 2015.

NOTE 17. EARNINGS PER COMMON SHARE

The following is a summary of the basic and diluted earnings per share for the years ended December 31, 2016 and 2015:

	2016	2015
Basic earnings per share calculation:		
Numerator: Net income	\$3,177,887	\$2,869,440
Denominator: Weighted average common shares outstanding	1,655,950	1,654,873
Effect of dilutive stock options	122,534	126,876
Diluted shares	1,778,484	1,781,749
Basic earnings per share	\$1.92	\$1.73
Diluted earnings per share	\$1.79	\$1.61

NOTE 18. OTHER BORROWINGS

During April of 2016, the Company executed a note payable with CapStar Bank in the amount of $7,500,000. This note is secured by a pledge of 100% of the common stock and equity of the Company's subsidiary, Athens Federal Community Bank, National Association. Quarterly interest payments are required based on Prime Rate subject to the lender's applicable floor, and plus (or minus) the applicable credit margin, as defined in the loan agreement (3.25% at December 31, 2016). Beginning on July 1, 2017, quarterly principal payments are required with all remaining unpaid principal and interest due at maturity on April 1, 2021.

At December 31, 2016, the note payable to bank is due as follows:

2017	$ 276,000
2018	639,000
2019	804,000
2020	1,011,000
2021	4,770,000
	$7,500,000

During April of 2016, the Company entered into a line of credit agreement with CapStar Bank totaling $500,000. This line of credit agreement is secured by a pledge of 100% of the common stock and equity of Athens Federal Community Bank, National Association. The interest rate on amounts outstanding under the line of credit agreement is based on Prime Rate subject to the lender's applicable floor, and plus (or minus, as applicable) the line of credit margin (3.25% at December 31, 2016). This agreement is set to mature on April 1, 2017. At December 31, 2016, there was no amount outstanding under this line of credit.

The note payable and line of credit agreements with CapStar Bank contain both financial and nonfinancial covenants. The financial covenants are tied to Bank capital ratios and performance ratios including non-performing assets, Texas ratio, liquidity ratio, ALLL/Loans and other performance indicators. At December 31, 2016, the Company was in compliance with all applicable covenants.

NOTE 19. PURCHASE OF BANK BRANCHES

On April 26, 2016, the Company acquired four bank branches from Atlantic Capital Bank, dba FSG Bank (FSG). The acquired assets and liabilities were recorded at their fair values on the date of acquisition.

The following table summarizes the estimated fair values of FSG's assets acquired and liabilities assumed at the date of acquisition.

Assets acquired:	
Cash and cash equivalents	$73,350,486
Loans	9,764,848
Premises and equipment	3,039,177
Core deposit intangible	3,636,598
Total assets acquired	$89,791,109
Liabilities assumed:	
Deposits	$89,791,109
Total liabilities assumed	$89,791,109

The core deposit intangible is being amortized over a period of 10 years and had a balance of $3,394,159 at December 31, 2016. Related amortization expense was $242,439 for the year ended December 31, 2016.