HIBERNIA
BANCORP, INC.

# FINANCIAL STATEMENTS

## FOR THE YEAR ENDED
## DECEMBER 31, 2016

## Contents


**Report of Independent Registered Public Accounting Firm** 1 - 2

**Consolidated Financial Statements**

Consolidated Balance Sheets 2

Consolidated Statements of Income 3

Consolidated Statements of Comprehensive Income 4

Consolidated Statements of Changes in Equity 5

Consolidated Statements of Cash Flows 6

Notes to Consolidated Financial Statements 7 - 54

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**Report of Independent Registered Public Accounting Firm**

To The Board of Directors and Stockholders
Hibernia Bancorp, Inc.
New Orleans, Louisiana

**Report on the Consolidated Financial Statements**
We have audited the accompanying consolidated financial statements of Hibernia Bancorp, Inc. 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 equity, and cash flows for the years then ended and the related notes to the consolidated financial statements.

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

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

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

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 Hibernia Bancorp, Inc. and Subsidiary as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

LaPorte
A Professional Accounting Corporation
Metairie, LA
April 4, 2017

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**HIBERNIA BANCORP, INC. AND SUBSIDIARY**
**Consolidated Balance Sheets**
**December 31, 2016 and 2015**

| | 2016 | 2015 |
|---|---|---|
| | (In Thousands) | |
| **Assets** | | |
| Cash, Non-Interest Bearing | $ 1,176 | $ 624 |
| Cash, Interest Bearing | 4,608 | 2,478 |
| **Total Cash and Cash Equivalents** | 5,784 | 3,102 |
| Certificate of Deposit | 100 | 100 |
| Securities Available for Sale | 8,763 | 6,896 |
| Loans Receivable, Net of Allowances for Loan Losses of $841,000 in 2016 and $776,000 in 2015 | 104,467 | 97,087 |
| Accrued Interest Receivable | 266 | 238 |
| Investment in FHLB Stock | 187 | 104 |
| Investment in FNBB Stock | 210 | 210 |
| Premises and Equipment, Net | 4,351 | 4,634 |
| Deferred Income Taxes | 417 | 262 |
| Prepaid Expenses and Other Assets | 159 | 227 |
| **Total Assets** | $ 124,704 | $ 112,860 |
| **Liabilities and Equity** | | |
| **Liabilities** | | |
| Deposits | | |
| Non-Interest Bearing | $ 9,217 | $ 8,801 |
| Interest Bearing | 91,698 | 80,756 |
| **Total Deposits** | 100,915 | 89,557 |
| Advance Payments by Borrowers for Taxes and Insurance | 629 | 676 |
| FHLB Advances | 2,500 | 1,500 |
| Accrued Interest Payable | 62 | 38 |
| Accounts Payable and Other Liabilities | 248 | 323 |
| **Total Liabilities** | 104,354 | 92,094 |
| **Equity** | | |
| Preferred Stock, $.01 Par Value - 1,000,000 Shares Authorized; None Issued | - | - |
| Common Stock, $.01 Par Value - 9,000,000 Shares Authorized; 845,843 Shares Issued and Outstanding at December 31, 2016; 878,994 Shares Issued and Outstanding at December 31, 2015 | 8 | 9 |
| Additional Paid-in Capital | 11,118 | 11,059 |
| Unallocated Common Stock Held by: | | |
| Employee Stock Ownership Plan | (606) | (641) |
| Recognition and Retention Plan | (133) | (133) |
| Accumulated Other Comprehensive (Loss) Income | (66) | 3 |
| Retained Earnings | 10,029 | 10,469 |
| **Total Equity** | 20,350 | 20,766 |
| **Total Liabilities and Equity** | $ 124,704 | $ 112,860 |

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

**HIBERNIA BANCORP, INC. AND SUBSIDIARY**
**Consolidated Statements of Income**
**For the Years Ended December 31, 2016 and 2015**

| | 2016 | 2015 |
|---|---|---|
| | (In Thousands, Except Per Share) | |
| **Interest and Dividend Income** | | |
| Loans Receivable | | |
| Mortgage Loans | $ 2,295 | $ 2,245 |
| Commercial Loans | 1,903 | 1,646 |
| Consumer and Other Loans | 87 | 40 |
| Federal Funds Sold and Interest Bearing Deposits | 38 | 13 |
| Investment Securities | 134 | 175 |
| **Total Interest and Dividend Income** | 4,457 | 4,119 |
| **Interest Expense** | | |
| Deposits | 820 | 606 |
| Borrowed Funds | 14 | 12 |
| **Total Interest Expense** | 834 | 618 |
| **Net Interest Income** | 3,623 | 3,501 |
| **Provision for Loan Losses** | 65 | 96 |
| **Net Interest Income After Provision for Loan Losses** | 3,558 | 3,405 |
| **Non-Interest Income** | | |
| Realized Gains on Investment Securities Available for Sale | - | 5 |
| Rental Income, Net of Related Expenses | 97 | 80 |
| Other Income | 47 | 47 |
| **Total Non-Interest Income** | 144 | 132 |
| **Non-Interest Expenses** | | |
| Salaries and Employee Benefits | 1,624 | 1,608 |
| Occupancy Expenses | 509 | 530 |
| Data Processing | 417 | 398 |
| Professional Fees | 167 | 160 |
| Supervision, Exams, and Assessments | 77 | 79 |
| Telephone and Postage | 64 | 68 |
| Insurance Expense | 56 | 60 |
| Franchise and Shares Taxes | 52 | 59 |
| Advertising and Promotional Expenses | 88 | 58 |
| Directors' Fees | 43 | 50 |
| Supplies and Stationary | 35 | 35 |
| Other Operating Expenses | 196 | 113 |
| **Total Non-Interest Expenses** | 3,328 | 3,218 |
| **Income Before Income Taxes** | 374 | 319 |
| **Income Tax Expense** | 148 | 139 |
| **Net Income** | $ 226 | $ 180 |
| **Income Per Share, Basic** | $ 0.29 | $ 0.22 |
| **Income Per Share, Diluted** | $ 0.28 | $ 0.21 |

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

**HIBERNIA BANCORP, INC. AND SUBSIDIARY**
**Consolidated Statements of Comprehensive Income**
**For the Years Ended December 31, 2016 and 2015**

| | **2016** | 2015 |
|---|---|---|
| | (In Thousands) | |
| **Net Income** | **$ 226** | $ 180 |
| **Other Comprehensive Loss, Net of Tax** | | |
| Unrealized Holding Losses Arising During the Period | **(69)** | (17) |
| **Total Other Comprehensive Loss** | **(69)** | (17) |
| **Total Comprehensive Income** | **$ 157** | $ 163 |

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

## HIBERNIA BANCORP, INC. AND SUBSIDIARY
## Consolidated Statements of Changes in Equity
## For the Years Ended December 31, 2016 and 2015

| | Common Stock | Additional Paid-In Capital | Treasury Stock | Common Stock Held by ESOP | Common Stock Held by RRP | Accumulated Other Comprehensive Income (Loss) | Retained Earnings | Total |
|---|---|---|---|---|---|---|---|---|
| | | | | (In Thousands) | | | | |
| **Balance - January 1, 2015** | $ 11 | $ 10,973 | $ (2,476) | $ (677) | $ (167) | $ 20 | $ 14,193 | $ 21,877 |
| Issuance of RRP Stock | - | 1 | - | - | 34 | - | - | 35 |
| Reclassification of Treasury Stock (Note 2) | (2) | - | 2,476 | - | - | - | (2,474) | - |
| Company Stock Purchased | - | - | - | - | - | - | (1,430) | (1,430) |
| ESOP Stock Released for Allocation | - | 37 | - | 36 | - | - | - | 73 |
| Stock-Based Compensation Cost | - | 48 | - | - | - | - | - | 48 |
| Net Income | - | - | - | - | - | - | 180 | 180 |
| Other Comprehensive Loss, Net of Applicable Taxes | - | - | - | - | - | (17) | - | (17) |
| **Balance - December 31, 2015** | 9 | 11,059 | - | (641) | (133) | 3 | 10,469 | 20,766 |
| Company Stock Purchased | (1) | - | - | - | - | - | (666) | (667) |
| ESOP Stock Released for Allocation | - | 38 | - | 35 | - | - | - | 73 |
| Stock-Based Compensation Cost | - | 21 | - | - | - | - | - | 21 |
| Net Income | - | - | - | - | - | - | 226 | 226 |
| Other Comprehensive Loss, Net of Applicable Taxes | - | - | - | - | - | (69) | - | (69) |
| **Balance - December 31, 2016** | $ 8 | $ 11,118 | $ - | $ (606) | $ (133) | $ (66) | $ 10,029 | $ 20,350 |

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

**HIBERNIA BANCORP, INC. AND SUBSIDIARY**
**Consolidated Statements of Cash Flows**
**For the Years Ended December 31, 2016 and 2015**

| | 2016 | 2015 |
|---|---|---|
| | (In Thousands) | |
| **Cash Flows from Operating Activities** | | |
| Net Income | $ 226 | $ 180 |
| Adjustments to Reconcile Net Income to | | |
| Net Cash Provided by Operating Activities | | |
| Provision for Loan Losses | 65 | 96 |
| Provision for Impairment of Other Assets | 50 | - |
| Deferred Income Taxes | (120) | (62) |
| Depreciation and Amortization | 396 | 390 |
| Net Discount Accretion and Premium Amortization | 37 | (8) |
| Stock Dividend on FHLB of Dallas Stock | (1) | - |
| Gain on Sale of Securities Available for Sale | - | (5) |
| Non-Cash Compensation | 94 | 134 |
| Decrease (Increase) in: | | |
| Accrued Interest Receivable | (28) | (9) |
| Prepaid Expenses and Other Assets | 18 | (40) |
| Increase (Decrease) in: | | |
| Accrued Interest Payable | 24 | 2 |
| Accounts Payable and Other Liabilities | 38 | 162 |
| Income Taxes Payable | (113) | (10) |
| **Net Cash Provided by Operating Activities** | 686 | 830 |
| **Cash Flows from Investing Activities** | | |
| Net Increase in Loans Receivable | (7,445) | (12,283) |
| Purchases of Securities Available for Sale | (3,211) | (1,009) |
| Maturities, Redemptions, and Sales of Securities Available for Sale | 1,203 | 3,605 |
| Purchases of Stock in FHLB | (82) | - |
| Purchases of Premises and Equipment | (113) | (176) |
| **Net Cash Used in Investing Activities** | (9,648) | (9,863) |
| **Cash Flows from Financing Activities** | | |
| Net Increase in Deposits | 11,358 | 8,498 |
| Net Decrease in Advance Payments by Borrowers | (47) | (104) |
| Net Increase in FHLB Advances | 1,000 | - |
| Purchases of Company Stock | (667) | (1,430) |
| **Net Cash Provided by Financing Activities** | 11,644 | 6,964 |
| **Net Increase (Decrease) in Cash and Cash Equivalents** | 2,682 | (2,069) |
| **Cash and Cash Equivalents, Beginning of Year** | 3,102 | 5,171 |
| **Cash and Cash Equivalents, End of Year** | $ 5,784 | $ 3,102 |
| **Supplementary Disclosures of Cash Flow Information** | | |
| Cash Paid for Interest on Deposits and Borrowings | $ 810 | $ 616 |
| Cash Paid for Income Taxes | $ 380 | $ 24 |
| Market Value Adjustment for Change in Unrealized Gains and Losses on Securities Available for Sale | $ (103) | $ (26) |
| Issuance of RRP Stock | $ - | $ 35 |

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

## Note 1. Nature of Operations

On January 27, 2009, Hibernia Homestead Bank (the Bank) completed its conversion from a mutual to a stock form of organization as a subsidiary of Hibernia Homestead Bancorp, Inc. (the Holding Company or the Company), and the Holding Company completed an initial public offering in which it issued 1,113,334 shares of its common stock for a total of $11,133,340 in gross offering proceeds.

Effective June 1, 2011, the Company amended its Articles of Incorporation to change its name to Hibernia Bancorp, Inc. and changed the Bank's name to Hibernia Bank. The changes were made to reflect the broad range of services the Company now offers to businesses and individuals.

On January 30, 2012, the Company filed a Securities Registration Termination on Form 15 under Section 12(g) of the Securities Exchange Act of 1934 with the Securities and Exchange Commission. As a result of filing Form 15, the Company is no longer required to file periodic or annual reports with the Securities and Exchange Commission.

Hibernia Bank is a Louisiana-chartered and FDIC-insured savings bank and provides a variety of financial services to individual and commercial customers through its three branches in New Orleans and Metairie, Louisiana. The Bank's primary deposit products are checking accounts, money market accounts, interest bearing savings accounts, and certificates of deposit. Its primary lending products are residential mortgage loans, commercial loans secured by real estate, commercial and industrial loans, and residential and commercial real estate construction loans. The Bank primarily provides services to customers in the New Orleans, Metairie, and surrounding areas.

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

## Note 2. Summary of Significant Accounting Policies

### Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Hibernia Bank. All significant intercompany balances and transactions between the Company and its wholly owned subsidiary have been eliminated.

### Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (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.

## Note 2. Summary of Significant Accounting Policies (Continued)

### Use of Estimates (Continued)

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

A majority of the Company's loan portfolio consists of one-to-four family residential loans in the metropolitan New Orleans area as well as commercial real estate loans on both owner-occupied and non-owner occupied properties. It is the Company's policy to lend in a first lien position on such properties. In recent periods, the Company also began making secured and unsecured commercial and industrial loans and increased its efforts to originate residential and commercial real estate construction loans. Loans are expected to be repaid from the cash flows of the customers. Some of the activities that the economy of this region are dependent upon include the petrochemical industry, the port of New Orleans, healthcare, and tourism. Significant declines in economic activities in these areas could affect the borrowers' ability to repay loans and cause a decline in value of assets securing the loan portfolio.

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

### Cash and Cash Equivalents

Cash equivalents consist of cash on hand and in banks and federal funds sold. For purposes of the consolidated statements of cash flows, the Company considers all highly liquid debt instruments with original maturities of less than three months when purchased to be cash equivalents.

### Certificate of Deposit

As of December 31, 2016 and 2015, the Bank had a $100,000 certificate of deposit which was restricted as to availability. As part of an agent agreement for issuance of consumer credit cards to customers of the Bank, this certificate of deposit must remain on deposit with the issuing bank.

### Loans Receivable

Loans receivable are stated at unpaid principal balances, less the allowance for loan losses, and net of deferred loan origination fees, direct origination costs, and discounts.

## Note 2. Summary of Significant Accounting Policies (Continued)

### Loans Receivable (Continued)

Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2010-20, *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses,* requires that the Company provide disaggregated information about the credit quality of the Company's loans and leases and the allowance for loan and lease losses (the Allowance). This ASU also requires the Company to disclose additional information related to credit quality indicators, non-accrual loans and leases and past due information. See Note 4 to the consolidated financial statements for the required disclosures.

### Interest on Loans

Interest on mortgage and commercial loans is credited to income as earned. The accrual of interest is discontinued and reversed against current income once loans become more than ninety days past due or earlier if conditions warrant. The past due status of loans is determined based on the contractual terms. When a loan is placed on nonaccrual status, previously accrued and uncollected interest is charged against interest income on loans. Interest payments received are recorded as interest income unless collection of the remaining recorded investment is doubtful, at which time payments received are recorded as reductions of principal. Loans are returned to accrual status when all past due payments are received in full and future payments are probable. Unearned discounts on mortgage and commercial loans are taken into income over the life of the loan using the interest method. Interest on savings account loans is credited to income as earned using the simple interest method.

### Allowance for Loan Losses

The allowance for loan losses is maintained to provide for probable credit losses related to specifically identified loans and for losses inherent in the loan portfolio that have been incurred as of the consolidated balance sheet date. The allowance is comprised of specific allowances and a general allowance.

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

## Note 2. Summary of Significant Accounting Policies (Continued)

### Allowance for Loan Losses (Continued)

General allowances are established for each loan class. Loans that have been identified as impaired are excluded from the homogenous pools; the remaining loans are then collectively evaluated. The Company's evaluations are based on historical charge-offs considering factors that include risk rating, concentrations and loan type. These allowances, which are judgmentally determined, generally serve to compensate for the uncertainty in estimating loan losses, particularly in times of changing economic conditions, and consider the possibility of improper risk rating and possible over or under allocation of specific allowances. It also considers the lagging impact of historical charge-off ratios in periods where future charge-offs are expected to increase or decrease significantly.

In addition, the general allowances consider trends in delinquencies and non-accrual loans, concentrations, the volatility of risk ratings and the evolving portfolio mix in terms of collateral, relative loan size, and the degree of seasoning within the various loan products.

Changes in underwriting standards, credit administration and collection policies, regulation, and other factors which affect the credit quality and collectability of the loan portfolio also impact the general allowance levels. The allowance for loan losses is based on management's estimate of probable credit losses inherent in the loan portfolio; actual credit losses may vary from the current estimate. The allowance for loan losses is reviewed periodically, taking into consideration the risk characteristics of the loan portfolio, past charge-off experience, general economic conditions, and other factors that warrant current recognition. As adjustments to the allowance for loan losses become necessary, they are reflected as a provision for loan losses in current-period earnings. Actual loan charge-offs are deducted from and subsequent recoveries of previously charged-off loans are added to the allowance.

### Impaired Loans

FASB Accounting Standards Codification (ASC) Topic 310, *Receivables,* requires that impaired loans be measured based on the present value of expected future cash flows discounted at the loan's original effective interest rate. As a practical expedient, impairment may be measured based on the loan's observable market price or the fair value of the collateral if the loan is collateral-dependent. When the measure of the impaired loan is less than the recorded investment in the loan, the impairment is recorded through a valuation allowance. This valuation allowance is recorded in the allowance for loan losses on the balance sheet.

Interest payments received on impaired loans are recorded as interest income unless collection of the remaining recorded investment is doubtful, at which time payments received are recorded as reductions of principal.

## Note 2. Summary of Significant Accounting Policies (Continued)

### Loans Modified in a Troubled Debt Restructuring

Our loan and lease portfolio also includes certain loans and leases that have been modified in a troubled debt restructuring (TDR), where economic concessions have been granted to borrowers who have experienced financial difficulties. These concessions typically result from the Company's loss mitigation activities and could include reductions in the interest rate, payment extensions, forgiveness of principal, forbearance, or other actions. Certain TDRs are classified as non-performing at the time of restructuring and typically are returned to performing status after considering the borrower's sustained repayment performance for a reasonable period of at least six months.

When loans and leases are modified in a TDR, any possible impairment is evaluated based on the present value of expected future cash flows, discounted at the contractual interest rate of the original loan or lease agreement, or the current fair value of the collateral, less selling costs for collateral-dependent loans. If it is determined that the value of the modified loan is less than the recorded investment in the loan (net of previous charge-offs, deferred loan fees or costs, and unamortized premium or discount), impairment is recognized through an allowance estimate or a charge-off to the allowance. In periods subsequent to modification, all TDRs are evaluated, including those that have payment defaults, for possible impairment and the impairment is recorded through the allowance for loan losses on the balance sheet.

### Loan Origination Fees and Related Costs

The Company has adopted the provisions of FASB ASC Topic 310, *Receivables*. Accordingly, loan origination fees and certain direct loan origination costs are deferred, and the net fee or cost is recognized as an adjustment to interest income using the interest method over the contractual life of the loans, adjusted for any prepayments.

### Securities

FASB ASC Topic 320, *Investments - Debt and Equity Securities,* requires the classification of securities into one of three categories: trading, available for sale, or held to maturity.

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

Trading account securities are carried at market value. Gains and losses, both realized and unrealized, are reflected in earnings.

## Note 2. Summary of Significant Accounting Policies (Continued)

### Securities (Continued)

Held to maturity securities are stated at amortized cost. Available for sale securities are stated at fair value, with unrealized gains and losses, net of applicable deferred income taxes, reported in a separate component of other comprehensive income. The amortized cost of debt securities classified as held to maturity or available for sale is adjusted for amortization of premiums and accretion of discounts to maturity or, in the case of mortgage-backed securities, over the estimated life of the security. Amortization, accretion, and accruing interest are included in interest income on securities. Realized gains and losses, and declines in value judged to be other than temporary, are included in net securities gains. The cost of securities sold is determined based on the specific identification method.

### Impaired Securities

Securities available for sale or held to maturity in which, after acquisition, the Company believes it will not be able to collect all amounts due according to its contractual terms are considered to be other-than-temporarily impaired. In accordance with U.S. GAAP, securities considered to be other-than-temporarily impaired are written down to fair value, and any unrealized loss is charged to net income. The written down amount then becomes the security's new cost basis.

### Investment in FHLB and FNBB Stock

The Company maintains investments in membership stocks of the Federal Home Loan Bank (FHLB) and the First National Bankers Bank (FNBB). The carrying amounts of these investments are stated at cost. The Company is required by law to have an investment in stock of the FHLB. As of December 31, 2016 and 2015, the membership investment requirement was 0.04% of the member's total assets, and the activity-based requirement is 4.1% of advances and applicable Mortgage Partnership Finance assets as of December 31, 2016 and 2015. The Company's investment in membership stock of the FHLB was $187,000 and $104,000 as of December 31, 2016 and 2015, respectively.

### Other Real Estate Owned

Real estate acquired through, or in lieu of, foreclosure is initially recorded at the lower of cost (principal balance of the former mortgage loan plus costs of obtaining title and possession) or fair value at the date of acquisition. Costs relating to development and improvement of property are capitalized, whereas costs relating to the holding of property are expensed.

Management periodically performs valuations, and an allowance for losses is established by a charge to operations if the carrying value of a property exceeds its estimated net realizable value.

The Company had no other real estate owned as of December 31, 2016 and 2015. In addition, there were no mortgages in the process of foreclosure as of December 31, 2016 and 2015.

## Note 2. Summary of Significant Accounting Policies (Continued)

### Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. Estimated lives are 7 to 30 years for buildings and improvements and 3 to 10 years for furniture and equipment. Expenditures which substantially increase the useful lives of existing property and equipment are capitalized while routine expenditures for repairs and maintenance are expensed as incurred.

### Income Taxes

The Company recognizes income taxes in accordance with FASB ASC Topic 740 (Topic 740), *Income Taxes*. Topic 740 uses the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred income taxes are recognized for the tax consequences of "temporary differences" by applying enacted statutory tax rates applicable to future years to the difference between financial statement carrying amounts and the tax basis of existing assets and liabilities. Deferred taxes are also recognized for operating losses and tax credits that are available to offset future income taxes.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the consolidated financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any.

Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above would be reflected as a liability for unrecognized tax benefits in the consolidated balance sheets along with any associated interest or penalties that would be payable to the taxing authorities upon examination. Interest and/or penalties associated with unrecognized tax benefits, if any, would be classified as additional income taxes in the consolidated statements of income.

While the Company is exempt from Louisiana income tax, it is subject to the Louisiana Ad Valorem Tax, commonly referred to as the Louisiana Share Tax, which is based on stockholders' equity and net income.

## Note 2. Summary of Significant Accounting Policies (Continued)

### Earnings Per Share

Earnings per share represent income available to common stockholders divided by the weighted-average number of common shares outstanding during the period. Diluted earnings per share reflect additional common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance.

### Comprehensive Income

The Company reports comprehensive income in accordance with FASB ASC Topic 220 (Topic 220), *Comprehensive Income*. Topic 220 establishes standards for reporting and presentation of comprehensive income and its components in a full set of financial statements. Comprehensive income consists of net income and changes in net unrealized gains (losses) on securities and is presented in the consolidated statements of comprehensive income. Topic 220 requires only additional disclosures in the consolidated financial statements; it does not affect the Company's financial position or results of operations.

### Statements of Cash Flows

The consolidated statements of cash flows were prepared in accordance with the provisions of FASB ASC Topic 230 (Topic 230), *Statement of Cash Flows*. Topic 230 permits certain financial institutions to report, in a statement of cash flows, net receipts and payments for deposits placed, time deposits accepted and repaid, and loans made and collected. Additionally, in accordance with U.S. GAAP, interest credited directly to deposit accounts has been accounted for as operating cash payments.

### Reclassification

Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation.

## Note 2. Summary of Significant Accounting Policies (Continued)

### Recent Accounting Pronouncements

ASU 2014-09, *Revenue from Contracts with Customers*

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*: *Revenue from Contracts with Customers.* The amendments in ASU 2014-09 supersede the revenue recognition requirements in Topic 605, *Revenue Recognition,* and most industry-specific guidance. The general principle of ASU 2014-09 requires an entity to recognize revenue upon the transfer of promised goods or services to customers in an amount that reflects the consideration of which the entity expects to be entitled in exchange for those goods or services. The guidance sets forth a five step approach to be utilized for revenue recognition. ASU 2014-09, as deferred by ASU 2015-14, will be effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period. The FASB has also issued ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal Versus Agent Considerations (Reporting Revenue Gross Versus Net)*; ASU 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*; ASU 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients*, all of which were issued to improve and clarify the guidance in ASU 2014-09. Management is currently assessing the impact to the Company's consolidated financial statements.

Louisiana Business Corporation Act

The Louisiana Business Corporation Act (the Act) became effective on January 1, 2015. Under the provisions of the Act, there is no concept of "Treasury Shares". Rather, shares purchased by the Company constitute authorized but unissued shares. Under FASB ASC 503-30, *Treasury Stock*, accounting for treasury stock shall conform to state law. Accordingly, the Company reclassified its previously acquired treasury stock to common stock and retained earnings as of December 31, 2015.

ASU 2015-01, *Income Statement - Extraordinary and Unusual Items*

In January 2015, the FASB issued ASU 2015-01, *Income Statement - Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items*. The amendments of ASU 2015-01 eliminate from U.S. GAAP the concept of extraordinary items. The amendments are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. The adoption of this guidance did not have a material effect on the Company's consolidated financial statements.

## Note 2. Summary of Significant Accounting Policies (Continued)

### Recent Accounting Pronouncements (Continued)

ASU 2015-16, *Business Combinations*

In September 2015, the FASB issued ASU 2015-16, *Business Combinations (Topic 805): Simplifying the Accounting for Measurement - Period Adjustments*. This ASU eliminates the requirement to retrospectively account for changes to provisional amounts initially recorded in a business combination. ASU 2015-16 requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustments are determined, including the effect of the change in provisional amount as if the accounting had been completed at the acquisition date. The provisions of this ASU are effective for fiscal years beginning after December 15, 2015, and should be applied prospectively to adjustments to provisional amounts that occur after the effective date. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

ASU 2015-17, *Income Taxes*

In November 2015, the FASB issued ASU 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes*. This ASU simplifies the presentation of deferred income taxes by eliminating the requirement for entities to separate deferred tax liabilities and assets into current and noncurrent amounts in classified balance sheets. Instead, it requires deferred tax assets and liabilities be classified as noncurrent in the balance sheet. ASU 2015-17 is effective for financial statements issued for annual periods beginning after December 15, 2017. Early adoption is permitted, and this ASU may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

## Note 2. Summary of Significant Accounting Policies (Continued)

### Recent Accounting Pronouncements (Continued)

ASU 2016-01, *Financial Instruments*

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments*. The amendments in this Update supersede the guidance to classify equity securities with readily determinable fair values into different categories and require equity securities to be measured at fair value with changes in the fair value recognized through net income. The amendments allow equity investments that do not have readily determinable fair values to be remeasured at fair value either upon the occurrence of an observable price change or upon identification of an impairment. The amendments in this Update also simplify the impairment assessment of equity investments without readily determinable fair values by requiring assessment for impairment qualitatively at each reporting period. In addition, the amendments in this Update exempt all entities that are not public business entities from disclosing fair value information for financial instruments measured at amortized cost. In addition, for public business entities, the amendments supersede the requirement to disclose the methods and significant assumptions used in calculating the fair value of financial instruments required to be disclosed for financial instruments measured at amortized cost on the consolidated balance sheets. The amendments in this Update require public business entities that are required to disclose fair value of financial instruments measured at amortized cost on the consolidated balance sheets to measure that fair value using the exit price notion consistent with Topic 820, *Fair Value Measurement*.

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

For public business entities, the amendments in ASU 2016-01 are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. For all other entities, including nonprofit entities and employee benefit plans within the scope of FASB ASC 960 through 965, the amendments are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The adoption of this standard is not expected to have a material impact on the Company’s consolidated financial statements.

## Note 2. Summary of Significant Accounting Policies (Continued)

### Recent Accounting Pronouncements (Continued)

ASU 2016-02, *Leases*

In January 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires that a lessee recognize the assets and liabilities that arise from leases classified as finance or operating. A lessee should recognize in the balance sheet a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The accounting applied by the lessor is primarily unchanged from that applied under previous GAAP. The vast majority of operating leases should remain classified as operating leases, and lessors will continue to recognize lease income for those leases on a generally straight-line basis over the lease term. ASU 2016-02 is effective for financial statements issued for annual periods beginning after December 15, 2019. Management is currently evaluating the impact ASU 2016-02 will have on its consolidated financial statements.

ASU 2016-13, *Financial Instruments*

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial instruments. The existing incurred loss model will be replaced with a current expected credit loss (CECL) model for both originated and acquired financial instruments carried at amortized cost and off-balance sheet credit exposures, including loans, loan commitments, held-to-maturity debt securities, financial guarantees, net investment in leases, and most receivables. Recognized amortized cost financial assets will be presented at the net amount expected to be collected through an allowance for credit losses. Expected credit losses on off-balance sheet credit exposures will be recognized through a liability. Expected credit losses on available for sale (AFS) debt securities will also be recognized through an allowance, however the allowance for an individual AFS debt security will be limited to the amount by which fair value is below amortized cost. Unlike current guidance, which requires certain favorable changes in expected cash flows to be accreted into interest income, both favorable and unfavorable changes in expected credit losses (and therefore the allowance) will be recognized through credit loss expense as they occur. With the exception of purchased financial assets with a more than insignificant amount of credit deterioration since origination, for which the initial allowance will be added to the purchase price of the assets, the initial allowance on financial assets subject to the scope (whether originated or acquired) will be recognized through credit loss expense. Expanded disclosures will also be required. The ASU is effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. Early adoption is permitted for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. The Company does not intend to early-adopt. The Company is currently evaluating the impact of adopting this new guidance on its consolidated financial statements and does not expect the impact to be significant.

## Note 2. Summary of Significant Accounting Policies (Continued)

### Advertising and Promotional Expenses

The Company follows the policy of charging the costs of advertising and promotions to expense as incurred. Advertising and promotional expenses were $88,000 and $58,000 for the years ended December 31, 2016 and 2015, respectively, and are included in non-interest expenses.

## Note 3. Investment Securities

A summary of investment securities classified as held to maturity, trading, and available for sale is presented below.

### Held to Maturity

The Company had no securities classified as held to maturity at December 31, 2016 and 2015.

### Trading Securities

The Company had no securities classified as trading securities at December 31, 2016 and 2015.

### Available for Sale

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

| **2016** | **Amortized Cost** | **Gross Unrealized Gains** | **Gross Unrealized Losses** | **Fair Value** |
|---|---|---|---|---|
| | | **(In Thousands)** | | |
| **U.S. Government Agencies** | **$ 1,991** | **$ -** | **$ (21)** | **$ 1,970** |
| **Corporate Notes** | **1,000** | **-** | **(9)** | **991** |
| **Agency Mortgage-Backed Securities** | **5,871** | **7** | **(76)** | **5,802** |
| **Available for Sale Securities** | **$ 8,862** | **$ 7** | **$ (106)** | **$ 8,763** |

| 2015 | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---|---|---|---|---|
| | | (In Thousands) | | |
| Corporate Notes | $ 1,000 | $ - | $ (11) | $ 989 |
| Agency Mortgage-Backed Securities | 5,892 | 48 | (33) | 5,907 |
| Available for Sale Securities | $ 6,892 | $ 48 | $ (44) | $ 6,896 |

## Note 3. Investment Securities

### Available for Sale (Continued)

Agency mortgage backed securities at December 31, 2016 and 2015, consist of securities issued by FNMA, GNMA, FHLMC, and Federal Farm Credit Bank. Fair values for securities are determined from quoted prices or quoted market prices of similar securities of comparable risk and maturity where no quoted market price exists. At December 31, 2016, there was $99,000 in net unrealized losses in investment securities compared to $4,000 in net unrealized gains in investment securities at December 31, 2015. The proceeds from the sales, redemptions, and maturities of securities available for sale were $1.2 million and $3.6 million for 2016 and 2015, respectively, resulting in no net gains in 2016 and $5,000 in gains in 2015.

The following tables present information pertaining to securities with gross unrealized losses as of December 31, 2016 and 2015 aggregated by investment category and length of time that individual securities have been in a continuous loss position:

| | December 31, 2016 | | | | | |
|---|---|---|---|---|---|---|
| | Less Than 12 Months | | 12 Months or More | | Total | |
| Security Description | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses |
| | (In Thousands) | | | | | |
| **Available for Sale** | | | | | | |
| **U.S. Government Agencies** | **$ 1,970** | **$ (21)** | **$ -** | **$ -** | **$ 1,970** | **$ (21)** |
| **Corporate Notes** | **-** | **-** | **991** | **(9)** | **991** | **(9)** |
| **Agency Mortgage Backed Securities** | **4,699** | **(57)** | **509** | **(19)** | **5,208** | **(76)** |
| | **$ 6,669** | **$ (78)** | **$ 1,500** | **$ (28)** | **$ 8,169** | **$ (106)** |

| | December 31, 2015 | | | | | |
|---|---|---|---|---|---|---|
| | Less Than 12 Months | | 12 Mon hs or More | | Total | |
| Security Description | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses |
| | (In Thousands) | | | | | |
| Available for Sale | | | | | | |
| Corporate Notes | $ - | $ - | $ 989 | $ (11) | $ 989 | $ (11) |
| Agency Mortgage Backed Securities | 945 | (13) | 1,303 | (20) | 2,248 | (33) |
| | $ 945 | $ (13) | $ 2,292 | $ (31) | $ 3,237 | $ (44) |

The notes and securities in an unrealized loss position at December 31, 2016 were temporarily impaired due to the current interest rate environment and not increased credit risk. Management has the intent and ability to hold these securities until maturity or until anticipated recovery.

## Note 3. Investment Securities (Continued)

### Available for Sale (Continued)

The amortized cost and estimated fair values of available for sale 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.

| | Amortized Cost | Fair Value |
|---|---|---|
| | (In Thousands) | |
| Due in One Year or Less | $ - | $ - |
| Due After One Year Through Five Years | 50 | 51 |
| Due After Five Years Through Ten Years | 4,004 | 3,977 |
| Due After Ten Years Through Twenty Years | 2,848 | 2,829 |
| Due After Twenty Years | 1,960 | 1,906 |
| | $ 8,862 | $ 8,763 |

### Impairment

Management evaluates securities for other-than-temporary impairment on a periodic and regular basis, as well as when economic or market concerns warrant such evaluation. In estimating other-than-temporary impairment losses, the Company considers, among other things, (i) the length of time and the extent to which the fair value has been less than cost, (ii) the financial condition and near-term prospects of the issuer, (iii) whether the Company intends to sell the securities, and (iv) the ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition.

## Note 4. Loans Receivable

It is the policy of the Bank to originate loans as a first lien position on real property. Second mortgage loans and home equity lines of credit are generally extended if the Bank holds the first mortgage on the collateral or where senior mortgage debt held by lenders other than Hibernia Bank does not exceed 40% of appraised value. The Bank offers fixed and variable rate mortgage loans within set policy limits.

Real estate loans are limited to a maximum of 80% of the lesser of appraised value or purchase price, of the secured real estate property. Private mortgage insurance is required for residential real estate loans in excess of 80% of the appraised value, or purchase price, whichever is lower. If the collateral consists of special purpose fixed assets, the maximum loan-to-value ratio is adjusted down based on the estimated cost to convert the property to general use.

All loans are presented to the applicable loan committee for review and approval, including analysis of the creditworthiness of the borrower. Exceptions to these policies may be approved by the Board of Directors.

The Bank offers commercial term loans to finance business expansion, equipment purchases, modernization, acquisitions, or other needs of growing businesses. Such loans are secured by conservatively margined fixed assets including industrial equipment, trucks, and automobiles, marine equipment or other assets whose value can be reliably determined and for which a verifiable resale market exists. Collateral values will be based on independent appraisals provided by appraisers approved by the Company's Board of Directors for the type of asset being valued. Maturities may not exceed the useful life of the asset securing the loan. The Bank recently began originating unsecured commercial and industrial loans. The Bank's total unsecured commercial and industrial loans amounted to $3.2 million and $5.0 million at December 31, 2016 and 2015, respectively.

The Bank originates consumer loans that have shorter terms and higher interest rates than residential first mortgage loans. The consumer loans offered by the Bank consist of loans secured by deposit accounts, lines of credit, and unsecured consumer loans with the Bank. The Bank's unsecured consumer loans amounted to $29,000 and $51,000 at December 31, 2016 and 2015, respectively.

## Note 4. Loans Receivable (Continued)

For both 2016 and 2015, certain loan portfolio segment information presented within the tables throughout Note 4 were revised to more closely align with regulatory reporting classifications. The revisions affect disclosure presentation only and have no impact on the Company's consolidated financial statements for either year.

Loans receivable at December 31, 2016 and 2015, are summarized as follows:

| | 2016 | 2015 |
|---|---|---|
| | (In Thousands) | |
| **Real Estate Loans** | | |
| Residential Real Estate Loans | | |
| One-to-Four Family Residential | **$ 71,111** | $ 65,425 |
| Multi-Family Residential | **1,591** | 104 |
| Second Mortgage Residential | **70** | 83 |
| Residential Construction and Land Loans | **1,087** | 486 |
| Home Equity Lines of Credit | **2,111** | 1,921 |
| **Total Residential Real Estate Loans** | **75,970** | 68,019 |
| Commercial Real Estate Loans | | |
| Commercial Real Estate | **22,186** | 21,273 |
| Commercial Construction and Land Loans | **2,878** | 2,199 |
| **Total Commercial Real Estate Loans** | **25,064** | 23,472 |
| **Total Real Estate Loans** | **101,034** | 91,491 |
| **Other Loans** | | |
| Commercial and Industrial Loans | **4,100** | 6,193 |
| Consumer Loans | **57** | 66 |
| **Total Other Loans** | **4,157** | 6,259 |
| **Total Loans Receivable, Gross** | **105,191** | 97,750 |
| Deferred Loan Origination Costs, Net of Fees | **117** | 113 |
| Less: Allowance for Loan Losses | **(841)** | (776) |
| **Total Loans Receivable, Net** | **$ 104,467** | $ 97,087 |

## Note 4. Loans Receivable (Continued)

The following tables summarize the changes in the allowance for loan losses for the years ended December 31, 2016 and 2015:

| | Loans Secured by Residential Real Estate | Loans Secured by Commercial Real Estate | Commercial and Industrial | Consumer | Total |
|---|---|---|---|---|---|
| | | | (In Thousands) | | |
| **Year Ended December 31, 2016** | | | | | |
| **Beginning Balance** | $ 471 | $ 221 | $ 72 | $ 12 | $ 776 |
| **Charge-Offs** | - | - | - | - | - |
| **Recoveries** | - | - | - | - | - |
| **Provisions** | 100 | 4 | (27) | (12) | 65 |
| **Ending Balance** | $ 571 | $ 225 | $ 45 | $ - | $ 841 |
| Year Ended December 31, 2015 | | | | | |
| Beginning Balance | $ 397 | $ 237 | $ 46 | $ - | $ 680 |
| Reclassifications | 124 | (124) | - | - | - |
| Charge-Offs | - | - | - | - | - |
| Recoveries | - | - | - | - | - |
| Provisions | (50) | 108 | 26 | 12 | 96 |
| Ending Balance | $ 471 | $ 221 | $ 72 | $ 12 | $ 776 |

The following presents by portfolio segment, the activity in the allowance for loan losses for the years ended December 31, 2016 and 2015. The following also presents by portfolio segment, the balance in the allowance for loan losses disaggregated on the basis of the Company's impairment measurement method and the related recorded investment in loans and leases as of December 31, 2016 and 2015.

| | As of December 31, 2016 | | | | |
|---|---|---|---|---|---|
| | Loans Secured by Residential Real Estate | Loans Secured by Commercial Real Estate | Commercial and Industrial | Consumer | Total |
| | | | (In Thousands) | | |
| **Allowance for Loan Losses:** | | | | | |
| **Ending Balance: Individually Evaluated for Impairment** | $ 8 | $ - | $ - | $ - | $ 8 |
| **Ending Balance: Collectively Evaluated for Impairment** | $ 563 | $ 225 | $ 45 | $ - | $ 833 |
| **Ending Balance: Loans Acquired with Deteriorated Credit Quality** | $ - | $ - | $ - | $ - | $ - |
| **Total** | $ 571 | $ 225 | $ 45 | $ - | $ 841 |
| **Loans:** | | | | | |
| **Ending Balance** | $ 75,970 | $ 25,064 | $ 4,100 | $ 57 | $ 105,191 |
| **Ending Balance: Individually Evaluated for Impairment** | $ 471 | $ - | $ - | $ - | $ 471 |
| **Ending Balance: Collectively Evaluated for Impairment** | $ 75,499 | $ 25,064 | $ 4,100 | $ 57 | $ 104,720 |
| **Ending Balance: Loans Acquired with Deteriorated Credit Quality** | $ - | $ - | $ - | $ - | $ - |

## Note 4. Loans Receivable (Continued)

| | As of December 31, 2015 | | | | |
|---|---|---|---|---|---|
| | Loans Secured by Residential Real Estate | Loans Secured by Commercial Real Estate | Commercial and Industrial | Consumer | Total |
| | | | (In Thousands) | | |
| **Allowance for Loan Losses:** | | | | | |
| Ending Balance: Individually Evaluated for Impairment | $ 12 | $ - | $ - | $ - | $ 12 |
| Ending Balance: Collectively Evaluated for Impairment | $ 459 | $ 221 | $ 72 | $ 12 | $ 764 |
| Ending Balance: Loans Acquired with Deteriorated Credit Quality | $ - | $ - | $ - | $ - | $ - |
| Total | $ 471 | $ 221 | $ 72 | $ 12 | $ 776 |
| **Loans:** | | | | | |
| Ending Balance | $ 49,321 | $ 40,249 | $ 6,193 | $ 1,987 | $ 97,750 |
| Ending Balance: Individually Evaluated for Impairment | $ 423 | $ - | $ - | $ - | $ 423 |
| Ending Balance: Collectively Evaluated for Impairment | $ 48,898 | $ 40,249 | $ 6,193 | $ 1,987 | $ 97,327 |
| Ending Balance: Loans Acquired with Deteriorated Credit Quality | $ - | $ - | $ - | $ - | $ - |

### Credit Quality Indicators

The Company utilizes an internal credit risk rating system to grade loans according to certain credit quality indicators. These credit quality indicators include, but are not limited to, recent credit performance, delinquency, liquidity, cash flows, debt coverage ratios, collateral type, and loan-to-value ratio. Credit risk ratings are applied individually to loans and leases that have significant or unique credit characteristics that benefit from a case-by-case evaluation. Groups of loans and leases that have similar criteria and characteristics are typically risk rated and monitored collectively. The Company's internal credit risk rating system is compatible with classifications used by the Federal Reserve Bank, as well as other regulatory agencies.

The following are the definitions of the Company's internal credit risk ratings:

Pass - The "Pass" classification includes loans of acceptable risk. "Pass" loans do not meet the criteria set forth for special mention, substandard, or doubtful and are not considered criticized.

Special Mention - The "Special Mention" classification includes loans where known information about possible credit problems of the borrower cause management to have some doubt as to the ability of these borrowers to comply with present loan repayment terms and which may result in future disclosure of these loans as nonperforming.

Substandard - The "Substandard" classification includes loans that have one or more defined weaknesses and are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.

## Note 4. Loans Receivable (Continued)

### Credit Quality Indicators (Continued)

Doubtful - The "Doubtful" classification includes loans that have all the weaknesses inherent in substandard loans with the additional characteristic that the weaknesses make collection or liquidation in full, on the basis of currently known facts, conditions, and values, highly questionable and improbable.

Asset risk classifications are periodically reviewed and changed if, in the opinion of management, the risk profile of the customer has changed since the last review of the loan relationship.

The following presents by class and by credit quality indicator, the recorded investment in the Company's loans and leases as of December 31, 2016 and 2015:

| **December 31, 2016** | **Pass** | **Special Mention** | **Substandard** | **Doubtful** | **Total** |
|---|---|---|---|---|---|
| | | | **(In Thousands)** | | |
| **Real Estate Loans:** | | | | | |
| **One-to-Four Family Residential** | **$ 70,331** | **$ -** | **$ 780** | **$ -** | **$ 71,111** |
| **Multi-Family Residential** | **1,591** | **-** | **-** | **-** | **1,591** |
| **Second Mortgage Residential** | **70** | **-** | **-** | **-** | **70** |
| **Residential Construction and Land Loans** | **1,087** | **-** | **-** | **-** | **1,087** |
| **Home Equity Lines of Credit** | **2,111** | **-** | **-** | **-** | **2,111** |
| **Commercial Real Estate** | **22,186** | **-** | **-** | **-** | **22,186** |
| **Commercial Construction and Land Loans** | **2,878** | **-** | **-** | **-** | **2,878** |
| **Other Loans:** | | | | | |
| **Commercial and Industrial Loans** | **4,100** | **-** | **-** | **-** | **4,100** |
| **Consumer Loans** | **57** | **-** | **-** | **-** | **57** |
| **Total** | **$ 104,411** | **$ -** | **$ 780** | **$ -** | **$ 105,191** |

| December 31, 2015 | Pass | Special Mention | Substandard | Doubtful | Total |
|---|---|---|---|---|---|
| | | | (In Thousands) | | |
| Real Estate Loans: | | | | | |
| One-to-Four Family Residential | $ 64,691 | $ - | $ 734 | $ - | $ 65,425 |
| Multi-Family Residential | 104 | - | - | - | 104 |
| Second Mortgage Residential | 83 | - | - | - | 83 |
| Residential Construction and Land Loans | 486 | - | - | - | 486 |
| Home Equity Lines of Credit | 1,921 | - | - | - | 1,921 |
| Commercial Real Estate | 21,273 | - | - | - | 21,273 |
| Commercial Construction and Land Loans | 2,199 | - | - | - | 2,199 |
| Other Loans: | | | | | |
| Commercial and Industrial Loans | 6,193 | - | - | - | 6,193 |
| Consumer Loans | 66 | - | - | - | 66 |
| Total | $ 97,016 | $ - | $ 734 | $ - | $ 97,750 |

## Note 4. Loans Receivable (Continued)

### Impaired Loans

The following presents by class, information related to impaired loans as of December 31, 2016 and 2015:

| | Recorded Investment | Unpaid Principal Balance | Related Allowance |
|---|---|---|---|
| | | (In Thousands) | |
| **December 31, 2016** | | | |
| **With No Related Allowance Recorded:** | | | |
| **One-to-Four Family Residential** | **$ 408** | **$ 481** | **$ -** |
| **With an Allowance Recorded:** | | | |
| **One-to-Four Family Residential** | **63** | **83** | **8** |
| **Total:** | | | |
| **One-to-Four Family Residential** | **$ 471** | **$ 564** | **$ 8** |
| December 31, 2015 | | | |
| With No Related Allowance Recorded: | | | |
| One-to-Four Family Residential | $ 354 | $ 419 | $ - |
| With an Allowance Recorded: | | | |
| One-to-Four Family Residential | 69 | 85 | 12 |
| Total: | | | |
| One-to-Four Family Residential | $ 423 | $ 504 | $ 12 |

The following presents by class, information related to the average recorded investment and interest income recognized on impaired loans for the years ended December 31, 2016 and 2015:

| | Average Recorded Investment | Interest Income Recognized |
|---|---|---|
| | (In Thousands) | |
| **December 31, 2016** | | |
| One-to-Four Family Residential | $ 491 | $ 12 |
| **December 31, 2015** | | |
| One-to-Four Family Residential | $ 437 | $ 13 |

## Note 4. Loans Receivable (Continued)

**Impaired Loans (Continued)**
The Company is not committed to lend additional funds to debtors whose loans are considered impaired.

**Troubled Debt Restructurings (TDR)**
Loan restructurings occur when a borrower is experiencing, or is expected to experience, financial difficulties in the near-term and, consequently, a modification that would otherwise not be considered is granted to the borrower. The concessions generally involve paying interest only for a period of less than one year, deferral of past due amounts to balloon on the original loan maturity date, and/or rate reductions, depending on the individual facts and circumstances of the borrower. The Company does not typically forgive principal or interest as part of the loan modification.

As of December 31, 2016 and 2015, the Company had one TDR with a recorded investment of $41,000 and no related allowance. TDRs are considered impaired under applicable accounting literature. TDR loans are individually evaluated and any valuation allowance is recorded in the allowance for loan losses on the consolidated balance sheets. The modifications did not have a material impact on the Company's overall allowance for loan losses. There have been no charge-offs on TDRs. As of December 31, 2016, the Company had no commitments to lend additional funds to debtors owing receivables whose terms have been modified in troubled debt restructurings.

There were no loans modified in a TDR during the years ended December 31, 2016 or 2015. For the years ended December 31, 2016 and 2015, the Company has no loans modified in a TDR that had a payment default during the reporting period and that were modified in the previous twelve months (i.e., the twelve months prior to the default). Default occurs when a loan is 90 days or more past due.

**Non-Accrual Loans**
The following presents by class, the recorded investment in loans on non-accrual status as of December 31, 2016 and 2015:

| | **2016** | 2015 |
|---|---|---|
| | (In Thousands) | |
| One-to-Four Family Residential | **$ 316** | $ 259 |
| | **$ 316** | $ 259 |

## Note 4. Loans Receivable (Continued)

### Aging Analysis of Past Due Loans

The following presents by class, an aging analysis and the recorded investment in loans as of December 31, 2016 and 2015:

| December 31, 2016 | 30-59 Days Past Due | 60-89 Days Past Due | 90 Days or More Past Due | Total Past Due | Current | Total Loans | Recorded Investment 90+ Days and Accruing |
|---|---|---|---|---|---|---|---|
| | | | | (In Thousands) | | | |
| **Real Estate Loans** | | | | | | | |
| **One-to-Four Family Residential** | **$ 221** | **$ -** | **$ 138** | **$ 359** | **$ 70,752** | **$ 71,111** | **$ -** |
| **Multi-Family Residential** | **-** | **-** | **-** | **-** | **1,591** | **1,591** | **-** |
| **Second Mortgage Residential** | **-** | **-** | **-** | **-** | **70** | **70** | **-** |
| **Residential Construction and Land Loans** | **-** | **-** | **-** | **-** | **1,087** | **1,087** | **-** |
| **Home Equity Lines of Credit** | **-** | **-** | **-** | **-** | **2,111** | **2,111** | **-** |
| **Commercial Real Estate** | **-** | **-** | **-** | **-** | **22,186** | **22,186** | **-** |
| **Commercial Construction and Land Loans** | **-** | **-** | **-** | **-** | **2,878** | **2,878** | **-** |
| **Other Loans** | | | | | | | |
| **Commercial and Industrial Loans** | **-** | **-** | **-** | **-** | **4,100** | **4,100** | **-** |
| **Consumer Loans** | **-** | **-** | **-** | **-** | **57** | **57** | **-** |
| **Total** | **$ 221** | **$ -** | **$ 138** | **$ 359** | **$ 104,832** | **$ 105,191** | **$ -** |

| December 31, 2015 | 30-59 Days Past Due | 60-89 Days Past Due | 90 Days or More Past Due | Total Past Due | Current | Total Loans | Recorded Investment 90+ Days and Accruing |
|---|---|---|---|---|---|---|---|
| | | | | (In Thousands) | | | |
| Real Estate Loans: | | | | | | | |
| One-to-Four Family Residential | $ 132 | $ 210 | $ 72 | $ 414 | $ 65,011 | $ 65,425 | $ - |
| Multi-Family Residential | - | - | - | - | 104 | 104 | - |
| Second Mortgage Residential | - | - | - | - | 83 | 83 | - |
| Residential Construction and Land Loans | - | - | - | - | 486 | 486 | - |
| Home Equity Lines of Credit | - | - | - | - | 1,921 | 1,921 | - |
| Commercial Real Estate | - | - | - | - | 21,273 | 21,273 | - |
| Commercial Construction and Land Loans | - | - | - | - | 2,199 | 2,199 | - |
| Other Loans: | | | | | | | |
| Commercial and Industrial Loans | - | - | - | - | 6,193 | 6,193 | - |
| Consumer Loans | - | - | - | - | 66 | 66 | - |
| Total | $ 132 | $ 210 | $ 72 | $ 414 | $ 97 336 | $ 97 750 | $ - |

## Note 5. Accrued Interest Receivable

Accrued interest receivable at December 31, 2016 and 2015, is summarized as follows:

| | **2016** | 2015 |
|---|---|---|
| | (In Thousands) | |
| Securities Available for Sale and Short-Term Deposits | **$ 17** | $ 13 |
| Loans Receivable | **249** | 225 |
| **Total** | **$ 266** | $ 238 |

## Note 6. Premises and Equipment

Premises and equipment at December 31, 2016 and 2015, are summarized as follows:

| | 2016 | 2015 |
|---|---|---|
| | (In Thousands) | |
| Land | **$ 921** | $ 921 |
| Building and Improvements | **5,481** | 5,411 |
| Furniture and Equipment | **1,011** | 972 |
| Website Development | **14** | 14 |
| | **7,427** | 7,318 |
| Less: Accumulated Depreciation and Amortization | **(3,076)** | (2,684) |
| **Total** | **$ 4,351** | $ 4,634 |

Depreciation and amortization charged to income amounted to $396,000 and $390,000 in 2016 and 2015, respectively.

The Bank engages in leasing office space available in buildings it owns. Office space is leased to tenants under non-cancelable operating leases with terms that will expire through 2018 at which time the majority of the tenants will have an option to renew their leases. Future minimum rentals on non-cancelable leases as of December 31, 2016 are as follows (in thousands):

| Year Ending December 31, | Amount |
|---|---|
| 2017 | $ 132 |
| 2018 | 19 |
| **Total** | $ 151 |

The total allocated cost of the portion of the property held for lease at December 31, 2016 and 2015 was approximately $2.4 million and $2.1 million, with related accumulated depreciation of $1.0 million and $791,000, respectively.

## Note 7. Deposits

Interest-bearing deposit account balances at December 31, 2016 and 2015, are summarized as follows:

| December 31, 2016 | Weighted-Average Rate at December 31, 2016 | | Amount | Percent |
|---|---|---|---|---|
| | | | (Dollars in Thousands) | |
| **Interest-Bearing Checking and Money Market Accounts** | **0.51%** | **$** | **30,228** | **32.96%** |
| **Savings** | **0.25%** | | **10,013** | **10.92%** |
| **Certificates of Deposit** | **1.40%** | | **51,457** | **56.12%** |
| **Total** | | **$** | **91,698** | **100.00%** |

| December 31, 2015 | Weighted-Average Rate at December 31, 2015 | | Amount | Percent |
|---|---|---|---|---|
| | | | (Dollars in Thousands) | |
| Interest-Bearing Checking and Money Market Accounts | 0.46% | $ | 26,132 | 32.36% |
| Savings | 0.25% | | 9,801 | 12.14% |
| Certificates of Deposit | 1.12% | | 44,823 | 55.50% |
| Total | | $ | 80,756 | 100.00% |

At December 31, 2016, scheduled maturities of certificates are as follows (in thousands):

| Rate | 2017 | 2018 | 2019 | 2020 | 2021 | After | Total |
|---|---|---|---|---|---|---|---|
| 0.10% to 1.00% | $ 11,910 | $ 1,805 | $ 13 | $ - | $ - | $ - | $ 13,728 |
| 1.01% to 2.00% | 14,294 | 3,419 | 5,491 | 2,193 | 4,565 | - | 29,962 |
| 2.01% to 3.00% | - | - | - | 1,659 | 6,108 | - | 7,767 |
| **Total** | $ 26,204 | $ 5,224 | $ 5,504 | $ 3,852 | $ 10,673 | $ - | $ 51,457 |

The aggregate amount of certificates of deposit with a minimum denomination of $250,000 was approximately $10.7 million and $4.7 million at December 31, 2016 and 2015, respectively.

## Note 7. Deposits (Continued)

As of December 31, 2016 and 2015, the Bank participated in the Certificate of Deposit Account Registry Service (CDARS) of Promontory Interfinancial Network, LLC, which allows the Bank to provide FDIC deposit insurance in excess of account coverage limits by exchanging deposits (known as “reciprocal deposits”) with other CDARS members. The Bank may also purchase deposits (known as “One-Way Buy” deposits) from other CDARS members in an amount not to exceed $18.3 million, or 15% of the Bank’s total assets calculated on the quarterly call report. Such deposits are generally considered a form of brokered deposits. As of December 31, 2016 and 2015, the Bank held no reciprocal deposits or One-Way Buy deposits in the CDARS program.

As of December 31, 2016 and 2015, the Bank participated in the Insured Cash Sweep service of Promontory Interfinancial Network, LLC and The Bank of New York Mellon to which allows the Bank to provide FDIC deposit insurance in excess of account coverage limits to demand and money market account customers by exchanging deposits (reciprocal deposits) with other ICS members. Such deposits are generally considered a form of brokered deposits. As of December 31, 2016, the Bank had approximately $1.7 million of deposits obtained through this program as compared to $2.0 million as of December 31, 2015.

As of December 31, 2016 and 2015, the Bank was party to an agreement with QwickRate, an internet-based certificate of deposit listing service, to utilize their program to raise institutional time deposits. As of December 31, 2016 and 2015, the Bank had approximately $21.7 million and $26.1 million, respectively, of time deposits raised through the Bank’s subscription to QwickRate. The Bank is also party to an agreement with Multi-Bank Securities, Inc. to access their inventory of CD’s offered by eConnectDirect. eConnectDirect is an internet-based certificate of deposit listing service. As of December 31, 2016 and 2015, the Bank had no deposits acquired through this listing service. Regulators have established that QwickRate and eConnectDirect are “listing services”, not “deposit brokers” and therefore deposits raised using the QwickRate and eConnectDirect services are not considered a form of brokered deposits.

Interest expense on deposits for the years ended December 31, 2016 and 2015, is summarized as follows:

| | **2016** | 2015 |
|---|---|---|
| | (In Thousands) | |
| Money Market Accounts and Interest-Bearing Checking | **$ 138** | $ 79 |
| Savings | **24** | 25 |
| Certificates of Deposit | **658** | 502 |
| **Total** | **$ 820** | $ 606 |

## Note 8. Borrowings

Borrowings include Federal Home Loan Bank (FHLB) advances, federal funds purchased, and Federal Reserve Discount Window borrowings.

The Bank has the ability to borrow term and overnight funds from the Federal Home Loan Bank of Dallas (FHLB). The Bank may obtain advances from the FHLB based upon the common stock it owns in the FHLB and available collateral, provided certain standards related to the Bank's credit-worthiness have been met. The borrowing capacity is computed by the FHLB. Pursuant to collateral agreements with the FHLB, advances may be secured with any eligible collateral. Under the terms of the agreement with the FHLB, the Bank is required to maintain sufficient collateral to secure borrowings. As of December 31, 2016, borrowings from the FHLB are collateralized by a blanket floating security interest and lien on eligible loans. Net of outstanding advances, additional borrowing capacity under the blanket floating lien was $40.3 million as of December 31, 2016. The Bank must maintain compliance with the minimum capital requirements established by the FHLB, and therefore, additional borrowings would require the Bank to increase its investment in FHLB stock.

As of December 31, 2016, securities with a fair value of $5.8 million were held in safekeeping at the FHLB to be available for pledging to the FHLB as collateral for advances. The Bank had additional borrowing capacity based on its available securities held at the FHLB of approximately $5.7 million as of December 31, 2016.

Total interest expense recognized on FHLB advances in 2016 and 2015 was $14,000 and $12,000, respectively.

Advances consisted of the following at December 31, 2016 and 2015:

| | FHLB Advance Total | |
|---|---|---|
| **Contract Rate** | **2016** | **2015** |
| | (In Thousands) | |
| 0.01% to 0.99% | **$ 1,000** | $ 1,000 |
| 1.00% to 1.15% | **1,500** | 500 |
| **Total** | **$ 2,500** | $ 1,500 |

## Note 8. Borrowings (Continued)

Maturities of FHLB Advances at December 31, 2016, were as follows:

| Year Ending December 31, | Amount Maturing |
|---|---|
| | (In Thousands) |
| 2017 | $ 1,500 |
| 2018 | - |
| 2019 | 1,000 |
| **Total** | $ 2,500 |

During 2016, the Bank pledged and assigned loans to the Federal Reserve Bank of Atlanta (FRB) for the Discount Window Borrower-in-Custody Program. The total pledged as of December 31, 2016 was $24.3 million with a maximum borrowing capacity of $19.5 million. As of December 31, 2016, the Bank had no borrowings from the FRB.

At December 31, 2016 and 2015, the Bank was also a party to a Master Purchase Agreement with First National Bankers Bank (FNBB) whereby FNBB may sell to the Bank federal funds in an amount not to exceed $6.0 million and $6.9 million, respectively. As of December 31, 2016 and 2015, Hibernia Bank had no federal funds purchased from FNBB.

## Note 9. Income Taxes

The Company and its subsidiary file consolidated federal income tax returns on a calendar year basis.

Income tax expense for the years ended December 31, 2016 and 2015, is summarized as follows:

| | **2016** | 2015 |
|---|---|---|
| | (In Thousands) | |
| Federal | | |
| Current | **$ 268** | $ 201 |
| Deferred | **(120)** | (62) |
| **Total Income Tax Expense** | **$ 148** | $ 139 |

Currently, the Bank is exempt by law from paying state income taxes.

**Note 9. Income Taxes (Continued)**

Total income tax expense differed from amounts computed by applying the U.S. federal income tax rate of 34 percent to income before income taxes as a result of the following:

| | 2016 | 2015 |
|---|---|---|
| | (In Thousands) | |
| Expected Income Tax Expense at Federal Statutory Tax Rate | $ 127 | $ 108 |
| Non-Deductible Stock Compensation Award Programs | 20 | 19 |
| Other | 1 | 12 |
| **Total Income Tax Expense** | **$ 148** | $ 139 |

The tax effects of temporary differences between the financial statement carrying amounts and tax bases of assets and liabilities that gave rise to significant portions of the net deferred tax asset at December 31, 2016 and 2015, relate to the following:

| | 2016 | 2015 |
|---|---|---|
| | (In Thousands) | |
| **Deferred Tax Assets:** | | |
| Interest Income Recognized for Tax Reporting Purposes - Interest Received on Nonaccrual Loans | $ 46 | $ 43 |
| Excess Bad Debt Provisions for Financial Reporting Purposes | 303 | 264 |
| Stock-Based Compensation | 76 | 76 |
| Employee Stock Ownership Plan | 21 | 19 |
| Unrealized Holding Loss on Securities Available-for-Sale | 36 | 15 |
| **Total Deferred Tax Assets** | **482** | 417 |
| **Deferred Tax Liabilities:** | | |
| Excess Tax Over Financial Reporting Depreciation | (22) | (99) |
| Loan Costs Deferred for Financial Reporting Purposes | (39) | (38) |
| Unrealized Holding Gain on Securities Available-for-Sale | (2) | (17) |
| Income Deferred for Financial Reporting Purposes | (2) | (1) |
| **Total Deferred Tax Liabilities** | **(65)** | (155) |
| **Net Deferred Tax Asset** | **$ 417** | $ 262 |

## Note 9. Income Taxes (Continued)

The Company had no interest and penalties recognized in the consolidated statements of income in the years ended December 31, 2016 and 2015. There were no accrued interest and penalties recognized in the consolidated balance sheets as of December 31, 2016 and 2015.

The Company files U.S. federal income tax returns and a Louisiana state income tax return. The Company's tax filings are subject to audit by various taxing authorities. The Company's federal tax returns for 2013, 2014, and 2015 are subject to examination by the IRS, generally for three years after they were filed or amended, if applicable. As of December 31, 2016, management evaluated the Company's tax position and concluded that the Company has taken no uncertain tax positions that require adjustment to the consolidated financial statements.

Included in retained earnings at December 31, 2016 and 2015 is approximately $2.7 million for which no deferred federal income tax liability has been recorded. This amount consists of the total amount of bad debt reserves deducted for income tax reporting purposes prior to January 1, 1988. Under current tax law, these pre-1988 bad debt reserves are subject to recapture into taxable income if (a) the Bank were to make certain "non-dividend distributions," which include distributions in excess of the Bank's current and accumulated earnings and profits, distributions in redemption of stock, and distributions in partial or complete liquidation or (b) the Bank or any successor would cease to maintain a bank or thrift charter. The unrecorded deferred tax liability was approximately $932,000 at December 31, 2016 and 2015.

## Note 10. Employee Benefits

The Bank offers a 401(k) Employee Savings Plan that covers employees completing at least 500 service hours during the plan year, who are over 21 years of age and have three months of service, with entry on the first day of the following month. Initially upon adoption of the plan, all employees were eligible regardless of service requirement. Employees are 100% vested in the funds they have contributed. The matching and discretionary funds contributed by the employer are fully vested upon contribution. Participants may make contributions in the form of salary deferrals up to 15% of their compensation, up to a maximum of $18,000 for 2016 and 2015. In addition, participants who have reached the age of 50 may make an additional "catch-up" contribution annually without regard to the above limitations. The "catch-up" contribution limit for 2016 and 2015 was $6,000. The Bank matches 100% of the employee contributions, up to 3% of compensation plus 50% of the employee contributions between 3% and 5% of compensation, and there was no change in the percentage of matching contributions for 2016 or 2015. The Bank's matching contributions for 2016 and 2015 amounted to $39,000 and $37,000, respectively.

## Note 11. Employee Stock Ownership Plan

During fiscal 2008, the Company instituted an employee stock ownership plan. The Hibernia Bancorp, Inc. Employee Stock Ownership Plan (ESOP) enables all eligible employees of the Bank to share in the growth of the Company through the acquisition of stock. Employees are generally eligible to participate in the ESOP after completion of one year of service and attaining the age of 21.

The ESOP purchased the statutory limit of eight percent of the shares sold in the initial public offering of the Company on January 17, 2009. This purchase was facilitated by a loan from the Company to the ESOP in the amount of $891,000. The loan is secured by a pledge of the ESOP shares. The shares pledged as collateral are reported as unearned ESOP shares in the consolidated balance sheets. The corresponding note is being repaid in 100 quarterly debt service payments of $13,000 on the last business day of each quarter, beginning March 31, 2009, at the rate of 3.25%.

The Company, at its discretion, may contribute to the ESOP, in the form of debt service. Cash dividends on the Company's stock shall be used to either repay the loan, be distributed to the participants in the ESOP, or retained in the ESOP and reinvested in Company stock. Shares are released for allocation to ESOP participants based on principal and interest payments of the note. Compensation expense is recognized based on the number of shares allocated to ESOP participants each year and the average market price of the stock for the current year.

As compensation expense is incurred, the Unearned ESOP Shares account is reduced based on the original cost of the stock. The difference between the cost and the average market price of shares released for allocation is applied to Additional Paid-in Capital. ESOP compensation expense for the years ended December 31, 2016 and 2015, was $73,000 each year.

The ESOP shares as of December 31, 2016 and 2015, were as follows:

| | **2016** | 2015 |
|---|---|---|
| Allocated Shares | **24,141** | 23,221 |
| Unreleased Shares | **60,564** | 64,127 |
| **Total ESOP Shares** | **84,705** | 87,348 |
| Fair Value of Unreleased Shares (In Thousands) | **$ 1,288** | $ 1,369 |
| Stock Price at December 31 | **$ 21.27** | $ 21.35 |

The stock prices listed in the above table are based on the closing prices as of December 31, 2016 and 2015 from the Over the Counter (OTC) Bulletin Board. The Company obtains an independent valuation of its stock on an annual basis. The estimated values per the independent valuations at December 31, 2016 and 2015 were $19.60 and $18.00, respectively. The Company obtains this independent valuation due to the limited trading activity of its stock.

## Note 12. Recognition and Retention Plan

On July 30, 2009, the shareholders approved the Company's 2009 Recognition and Retention Plan. The 2009 Recognition and Retention Plan (RRP) will provide the Company's directors and key employees with an equity interest in the Company as compensation for their contributions to the success of the Company, and as an incentive for future such contributions. The Board of Directors of the Company may make grants under the 2009 Recognition and Retention Plan to eligible participants based on these factors. Plan participants will vest in their share awards at a rate no more rapid than 20% per year over a five year period, beginning on the date of the plan share award. If service to the Company is terminated for any reason other than death, disability, or change in control, the unvested share awards shall be forfeited. As of December 31, 2016 and 2015, 11,133 shares have been awarded under the plan. During the year ended December 31, 2016 no shares were vested and released and during the year ended December 31, 2015 2,227 shares vested and were released. Compensation expense is recognized over the vesting period. There was no RRP compensation expense for the year ended December 31, 2016 and there was $13,000 of RRP compensation expense for the year ended December 31, 2015.

The Recognition and Retention Plan Trust has been established to acquire, hold, administer, invest, and make distributions from the Trust in accordance with provisions of the Plan and Trust. The Trust will acquire 4%, or 44,533 shares, of the shares sold in the Company's initial public offering, which will be held in the Trust subject to the plan's vesting requirements. At December 31, 2016, there were 24,533 shares remaining to be purchased for the RRP. The Recognition and Retention Plan provides that grants to each employee and non-employee director shall not exceed 25% and 5% of the shares available under the plan, respectively. Shares awarded to non-employee directors in the aggregate shall not exceed 30% of the shares available under the plan.

A summary of the changes in restricted stock follows:

| | Unawarded Shares | | Awarded Shares | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| Balance - Beginning of Year | **8,867** | 8,867 | **-** | 2,227 |
| Purchased by Plan | **-** | - | **-** | - |
| Granted | **-** | - | **-** | - |
| Forfeited | **-** | - | **-** | - |
| Earned and Issued | **-** | - | **-** | (2,227) |
| **Balance - End of Year** | **8,867** | 8,867 | **-** | - |

## Note 13. Stock Option Plan

On July 30, 2009, the shareholders approved the Company's 2009 Stock Option Plan. The 2009 Stock Option Plan provides the Company's directors and key employees with a proprietary interest in the Company as compensation for their contributions to the success of the Company, and as an incentive for future such contributions. The Board of Directors of the Company may grant options to eligible employees and non-employee directors based on these factors. Plan participants will vest in their options at a rate no more rapid than 20% per year over a five year period, beginning on the grant date of the option. Vested options will have an exercise period of ten years commencing on the date of grant. If service to the Company is terminated for any reason other than death, disability, or change in control, the unvested options shall be forfeited. The Company recognizes compensation expense during the vesting period based on the fair value of the option on the date of grant. As of December 31, 2016, 85,666 options have been granted to eligible employees. For the years ended December 31, 2016 and 2015, the Company recognized $21,000 and $48,000, respectively, of compensation expense related to stock options granted.

Following is a summary of the status of the Option Plan during the fiscal years ended December 31, 2016 and 2015:

| | Number of Shares | Weighted-Average Exercise Price |
|---|---|---|
| **Outstanding at January 1, 2016** | **85,666** | **$ 15.12** |
| **Granted** | **-** | **-** |
| **Exercised** | **-** | **-** |
| **Forfeited** | **-** | **-** |
| **Outstanding at December 31, 2016** | **85,666** | **$ 15.12** |
| **Options Exercisable at December 31, 2016** | **85,666** | **$ 15.12** |
| Outstanding at January 1, 2015 | 85,666 | $ 15.12 |
| Granted | - | - |
| Exercised | - | - |
| Forfeited | - | - |
| Outstanding at December 31, 2015 | 85,666 | $ 15.12 |
| Options Exercisable at December 31, 2015 | 81,299 | $ 15.05 |

## Note 13. Stock Option Plan (Continued)

Following is a summary of the status of options outstanding at December 31, 2016 under the Option Plan:

| | Options Outstanding | | | | Options Exercisable | | |
|---|---|---|---|---|---|---|---|
| Exercise Price Range | Number | Weighted-Average Remaining Contractual Life | Weighted-Average Exercise Price | Intrinsic Value | Number | Weighted-Average Exercise Price | Intrinsic Value |
| $14.00 - $16.50 | 85,666 | 3.72 Years | $ 15.12 | $ 526,460 | 85,666 | $ 15.12 | $ 526,460 |

## Note 14. Other Comprehensive Loss

The components of other comprehensive loss and the related tax effects for the years ended December 31, 2016 and 2015, are as follows:

| | **2016** | 2015 |
|---|---|---|
| | (In Thousands) | |
| Change in Gross Unrealized Gains and Losses Arising During the Period | **$ (103)** | $ (26) |
| Tax Benefit | **34** | 9 |
| Change in Unrealized Gains and Losses Arising During the Period, Net of Tax | **$ (69)** | $ (17) |

## Note 15. Earnings per Share

The computation of basic earnings per share (EPS) is based on the weighted-average number of shares of common stock outstanding. The computation of diluted earnings per share is based on the weighted average number of shares of common stock outstanding plus the shares resulting from the assumed exercise of all outstanding share-based awards using the treasury stock method.

| *(In Thousands, Except Per Share Data)* | Year Ended December 31, **2016** | 2015 |
|---|---|---|
| Numerator: | | |
| Income Applicable to Common Shares | **$ 226** | $ 180 |
| Denominator: | | |
| Weighted-Average Common Shares Outstanding | **790** | 827 |
| Effect of Dilutive Securities | **21** | 22 |
| Weighted-Average Common Shares Outstanding - Assuming Dilution | **811** | 849 |
| Earnings Per Common Share | **$ 0.29** | $ 0.22 |
| Earnings Per Common Share - Assuming Dilution | **$ 0.28** | $ 0.21 |

## Note 16. Regulatory Matters

The federal banking agencies have adopted regulations that substantially amend the capital regulations currently applicable to the Bank and will be fully-phased in on January 1, 2019. These 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 adopted by the FDIC. These new requirements created a new required ratio for Common Equity Tier 1 (CET1) capital, increased the leverage and Tier 1 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 qualifies as capital for purposes of meeting these various capital requirements. Beginning in 2016, failure to maintain the required capital conservation buffer will limit 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.

## Note 16. Regulatory Matters (Continued)

Under the new capital regulations, effective January 1, 2015, the minimum capital ratios are: (1) CET1 capital ratio of 4.5% of risk-weighted assets; (2) a Tier 1 capital ratio of 6.0% of risk-weighted assets; (3) a total capital ratio of 8.0% of risk-weighted assets; and (4) a leverage ratio of 4.0%. CET1 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 2 capital is no longer limited to the amount of Tier 1 capital included in total capital. Mortgage servicing rights, certain deferred tax assets and investments in unconsolidated subsidiaries over designated percentages of CET1 will be deducted from capital. The Bank has elected to permanently opt-out of the inclusion of accumulated other comprehensive income in our capital calculations, as permitted by the regulations. This opt-out will reduce the impact of market volatility on our regulatory capital levels.

The new requirements also include changes in the risk-weights of assets to better reflect credit risk and other risk exposures. These include 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 CET1, Tier 1 and total capital ratios, the Bank will have to maintain a capital conservation buffer consisting of additional CET1 capital greater than 2.5% of 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 0.625% of risk-weighted assets and will increase each year until fully implemented in January 2019.

The FDIC's prompt corrective action standards changed effective January 1, 2015. Under the new standards, in order to be considered well-capitalized, the Bank must have a CET1 ratio of 6.5% of risk-weighted assets (new), a Tier 1 ratio of 8.0% of risk-weighted assets (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 all of these new requirements.

## Note 16. Regulatory Matters (Continued)

The Bank, at December 31, 2016 and 2015, exceeded all of the capital adequacy requirements to which it was subject as illustrated by the following:

| | Actual | | Minimum for Adequacy Purposes | | Minimum to be Well Capitalized Under Prompt Corrective Action Provisions | |
|---|---|---|---|---|---|---|
| | Amount | Ratio | Amount | Ratio | Amount | Ratio |
| | (Dollars in Thousands) | | | | | |
| **December 31, 2016:** | | | | | | |
| **Common Equity Tier 1** | | | | | | |
| **(to Risk-Weighted Assets)** | **$ 18,575** | **22.50%** | **$ 874** | **4.50%** | **$ 1,262** | **6.50%** |
| **Tier 1 Leverage Ratio** | | | | | | |
| **(Tier 1 Capital to Average Assets)** | **$ 18,575** | **15.16%** | **$ 4,901** | **4.00%** | **$ 6,126** | **5.00%** |
| **Tier 1 Capital** | | | | | | |
| **(to Risk-Weighted Assets)** | **$ 18,575** | **22.50%** | **$ 4,954** | **6.00%** | **$ 6,606** | **8.00%** |
| **Total Capital** | | | | | | |
| **(to Risk-Weighted Assets)** | **$ 19,416** | **23.51%** | **$ 6,606** | **8.00%** | **$ 8,257** | **10.00%** |
| December 31, 2015: | | | | | | |
| Common Equity Tier 1 | | | | | | |
| (to Risk-Weighted Assets) | $ 19,812 | 24.44% | $ 3,648 | 4.50% | $ 5,269 | 6.50% |
| Tier 1 Leverage Ratio | | | | | | |
| (Tier 1 Capital to Average Assets) | $ 19,812 | 17.43% | $ 4,546 | 4.00% | $ 5,682 | 5.00% |
| Tier 1 Capital | | | | | | |
| (to Risk-Weighted Assets) | $ 19,812 | 24.44% | $ 4,864 | 6.00% | $ 6,485 | 8.00% |
| Total Capital | | | | | | |
| (to Risk-Weighted Assets) | $ 20,588 | 25.40% | $ 6,485 | 8.00% | $ 8,106 | 10.00% |

## Note 17. Related Party Transactions

In the ordinary course of business, the Bank has and expects to continue to have transactions, including borrowings, with its executive officers and directors and their affiliates. In the opinion of management, such transactions were on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and did not involve more than normal risk of collectability or present any other unfavorable features to the Bank.

## Note 17. Related Party Transactions (Continued)

Loans to such borrowers are summarized as follows:

| | 2016 | 2015 |
|---|---|---|
| | (In Thousands) | |
| Balance, Beginning of Year | **$ 552** | $ 573 |
| Advances | **-** | - |
| Changes in Directors, Executive Officers, and Other Related Party Borrowers | **-** | - |
| Less: Payments | **(552)** | (21) |
| **Balance, End of Year** | **$ -** | $ 552 |

## Note 18. Financial Instruments with Off-Balance Sheet Risk

The Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments consist of commitments to extend credit. Such commitments involve, to varying degrees, elements of credit and interest-rate risk in excess of the amount recognized in the financial statements. The contract amounts of those instruments reflect the extent of the involvement the Company has in particular classes of financial instruments. The Company's exposure to credit loss is represented by the contractual amount of these commitments. The Company follows the same credit policies in making commitments as it does for on-balance sheet instruments. No material losses or gains are anticipated as a result of these transactions.

## Note 19. Commitments and Contingencies

### Lending Commitments

The Bank had outstanding commitments to originate loans of approximately $1.0 million and $3.5 million at December 31, 2016 and 2015, respectively. The Bank had unused lines of credit of approximately $7.6 million and $7.3 million and the undisbursed portion of construction loans of approximately $1.9 million and $424,000 at December 31, 2016 and 2015, respectively. Commitments to extend credit are agreements to lend to a customer in the absence of a violation of any contract conditions. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Because some of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

## Note 19. Commitments and Contingencies (Continued)

### Lending Commitments (Continued)

The unused lines of credit are commitments to lend funds to consumers, businesses, and other entities under various terms including revolving, open-end, and non-revolving loans secured by mortgages on real estate. The Bank evaluates each customer's credit request separately. Management determines and obtains the amount of collateral needed when credit is extended based on management's credit evaluation of the customer.

### Employment Contracts

The Company and the Bank entered into amended and restated employment contracts on October 27, 2016, originally effective as of January 1, 2013, with their President and Chief Executive Officer (the CEO). These contracts provide for compensation and termination benefits. The contracts provide that the CEO will receive a minimum base salary of $127,000 per year, which may be increased at the discretion of the Board of Directors of Hibernia Bancorp, Inc. and Hibernia Bank, but may not be decreased during the term of the agreements.

Effective January 1, 2017, the CEO's minimum annual base salary was increased to $127,000, as approved by the Board of Directors of Hibernia Bancorp, Inc. and Hibernia Bank. The total future minimum commitments for the employment contracts are as follows (in thousands):

| Years Ending December 31, | Amount |
|---|---|
| 2017 | $ 127 |
| 2018 | 127 |
| 2019 | 127 |
| **Total** | $ 381 |

### Change in Control Severance Agreements

Effective January 1, 2013, the Company and the Bank entered into agreements with certain key employees which provide for severance benefits to the employees if they were to terminate their employment as a result of the Company or the Bank experiencing a "change in control" event, as defined within the agreements.

Since the change of control severance agreements contain a cash settlement feature that can be exercised only upon the occurrence of a contingent event that is outside the employees' control, recognition of liability within the consolidated financial statements would occur when it becomes probable that the event will occur.

## Note 19. Commitments and Contingencies (Continued)

### Contracted Services

The Bank has entered into an agreement with a third-party provider of electronic data processing and information technology services which commenced on March 21, 2014. The agreement, which expires March 20, 2019, requires minimum monthly payments of approximately $24,800. Minimum future payments under Bank's current third-party agreement as of December 31, 2016, are as follows (in thousands):

| Years Ending December 31, | Amount |
|---|---|
| 2017 | $ 298 |
| 2018 | 307 |
| 2019 | 103 |
| **Total** | $ 708 |

## Note 20. Significant Concentrations

Loan concentrations exist where a significant amount of loans are extended to a particular customer or affiliated group of customers, or to a group of customers with similar economic characteristics. Loan concentrations may pose credit risk. The Company identifies a loan concentration as any obligation, direct or indirect, of the same or affiliated interests, which represent 25% or more of the Bank's Tier One capital, or $5.0 million as of December 31, 2016. As of December 31, 2016, the Company does not have any loan concentrations in excess of 25% of the Bank's Tier One capital to any one customer or group of affiliated customers.

Significant group concentrations exist where a number of items that have similar economic characteristics expose the Company to a particular type of risk. Most of the Bank's lending activities are with customers located within the greater New Orleans area in Louisiana. Additionally, the substantial portion of the real estate upon which the Bank has extended credit is one-to-four family residential properties and, more recently, commercial real estate. See Note 4 for a description of the Bank's lending policies with respect to collateral supporting loans.

## Note 20. Significant Concentrations (Continued)

Deposit concentrations exist where a significant amount of deposits are held for a particular customer or affiliated group of customers, or for a group of customers with similar economic characteristics. Deposit concentrations may pose liquidity risk. Deposit concentrations are considered significant if they represent 5% or more of total deposits, or $5.0 million as of December 31, 2016. As of December 31, 2016, the Bank had no significant concentrations for a particular customer or group of affiliated customers. As of December 31, 2016, the Bank has customer deposits of various commercial banks and other depository institutions in the United States that total $21.6 million, or 21% of its total deposits; however, the institutions are geographically diverse and no one institution had balances exceeding $250,000.

The Company periodically maintains cash in bank accounts in excess of insured limits. The Company has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

All concentrations are monitored monthly by management and the Board of Directors.

## Note 21. Disclosure about Fair Value of Financial Instruments

The following disclosure is made in accordance with the requirements of ASC 825, *Financial Instruments.* Financial instruments are defined as cash and contractual rights and obligations that require settlement, directly or indirectly, in cash. Fair values are based on quoted market prices for similar instruments or estimated using discounted cash flow analysis. The discount rates used are estimated using comparable risk-free market rates for similar types of instruments adjusted to be commensurate with the credit risk, overhead costs, and optionality of such instruments. The results of these techniques are highly sensitive to the assumptions used, such as those concerning appropriate discount rates and estimates of future cash flows, which require considerable judgment. Accordingly, estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current settlement of the underlying financial instruments.

ASC 825 excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements. These disclosures should not be interpreted as representing an aggregate measure of the underlying value of the Company.

## Note 21. Disclosure about Fair Value of Financial Instruments (Continued)

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate the value:

**Cash and Short-Term Investments**
For cash and short-term investments with other institutions, the carrying amount approximates fair value.

**Certificates of Deposit**
For short-term certificates of deposit with other institutions, the carrying amount approximates cash value.

**Investment Securities**
For securities and marketable equity securities held for investment purposes, fair values are based on quoted market prices.

**Loans**
The fair value of loans is estimated by discounting the future cash flows using discount rates estimated using comparable risk-free market rates for similar types of instruments adjusted to be commensurate with the credit risk, overhead costs, and optionality of such instruments. The allowance for loan losses is allocated to each individual loan account prior to the calculation of the fair value of loans.

**Deposits and Advance Payments by Borrowers for Taxes and Insurance**
The fair value of demand deposits, savings deposits, certain money market deposits and advance payments by borrowers for taxes and insurance is the amount payable on demand. The value of fixed maturity certificates of deposit is estimated by discounting the future cash flows using discount rates estimated using comparable risk-free market rates for similar types of instruments adjusted to be commensurate with overhead costs, and optionality of such instruments and incorporates all forms of risk in a single spread to the Treasury yield curve.

**FHLB Advances**
The fair value of borrowings is estimated by calculating estimated future cash flows and discounting them back to the present using discount rates estimated using comparable risk-free market rates for similar types of instruments adjusted to be commensurate with the credit quality, overhead costs, maturity structure, and optionality of such instruments.

**Commitments to Extend Credit**
The fair value of commitments is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present credit-worthiness of the counterparties.

## Note 21. Disclosure about Fair Value of Financial Instruments (Continued)

**Commitments to Extend Credit (Continued)**

The estimated fair values of the Company's financial instruments at December 31, 2016 and 2015, were as follows:

| | December 31, 2016 | |
|---|---|---|
| | Carrying Amount | Fair Value |
| | (In Thousands) | |
| **Financial Assets** | | |
| Cash and Short-Term Investments | $ 5,784 | $ 5,784 |
| Certificate of Deposit | 100 | 100 |
| Investment Securities | 8,763 | 8,763 |
| Loans | 105,308 | 104,646 |
| Less: Allowance for Loan Losses | (841) | - |
| | $ 119,114 | $ 119,293 |
| **Financial Liabilities** | | |
| Deposits and Advance Payments by Borrowers for Taxes and Insurance | $ 101,544 | $ 101,047 |
| FHLB Advances | 2,500 | 2,471 |
| | $ 104,044 | $ 103,518 |
| **Unrecognized Financial Instruments** | | |
| Commitments to Extend Credit | $ 10,504 | $ 10,504 |

| | December 31, 2015 | |
|---|---|---|
| | Carrying Amount | Fair Value |
| | (In Thousands) | |
| Financial Assets | | |
| Cash and Short-Term Investments | $ 3,102 | $ 3,102 |
| Certificates of Deposit | 100 | 100 |
| Investment Securities | 6,896 | 6,896 |
| Loans | 97,863 | 98,595 |
| Less: Allowance for Loan Losses | (776) | - |
| | $ 107,185 | $ 108,693 |
| Financial Liabilities | | |
| Deposits and Advance Payments by Borrowers for Taxes and Insurance | $ 90,233 | $ 90,030 |
| FHLB Advances | 1,500 | 1,488 |
| | $ 91,733 | $ 91,518 |
| Unrecognized Financial Instruments | | |
| Commitments to Extend Credit | $ 11,199 | $ 11,199 |

## Note 22. Fair Value Measurements

The Company adopted the FASB's fair value guidance on January 1, 2008 for all financial assets and liabilities and nonfinancial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The fair value guidance defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. On January 1, 2011, the Company adopted FASB ASU 2010-06, *Fair Value Measurements and Disclosures,* that requires new disclosures related to fair value measurements and clarifies existing disclosure requirements about the level of disaggregation, inputs, and valuation techniques.

The fair value guidance defines fair value as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity. In addition, the fair value of liabilities should include consideration of non-performance risk including the Company's own credit risk.

In addition to defining fair value, the fair value guidance expands the disclosure requirements around fair value and establishes a fair value hierarchy for valuation inputs. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels which is determined by the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

- Level 1 - Inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.

- Level 2 - Inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

- Level 3 - Inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

In addition, reporting entities now must disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers. During the periods presented in the Company's consolidated financial statements, there were no significant transfers in or out of Level 1 and Level 2.

## Note 22. Fair Value Measurements (Continued)

Furthermore, in the reconciliation for Level 3 fair value measurements, a reporting entity needs to use judgment in determining the appropriate classes of assets and liabilities for disclosure of fair value measurement, considering the level of disaggregated information required by other applicable U.S. GAAP guidance and should also provide disclosures about the valuation techniques and inputs used to measure fair value for each class of assets and liabilities. The Company had no Level 3 assets and liabilities during the periods presented in the Company's consolidated financial statements.

### Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following describes the hierarchy designations, valuation methodologies, and key inputs to measure fair value on a recurring basis for designated financial instruments:

### Securities

Fair value estimates for securities are based on quoted market prices, where available (Level 1 inputs). If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments (Level 2). The carrying amount of accrued interest on securities approximates its fair value.

The following tables present the Company's assets and liabilities measured at fair value on a recurring basis at December 31, 2016 and 2015:

| | December 31, 2016 | | | |
|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 |
| | (In Thousands) | | | |
| **Assets** | | | | |
| **U.S. Government Agencies** | **$ 1,970** | **$ -** | **$ 1,970** | **$ -** |
| **Corporate Notes** | **991** | **-** | **991** | **-** |
| **Agency Mortgage-Backed Securities** | **5,802** | **-** | **5,802** | **-** |
| **Total** | **$ 8,763** | **$ -** | **$ 8,763** | **$ -** |
| **Liabilities** | **$ -** | **$ -** | **$ -** | **$ -** |
| **Total** | **$ -** | **$ -** | **$ -** | **$ -** |

| | December 31, 2015 | | | |
|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 |
| | (In Thousands) | | | |
| Assets | | | | |
| Corporate Notes | $ 989 | $ - | $ 989 | $ - |
| Agency Mortgage-Backed Securities | 5,907 | - | 5,907 | - |
| Total | $ 6,896 | $ - | $ 6,896 | $ - |
| Liabilities | $ - | $ - | $ - | $ - |
| Total | $ - | $ - | $ - | $ - |

## Note 22. Fair Value Measurements (Continued)

### Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

The following describes the hierarchy designation, valuation methodologies, and key inputs for those assets that are measured at fair value on a nonrecurring basis:

**Impaired Loans**

At the time a loan is considered impaired, it is recorded at the lower of cost or fair value. Impaired loans carried at fair value generally receive specific allocations of the allowance for loan losses. For collateral dependent loans, fair value is commonly based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available.

Assets measured at fair value on a non-recurring basis are summarized below:

| | Fair Value Measurements at December 31, 2016 | | | |
|---|---|---|---|---|
| | **Total** | **Level 1** | **Level 2** | **Level 3** |
| | (In Thousands) | | | |
| **Assets** | | | | |
| **Impaired Loans** | | | | |
| **One-to-Four Family First Mortgage** | $ 471 | $ - | $ 471 | $ - |
| **Specific Allowance** | (8) | - | (8) | - |
| **Total** | $ 463 | $ - | $ 463 | $ - |

| | Fair Value Measurements at December 31, 2015 | | | |
|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 |
| | (In Thousands) | | | |
| Assets | | | | |
| Impaired Loans | | | | |
| One-to-Four Family First Mortgage | $ 423 | $ - | $ 423 | $ - |
| Specific Allowance | (12) | - | (12) | - |
| Total | $ 411 | $ - | $ 411 | $ - |

The specific allowance for loan losses on impaired loans is recorded in the allowance for loan losses on the consolidated balance sheets.

## Note 23. Condensed Parent Company Only Financial Statements

Condensed financial statements of Hibernia Bancorp, Inc. (parent company only) are shown below.

**HIBERNIA BANCORP, INC.**
**Condensed Balance Sheets - Parent Only**
**December 31, 2016 and 2015**

| | **2016** | 2015 |
|---|---|---|
| | (In Thousands) | |
| **Assets** | | |
| Cash and Cash Equivalents | **$ 1,827** | $ 956 |
| Prepaid Expenses and Other Assets | **88** | 178 |
| Investment in Subsidiary | **18,509** | 19,817 |
| **Total Assets** | **$ 20,424** | $ 20,951 |
| **Liabilities and Stockholders' Equity** | | |
| Accounts Payable and Other Liabilities | **$ 74** | $ 185 |
| Stockholders' Equity | **20,350** | 20,766 |
| **Total Liabilities and Stockholders' Equity** | **$ 20,424** | $ 20,951 |

**HIBERNIA BANCORP, INC.**
**Condensed Statements of Income - Parent Only**
**For the Years Ended December 31, 2016 and 2015**

| | **2016** | 2015 |
|---|---|---|
| | (In Thousands) | |
| Dividend Income from Subsidiary Bank | **$ 1,500** | $ - |
| Interest Income | **24** | 27 |
| **Total Income** | **1,524** | 27 |
| Operating Expenses | **75** | 56 |
| **Total Expenses** | **75** | 56 |
| Income (Loss) Before Income Tax Benefit and Change in Equity in Undistributed Earnings of Subsidiary | **1,449** | (29) |
| Income Tax Benefit | **17** | 11 |
| Change in Equity in Undistributed Earnings of Subsidiary | **(1,240)** | 198 |
| **Net Income** | **$ 226** | $ 180 |

## Note 23. Condensed Parent Company Only Financial Statements (Continued)

**HIBERNIA BANCORP, INC.**
**Condensed Statements of Cash Flows - Parent Only**
**For the Years Ended December 31, 2016 and 2015**

| | **2016** | 2015 |
|---|---|---|
| | (In Thousands) | |
| **Operating Activities** | | |
| Net Income | **$ 226** | $ 180 |
| Adjustments to Reconcile Net Income to Net Cash Provided by (Used in) Operating Activities | | |
| Equity in Undistributed Earnings of Subsidiary | **1,240** | (198) |
| Increase in Prepaid Expenses and Other Assets | **(12)** | (2) |
| Increase (Decrease) in Accounts Payable and Other Liabilities | **2** | (2) |
| Decrease in Income Taxes Payable | **(113)** | (10) |
| **Net Cash Provided by (Used in) Operating Activities** | **1,343** | (32) |
| **Investing Activities** | | |
| Repayment of ESOP Loan by Subsidiary | **73** | 74 |
| **Net Cash Provided by Investing Activities** | **73** | 74 |
| **Financing Activities** | | |
| Purchase of Company Stock | **(667)** | (1,430) |
| Proceeds from Subsidiary for Use of Parent Operating Losses | **6** | 33 |
| Change in Due to/from Subsidiary | **95** | (153) |
| Stock Awards | **21** | 60 |
| **Net Cash Used in Financing Activities** | **(545)** | (1,490) |
| **Increase (Decrease) in Cash and Cash Equivalents** | **871** | (1,448) |
| **Cash and Cash Equivalents, Beginning of Year** | **956** | 2,404 |
| **Cash and Cash Equivalents, End of Year** | **$ 1,827** | $ 956 |
| **Supplementary Disclosures of Cash Flow Information** | | |
| Issuance of RRP Stock | **$ -** | $ 35 |
| Cash Paid for Income Taxes | **$ 380** | $ 24 |

## Note 24. Subsequent Events

In accordance with the subsequent events topic FASB ASC 855, *Subsequent Events,* management has evaluated subsequent events through the date that the consolidated financial statements were issued and has determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these consolidated financial statements.

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# Hibernia Bancorp, Inc.

## ABOUT THE COMPANY

Hibernia Bancorp, Inc. is the parent company for Hibernia Bank, a Louisiana-chartered and FDIC-insured savings bank. Hibernia Bank provides a variety of financial services to individual and commercial customers through its three branches in New Orleans and Metairie, Louisiana.

**Executive Officers**

**A. Peyton Bush, III**
President, Chief Executive Officer
and Co-Chairman of the Board of
Directors

**Michael G. Gretchen**
Executive Vice President,
Chief Lending Officer and
Corporate Secretary

**Donna T. Guerra, CPA, CGMA**
Executive Vice President,
Chief Financial Officer and
Assistant Secretary

**Shareholder Information**

Shareholders, investors and analysts interested in corporate information may contact:

**Donna T. Guerra**
Chief Financial Officer
Hibernia Bancorp, Inc.
325 Carondelet Street
New Orleans, LA 70130
(504) 522-3203
dguerra@hibbank.com

**Annual Meeting**

The annual meeting of shareholders will be held on Thursday, May 25, 2017, at 10 a.m., Central Time, at Hibernia Bank, 325 Carondelet Street, New Orleans, LA 70130.

**Registrar and Transfer Agent**

**Overnight Correspondence:**
Computershare Investor Services
211 Quality Circle, Suite 210
College Station, TX 77845

**First Class/Registered/Certified Mail:**
Computershare Investor Services
P.O. Box 30170
College Station, TX 77842

**Shareholder Services:** (800) 368-5948
www.computershare.com/investor

**Website**

Information about Hibernia Bancorp, Inc. and Hibernia Bank may be obtained on our website at www.hibbank.com. Investors interested in Hibernia Bancorp, Inc. current stock quotes, press releases and other corporate information may click on the Investor Relations section of our website.

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