Board of Governors of the Federal Reserve System

Annual Report of Holding Companies—FR Y-6

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

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

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

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

I, Russell J. Grimes
Name of the Holding Company Director and Official

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

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

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

Signature of Holding Company Director and Official

3/16/18
Date of Signature

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

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

For Federal Reserve Bank Use Only

RSSD ID 4256159
C.I.

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

549300V1AVT7I05L0QZ8
Reporter's Legal Entity Identifier (LEI) (20-Character LEI Code)

Reporter's Name, Street, and Mailing Address

Carroll Bancorp, Inc.
Legal Title of Holding Company

1321 Liberty Road
(Mailing Address of the Holding Company) Street / P.O. Box

Sykesville	MD	21784
City	State	Zip Code

Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Michael J. Gallina	Chief Financial Officer
Name	Title

410-795-1900 ext 226
Area Code / Phone Number / Extension

410-549-1715
Area Code / FAX Number

mgallina@carrollcobank.com
E-mail Address

www.carrollcobank.com
Address (URL) for the Holding Company's web page

Is confidential treatment requested for any portion of this report submission? (0=No, 1=Yes) 0

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

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

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

Public reporting burden for this information collection is estimated to vary from 1.3 to 101 hours per response, with an average of 5.50 hours per response, including time to gather and maintain data in the required form and to review instructions and complete the information collection. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to: Secretary, Board of Governors of the Federal Reserve System, 20th and C Streets, NW, Washington, DC 20551, and to the Office of Management and Budget, Paperwork Reduction Project (7100-0297), Washington, DC 20503.

For Use By Tiered Holding Companies

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

Legal Title of Subsidiary Holding Company

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

City State Zip Code

Physical Location (if different from mailing address)

Legal Title of Subsidiary Holding Company

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

City State Zip Code

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

City State Zip Code

Physical Location (if different from mailing address)

Results: A list of branches for your depository institution: CARROLL COMMUNITY BANK (ID_RSSD: 395274).
This depository institution is held by CARROLL BANCORP, INC. (4256159) of SYKESVILLE, MD.
The data are as of 12/31/2017. Data reflects information that was received and processed through 01/04/2018.

Reconciliation and Verification Steps

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

Actions

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

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

Submission Procedure

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

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

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

Data Action	Effective Date	Branch Service Type	Branch ID_RSSD*	Popular Name	Street Address	City	State	Zip Code	County	Country	FDIC UNINUM*	Office Number*	Head Office	Head Office ID_RSSD*	Comments
OK		Full Service (Head Office)	395274	CARROLL COMMUNITY BANK	1321 LIBERTY ROAD	SYKESVILLE	MD	21784	CARROLL	UNITED STATES	Not Required	Not Required	CARROLL COMMUNITY BANK	395274	
OK		Full Service	4981545	BETHESDA BRANCH	7126 WISCONSIN AVENUE	BETHESDA	MD	20814	MONTGOMERY	UNITED STATES	Not Required	Not Required	CARROLL COMMUNITY BANK	395274	
OK		Full Service	4362153	WESTMINSTER BRANCH	29 WESTMINSTER SHOPPING CENTER	WESTMINSTER	MD	21157	CARROLL	UNITED STATES	Not Required	Not Required	CARROLL COMMUNITY BANK	395274	

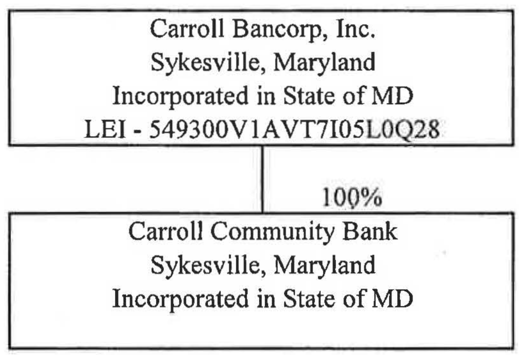
Form FR Y-6

Carroll Bancorp, Inc
Sykesville, Maryland
Fiscal Year Ending December 31, 2017

Report Item

1: Carroll Bancorp, Inc. prepares an annual report for its securities holders and is not registered with the SEC. As specified by the Richmond Reserve Bank, 2 copies are enclosed.
Carroll Bancorp's Annual Meeting is scheduled for April 23, 2018.

2a: Organizational Chart



2b: Domestic branch listing provided to the Richmond Reserve Bank.

Form FR Y-6
Carroll Bancorp, Inc.
Sykesville, Maryland
Fiscal Year Ending December 31, 2017

ℓeport Item 3: Securities Holders
1)(a)(b)(c) and (2)(a)(b)(c)

;urrent securities holders with ownership, contol or holdings of 5% or more with power to vote as of fiscal 'ear ending 12-31-2017.				Securities holders not listed in 3(1)(a) through 3(1)(c) that had ownership, control or holdings of 5% or more with the power to vote during the fiscal year ending 12-31-2017.		
1)(a) Name ;ity, State, Country	(1)(b) Country of Citizenship or Incorporation	(1)(c) Number and Percentage of Each Class of Voting Securities		(2)(a) Name City, State, Country	(2)(b) Country of Citizenship or Incorporation	(2)(c) Number and Percentage of Each Class of Voting Securities
;tilwell Entities (1) New York, NY, USA	USA	71,765	6.55% of common stock	None		
onathan Craig Kinney (1) Arlington, VA, USA	USA	67,864	6.20% of common stock			
Thomas L. Burke (1) Westfield, NJ, USA	USA	92,300	8.43% of common stock			
Russell J. Grimes	USA	32,233	2.94% of common stock			
ESOP unallocated shares (2)		26,044	2.38% of common stock			
Restricted stock not vested or granted (2)		2,596	0.24% of common stock			
Mt. Airy, MD, USA		60,873	5.56% of common stock			

1) The number of shares reported is based on what the investor reported to us (via email).
2) Mr. Grimes is a trustee of the ESOP and Carroll Bancorp, Inc. 2011 Recognition and Retention Plan and Trust. A trustee is deemed a beneficial owner of all of such shares.

Form FR Y-6
Carroll Bancorp, Inc.
Sykesville, Maryland
Fiscal Year Ending December 31, 2017

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

(1) Name City, State, Country	(2) Principal Occupation if other than with Bank Holding Company	(3)(a) Title & Position with Bank Holding Company	(3)(b) Title & Position with Subsidiaries (include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (including names of other businesses)	(4)(a) Percentage of Voting Shares in Bank Holding Company	(4)(b) Percentage of Voting Shares in Subsidiaries (include names of subsidiaries)	(4)(c) List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)	
Roger Wayne Barnes Westminster, MD USA	Insurance Broker Life and Long Term Care	Director	Director Carroll Community Bank	Sole proprietor R. Wayne Barnes, CLU, CLTC	4.18%	None	Sole proprietor R. Wayne Barnes, CLU, CLTC	100%
	Farming			Managing Partner Pleasant Acres, LLP			Managing Partner Pleasant Acres, LLP	40%
Russell J. Grimes Mt Airy, MD USA	N/A	Director and President & CEO	Director and President & CEO Carroll Community Bank	N/A	2.94%	None	N/A	
		ESOP Trustee (unallocated shares)			2.38%			
		RRP Trustee (non-granted shares)			0.24%			
					5.56%			
Brian L. Haight Finksburg, MD USA	Funeral Home	Director	Director Carroll Community Bank	Owner, President, Treasurer Haight Funeral Home & Chapel, P.A.	3.01%	None	Owner, President, Treasurer Haight Funeral Home & Chapel, P.A.	95%
	Insurance Agency			Owner, President Grandview Associates, Inc.			Owner, President Grandview Associates, Inc.	100%
	Crematory			Owner, President All County Cremation Services, Inc.			Owner, President All County Cremation Services, Inc.	100%
	Real Estate Holdings			Owner Haight Properties, LLC			Owner Haight Properties, LLC	100%
Gilbert L. Fleming Finksburg, MD USA	N/A	Director	Director Carroll Community Bank	N/A	2.46%	None	N/A	
Nancy L. Parker Sykesville, MD USA	Real Estate Sales	Director	Director Carroll Community Bank	Agent Long & Foster Real Estate	2.44%	None		
	Office Property Leasing			Wards Chapel Village, LLC			Wards Chapel Village, LLC	100%
	Inactive			NLP Appraisal Services, LLC			NLP Appraisal Services, LLC	100%
	Active			Westminster Warehousing Services, Inc.			Westminster Warehousing, LLC	25%
	Active			WW Services Limited Partnership			WW Services Inc.	25%

elius Todd Brown /estminster, MD 'SA	N/A	Director	Director Carroll Community Bank	N/A	2.11%	None	N/A	
ımes G. Kohler ldersburg, MD 'SA	Real Estate Development	Director	Director Carroll Community Bank	Owner Kohler Development Corporation	1.72%	None	Owner Kohler Development Corporation	100%
	Real Estate Development			Pi Development Corporation			Pi Development Corporation	50%
	Real Estate Development			KDC Group, Inc.			KDC Group, Inc.	100%
	Real Estate Investments			West Air 21A, LLC			West Air 21A, LLC	50%
	Commercial Rentals			844 Condos, LLC			844 Condos, LLC	50%
eonidas A. Vondas ethesda, MD 'SA	Real Estate Development	Director	Director Carroll Community Bank	Owner Capital Management and Development, LLC	2.15%	None	Owner Capital Management and Development, LLC	50%
	Real Estate Development			Bethesda Properties, LLC			Bethesda Properties, LLC	100%
‹arry J. Renbaum .eisterstown, MD 'SA	N/A	Director	Director Carroll Community Bank	N/A	less than 1%	None	N/A	
1ichael J. Gallina asadena, MD 'SA	N/A	Chief Financial Officer Treasurer	Chief Financial Officer Treasurer Carroll Community Bank	N/A	1.02%	None	N/A	
ieorge W. Peck, Jr. 'aneytown, MD 'SA	N/A	N/A	Chief Lending Officer Carroll Community Bank	N/A	1.25%	None	N/A	

1) Robin Weisse resigned from the Board of Directors on December 18, 2017.

Carroll Community Bank

2017 Annual Report

Carroll Community Bank

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Letter to Our Shareholders

On behalf of the directors and employees of Carroll Bancorp Inc. (the "Company") (OTC PINK: CROL) and its subsidiary company Carroll Community Bank (the "Bank"), I am pleased to share with you the 2017 Carroll Bancorp, Inc. Annual Report. 2017 reflected another year of solid performance in terms of the Bank's core business. We have continued to expand our market presence in the Washington Metropolitan area and have attracted a number of talented individuals from other banking institutions to give us the infrastructure to meet our strategic goals for 2018 and beyond.

During 2017, total assets grew by over $12 million, or 8%, to $178 million. Loan and deposit balances grew slightly as demand in the market place continues to grow on both sides of the balance sheet. The Bank originated $24.8 million in loan commitments during the year; however, this growth was mostly offset by loan payoffs, paydowns and regular principal payments.

Net income for 2017 was $297,000 compared to $301,000 in 2016. The fourth quarter included a one-time charge of $105,000 recorded as income tax expense relating to the re-measurement of the Company's deferred tax assets as a result of a lower corporate federal tax rate pursuant to the enactment of the Tax Cuts and Jobs Act. While the tax bill negatively affected our earnings for 2017, it is expected to significantly increase our earnings power and internal capital growth going forward. Had this re-measurement charge not occurred, the Company would have recorded net income of $402,000 for the year ended December 31, 2017.

During the second half of 2017, the Bank has hired experienced and talented commercial loan officers and business bankers. We are excited to have them as part of our team and look forward to the impact they will have in growing the Bank through loan originations and new deposit accounts.

While earnings and balance sheet growth continue to be our main focus for the Company, we remain diligent at protecting asset quality with a strong focus on credit underwriting and credit quality. Our nonperforming assets increased slightly to $3.2 million at December 31, 2017 compared to the prior year. The majority of the balance consists of two commercial properties totaling $2.3 million. For one of the properties, the loan was paid-off in January 2018, while collecting all principal, interest and fees owed to us. The other property was foreclosed upon in October 2017. Early in 2017, the Bank recorded a charge-off of $213,000 for that loan. There was no additional charge-off taken at the time of foreclosure. The property is expected to sell during 2018.

In 2017 we continued to expand our secondary market program by enhancing our product mix and adding more investors to buy our mortgage loan originations. Our goal for 2018 is to hire an additional mortgage loan officer and increase non-interest income.

The Company's employment has grown over the last few years requiring the Bank to expand for office space. In November 2017, the Bank purchased a two-story brick 5,500 square foot building in Westminster, Maryland formerly owned by 1st Mariner Bank. Renovations for the building are planned for the second half of 2018 with occupancy in late 2018. The space will initially be used for administrative office space with plans for a full-service branch in the future.

In February 2018, we opened a loan production office in Mt. Airy, Maryland. The office includes two commercial loan officers and a business banker and we plan to add a mortgage loan officer and our Deposit Operations department in the near future. Mt. Airy has been identified as a key expansion area by the Bank. This office will give us a physical presence in the south western part of Carroll County, bordering Montgomery, Howard and Frederick counties. All three counties are key to our future growth and positions us for future expansion into northern Montgomery County.

The Company remains well capitalized and is focused on capital for the protection against economic uncertainty, loan performance downturns and funding the strategic growth of the Bank. In early 2017, stock warrants from the 2014 rights offering were exercised raising additional capital of $392,000. In May 2017, the Company paid a 10% stock dividend to enhance the value of the stock for our stockholders. Our tangible stock book value ended the year at $15.64 compared to $15.49 at December 31, 2016.

Your Board of Directors, the senior management team and our employees remain committed to the future of Carroll Bancorp, Inc. and we look forward to another exciting year in 2018. We appreciate the confidence that you have placed in us and are grateful for the support from our investors, customers and the community.

Sincerely,	Sincerely,
C. Todd Brown	Russell J. Grimes
Chairman of the Board	President and Chief Executive Officer

Carroll Bancorp, Inc.

Directors and Officers

Board of Directors

C. Todd Brown, Chairman

Brian L. Haight, Vice-Chairman

R. Wayne Barnes

Gilbert L. Fleming

Russell J. Grimes, President/CEO

James G. Kohler

Nancy L. Parker

Barry J. Renbaum

Leonidas "Leo" A. Vondas

Advisory Board

Steven A. Aquino

Elaine Gossage

Fred Gossage

Benny R. Kirkner

Bill Leishear

Frank E. Potepan III

Bruce Reamer

Senior Management Team

Carroll Bancorp, Inc.

Russell J. Grimes, President/CEO

Michael J. Gallina, CFO and Treasurer

Michelle L. Miller, Corporate Secretary

Carroll Community Bank

Russell J. Grimes, President/CEO

Michael J. Gallina, EVP/CFO and Treasurer

George W. Peck, Jr., EVP/Chief Lending Officer

Michelle L. Miller, Corporate Secretary and Controller

Summary Financial Information

(Dollars in thousands, except per share data)	Years Ended December 31, 2017	2016	2015
Summary Statement of Operations:			
Interest and dividend income	$ 6,477	$ 5,925	$ 5,241
Interest expense	1,229	1,023	678
Net interest income	5,248	4,902	4,563
Provision for loan losses	265	41	164
Net interest income after provision for loan losses	4,983	4,861	4,399
Noninterest income	289	266	197
Noninterest expense	4,693	4,693	4,168
Income before income tax expense	579	434	428
Income tax expense	282	133	157
Net income	$ 297	$ 301	$ 271
Per Share Data:			
Basic earnings per share	$ 0.28	$ 0.29	$ 0.27
Diluted earnings per share	$ 0.28	$ 0.29	$ 0.27
Book Value at period-end	$ 15.64	$ 15.49	$ 15.14
Shares Outstanding at period-end	1,095,011	1,058,440	1,076,107
Weighted average shares outstanding:			
Basic	1,048,599	1,026,939	996,025
Diluted	1,056,946	1,046,130	1,017,124
Selected Financial Condition Data:			
Total assets	$ 177,769	$ 164,976	$ 151,337
Total loans	138,360	136,244	129,334
Allowance for loan losses	1,035	965	901
Deposits	137,265	135,280	122,101
Federal Home Loan Bank advances	23,000	13,000	12,500
Total stockholders' equity	17,126	16,396	16,293
Selected Financial Ratios:			
Return on average assets	0.17%	0.19%	0.21%
Return on average equity	1.75%	1.83%	1.72%
Yield on earning assets	3.91%	3.89%	4.19%
Cost of funds on interest-bearing liabilities	0.85%	0.77%	0.63%
Interest rate spread	3.06%	3.12%	3.56%
Net interest margin	3.17%	3.22%	3.64%
Efficiency ratio	84.75%	90.80%	87.56%
Noninterest expense to average assets	2.72%	2.96%	3.17%
Average interest-earning assets to average interest-bearing liabilities	113.93%	115.02%	116.56%
Asset Quality Ratios:			
Allowance for loan losses to total loans	0.75%	0.71%	0.70%
Nonperforming loans to total loans	1.05%	2.13%	0.00%
Nonperforming assets to total assets	1.82%	1.85%	0.13%
Capital Ratios (bank level):			
Total capital to risk-weighted assets	13.72%	14.35%	15.98%
Tier 1 capital to risk weighted assets	12.92%	13.53%	15.11%
Tier 1 capital to average assets	9.42%	9.71%	9.95%
Tangible equity to tangible assets	9.42%	9.73%	10.37%

Market for Common Stock

Carroll Bancorp, Inc.'s common stock is quoted on the OTC Pink marketplace of the OTC Markets Group under the symbol "CROL". As of December 31, 2017, there were 1,095,011 shares of common stock outstanding. At that date, the Company had approximately 156 holders of record of its common stock. The number of stockholders of record does not reflect the number of persons whose shares are held in nominee or "street" name accounts through brokers.

The high and low sales prices of Carroll Bancorp, Inc.'s common stock during the last two years as shown below are based on information posted on the OTC Markets Group quotation system by broker-dealers. These prices may include dealer mark-up, mark-down and/or commission and may not necessarily represent actual transactions.

Year Ended December 31, 2017	High	Low	Close	Dividends Declared
Quarter ended December 31, 2017	$ 14.99	$ 14.34	$ 14.60	$ -
Quarter ended September 30, 2017	15.00	14.30	14.41	-
Quarter ended June 30, 2017	16.00	14.70	14.70	-
Quarter ended March 31, 2017	15.09	14.43	15.00	-

Year Ended December 31, 2016	High	Low	Close	Dividends Declared
Quarter ended December 31, 2016	$ 15.00	$ 14.09	$ 14.55	$ -
Quarter ended September 30, 2016	15.45	14.34	15.00	-
Quarter ended June 30, 2016	15.00	14.50	14.55	-
Quarter ended March 31, 2016	15.42	14.55	14.55	-

Our Board of Directors has the authority to declare dividends on our shares of common stock, subject to statutory and regulatory requirements. We currently do not pay cash dividends. In determining whether to pay a cash dividend and the amount of such cash dividend in future periods, we expect that our Board of Directors would take into account a number of factors, including capital requirements, our financial condition and results of operations, tax considerations, statutory and regulatory limitations and general economic conditions. We cannot assure you that any dividends will be paid or that, if paid, will not be reduced or eliminated thereafter. We may pay special cash dividends, stock dividends or returns of capital, to the extent permitted by applicable law and regulations, in addition to, or in lieu of, regular cash dividends.

Carroll Bancorp, Inc. is organized under the Maryland General Corporation Law, which prohibits the payment of a dividend if, after giving it effect, the corporation would not be able to pay its debts as they become due in the usual course of business or the corporation's total assets would be less than the sum of its total liabilities plus, unless the charter permits otherwise, the amount that would be needed, if the corporation were to be dissolved, to satisfy the preferential rights upon dissolution of stockholders whose preferential rights on dissolution are superior to those receiving the distribution. In addition, because Carroll Bancorp, Inc. is a bank holding company the Federal Reserve Board may impose requirements on its payment of dividends. Among other things, the Federal Reserve Board has issued guidance that states, in general, that an entity experiencing financial difficulties should not pay or continue to pay dividends unless (i) the entity's net income over the prior year is sufficient to fund all dividends and (ii) the earnings retained by the entity is consistent with the entity's capital needs, asset quality and overall financial condition. There are additional restrictions under the Banking Code with respect to Carroll Community Bank's payment of dividends, as discussed below, which is Carroll Bancorp, Inc.'s only source of funds from which dividends to stockholders could be paid.

Under Maryland law, Carroll Community Bank may declare a cash dividend, after providing for due or accrued expenses, losses, interest and taxes, from its undivided profits or, with the prior approval of the Maryland Office of the Commissioner of Financial Regulation, from its surplus in excess of 100% of its capital stock. Also, if Carroll Community Bank's surplus is less than 100% of its capital stock, then, until the surplus is 100% of the capital stock, Carroll Community Bank must transfer to its surplus annually at least 10% of its net earnings and may not declare or pay any cash dividends that exceed 90% of its net earnings. In addition to these specific restrictions, the bank regulatory agencies have the ability to prohibit or limit proposed dividends if such regulatory agencies determine that the payment of such dividends would result in Carroll Community Bank being in an unsafe and unsound condition. Any payment of dividends by Carroll Community Bank to the Company that would be deemed to be drawn out of Carroll Community Bank's bad debt reserves, if any, would require a payment of taxes at the then-current tax rate by Carroll Community Bank on the amount of earnings deemed to be removed from the reserves for such distribution. Carroll Community Bank does not intend to make any distribution to us that would create such a federal tax liability.

The Company's Board of Directors approved the Company's repurchase of up to 38,364 shares of its outstanding shares of common stock in 2015. During the year ended December 31, 2017, there were no stock repurchases. The Company has the availability to repurchase up to 21,247 shares (restated for stock dividends) of common stock under the current plan.

DHG
DIXON HUGHES GOODMAN LLP

Independent Auditors' Report

Board of Directors and Stockholders
Carroll Bancorp, Inc. and Subsidiary
Sykesville, Maryland

We have audited the accompanying consolidated financial statements of Carroll Bancorp, Inc. and Subsidiary (the "Company") which comprise the consolidated statements of financial condition as of December 31, 2017 and 2016, and the related consolidated statements of operations, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the 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.

Auditors' 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 auditors' 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 Carroll Bancorp, Inc. and Subsidiary as of December 31, 2017 and 2016, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Dixon Hughes Goodman LLP

Baltimore, Maryland
March 8, 2018

FINANCIAL INFORMATION

Item 1. Financial Statements

Carroll Bancorp, Inc. and Subsidiary
Consolidated Statements of Financial Condition

	December 31, 2017	December 31, 2016
Assets:		
Cash and due from banks	$ 1,377,412	$ 1,358,732
Interest-bearing deposits with depository institutions	6,307,312	14,121,043
Cash and cash equivalents	7,684,724	15,479,775
Certificates of deposit with depository institutions	3,500,000	1,850,278
Securities available for sale, at fair value	16,204,405	3,928,823
Securities held to maturity (fair value December 31, 2017 $2,997,733, and December 31, 2016 $3,007,627)	2,954,968	2,973,626
Loans and leases, net of allowance for loan losses - December 31, 2017 $1,034,895 and December 31, 2016 $965,000	137,325,560	135,279,386
Accrued interest receivable	507,782	424,840
Other equity securities, at cost	1,274,596	837,296
Bank-owned life insurance	3,716,266	2,163,305
Premises and equipment, net	2,274,454	1,369,032
Foreclosed assets	1,781,823	146,410
Other assets	544,476	523,501
Total assets	$ 177,769,054	$ 164,976,272
Liabilities:		
Deposits		
Noninterest-bearing	$ 10,478,829	$ 9,174,681
Interest-bearing	126,785,848	126,105,636
Total deposits	137,264,677	135,280,317
Federal Home Loan Bank advances	23,000,000	13,000,000
Other liabilities	378,862	299,579
Total liabilities	160,643,539	148,579,896
Stockholders' Equity:		
Preferred Stock (par value $0.01); authorized 1,000,000 shares; no shares issued and outstanding	-	-
Common Stock (par value $0.01); authorized 9,000,000 shares; issued and outstanding; 1,095,011 shares at December 31, 2017 and 962,218 shares at December 31, 2016	10,950	9,622
Additional paid-in capital	14,666,089	12,562,136
Unallocated ESOP shares	(226,276)	(243,682)
Unearned RSP shares	(104,190)	(106,245)
Retained earnings	2,858,247	4,187,221
Accumulated other comprehensive loss	(79,305)	(12,676)
Total stockholders' equity	17,125,515	16,396,376
Total liabilities and stockholders' equity	$ 177,769,054	$ 164,976,272

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

Carroll Bancorp, Inc. and Subsidiary
Consolidated Statements of Operations

	Year Ended December 31, 2017	2016
Interest income:		
Loans and leases	$ 5,825,149	$ 5,585,183
Securities available for sale	204,576	84,242
Securities held to maturity	182,007	114,060
Certificates of deposit	67,019	42,475
Interest-bearing deposits	198,153	98,572
Total interest income	6,476,904	5,924,532
Interest expense:		
Deposits	1,017,524	834,985
Borrowings	211,786	187,924
Total interest expense	1,229,310	1,022,909
Net interest income	5,247,594	4,901,623
Provision for loan losses	264,827	41,230
Net interest income after provision for loan losses	4,982,767	4,860,393
Non-interest income:		
Loss on sale of securities available for sale	(215)	(1,061)
Gain on sale of certificates of deposit	2,933	-
Gain on loans held for sale	42,709	79,748
Loss on sale/writedown of foreclosed assets	(8,099)	(30,519)
Increase in cash surrender value - life insurance	52,960	55,535
Customer service fees	123,909	107,682
Loan fee income	45,454	35,123
Other income	29,409	19,508
Total non-interest income	289,060	266,016
Non-interest expense:		
Salaries and employee benefits	2,652,169	2,597,894
Premises and equipment	565,030	539,479
Data processing	528,458	507,938
Professional fees	215,222	283,434
FDIC insurance	116,539	95,082
Directors' fees	156,700	176,675
Corporate insurance	44,873	47,840
Printing and office supplies	42,606	47,328
Other operating expenses	370,826	396,738
Total non-interest expenses	4,692,423	4,692,408
Income before income tax	579,404	434,001
Income tax expense	282,039	133,361
Net income	$ 297,365	$ 300,640
Basic earnings per share	$ 0.28	$ 0.29
Diluted earnings per share	$ 0.28	$ 0.29
Basic weighted average shares outstanding	1,048,599	1,026,939
Diluted weighted average shares outstanding	1,056,946	1,046,130

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

Carroll Bancorp, Inc. and Subsidiary
Consolidated Statements of Comprehensive Income

	Year Ended December 31, 2017	Year Ended December 31, 2016
Net income	$ 297,365	$ 300,640
Other comprehensive loss before income tax:		
Securities available for sale:		
Net unrealized holding losses arising during the period	(88,502)	(26,350)
Less reclassification adjustment for losses on the sale of securities available for sale included in net income	215	1,061
Other comprehensive loss before income tax	(88,287)	(25,289)
Income tax effect	(35,316)	(10,115)
Other comprehensive loss, net of tax	(52,971)	(15,174)
Total comprehensive income	$ 244,394	$ 285,466

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

Carroll Bancorp, Inc. and Subsidiary
Consolidated Statements of Changes in Stockholders' Equity
For the Years Ended December 31, 2017 and 2016

	Common Stock	Additional Paid-in Capital	Unallocated ESOP Shares	Unearned RSP Shares	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balances at January 1, 2016	$ 9,783	$ 12,799,995	$ (261,088)	$ (144,599)	$ 3,886,581	$ 2,498	$ 16,293,170
Net income					300,640		300,640
Other comprehensive loss						(15,174)	(15,174)
RSP compensation		53,521					53,521
Restricted stock vesting		(38,354)		38,354			-
Warrants exercised	19	25,828					25,847
ESOP shares committed to be released			17,406				17,406
ESOP allocated shares FMV adjustment		12,026					12,026
Stock repurchase	(180)	(290,880)					(291,060)
Balances at December 31, 2016	$ 9,622	$ 12,562,136	$ (243,682)	$ (106,245)	$ 4,187,221	$ (12,676)	$ 16,396,376
Net income					297,365		297,365
Other comprehensive loss						(52,971)	(52,971)
Reclassification of remaining tax effects on deferred tax assets					13,658	(13,658)	-
RSP compensation		38,218					38,218
Restricted stock vesting		(32,034)		32,034			-
Warrants exercised	316	421,298		(29,979)			391,635
ESOP shares committed to be released			17,406				17,406
ESOP allocated shares FMV adjustment		12,211					12,211
Director stock purchase plan	17	25,258					25,275
Stock dividend paid	995	1,639,002			(1,639,997)		-
Balances at December 31, 2017	$ 10,950	$ 14,666,089	$ (226,276)	$ (104,190)	$ 2,858,247	$ (79,305)	$ 17,125,515

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

Carroll Bancorp, Inc. and Subsidiary
Consolidated Statements of Cash Flows

	Year Ended December 31, 2017	2016
Cash flows from operating activities:		
Net income	$ 297,365	$ 300,640
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on sale of securities available for sale	215	1,061
Gain on sale of certificates of deposit with depository institutions	(2,933)	-
Gain on sale of loans held for sale	(42,709)	(79,748)
Origination of loans held for sale	(1,715,800)	(3,431,000)
Proceeds from sale of loans held for sale	1,758,509	3,510,748
Amortization and accretion of securities	114,783	59,486
Amortization of deferred loan costs, net of origination fees	182,748	209,108
Provision for loan losses	264,827	41,230
Provision for loss on real estate acquired through foreclosure	8,099	30,519
Depreciation of premises and equipment	202,251	191,153
Increase in cash surrender value of bank-owned life insurance	(52,960)	(55,535)
ESOP compensation expense	29,617	29,432
RSP compensation expense	38,218	53,521
Increase in accrued interest receivable	(82,942)	(21,305)
Decrease in deferred tax assets	63,665	9,025
(Increase) decrease in other assets	(49,325)	21,649
Increase (decrease) in other liabilities	79,283	(143,356)
Net cash provided by operating activities	1,092,911	726,628
Cash flows from investing activities:		
Purchase of securities available for sale	(13,578,783)	-
Purchase of securities held to maturity	-	(978,214)
Proceeds from the sale or redemption of securities available for sale	170,415	15,000
Principal collected on securities available for sale	948,159	793,057
Purchase of certificates of deposit	(3,250,000)	-
Proceeds from the sale of certificates of deposit	1,603,211	600,000
Increase in loans, net	(4,275,572)	(7,096,312)
Purchase of bank-owned life insurance	(1,500,000)	-
Purchase of premises and equipment	(1,107,673)	(256,538)
Proceeds from the sale of real estate acquired through foreclosure	138,311	22,445
Purchase of other equity securities	(437,300)	(626,800)
Redemption of other equity securities	-	658,800
Net cash used in investing activities	(21,289,232)	(6,868,562)
Cash flows from financing activities:		
Increase in deposits	1,984,360	13,179,155
Proceeds from FHLB advances	18,000,000	16,000,000
Repayment of FHLB advances	(8,000,000)	(15,500,000)
Director stock purchase plan	25,275	-
Warrant exercise	391,635	25,847
Stock Repurchase	-	(291,060)
Net cash provided by financing activities	12,401,270	13,413,942
Net (decrease) increase in cash and cash equivalents	(7,795,051)	7,272,008
Cash and cash equivalents, beginning balance	15,479,775	8,207,767
Cash and cash equivalents, ending balance	$ 7,684,724	$ 15,479,775
Supplemental disclosure of cash flow information:		
Interest paid	$ 1,153,327	$ 1,012,192
Income tax paid	$ 216,568	$ 181,887
Supplemental disclosure of noncash investing and financing activities:		
Foreclosed real estate acquired in settlement of loans	$ 1,781,823	$ -
Supplemental disclosure of noncash information:		
Common stock dividend	$ 1,639,997	$ -

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

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Organization and Nature of Operations

Carroll Bancorp, Inc., a Maryland corporation (the "Company") was incorporated on February 18, 2011, to serve as the holding company for Carroll Community Bank (the "Bank"), a state chartered commercial bank. On October 12, 2011, in accordance with a plan of conversion adopted by its Board of Directors and approved by its members, the Bank converted from a Maryland chartered mutual savings bank to a state chartered commercial bank. The conversion was accomplished through formation of the Company to serve as the holding company of the Bank. The Company's common stock is quoted on the OTC Pink marketplace of the OTC Markets Group under the symbol "CROL".

In accordance with applicable regulations at the time of the conversion from a mutual holding company to a stock holding company, the Bank substantially restricted its retained earnings by establishing a liquidation account. The liquidation account is maintained for the benefit of eligible account holders who keep their accounts at the Bank after conversion. The liquidation account is reduced annually to the extent that eligible account holders have reduced their qualifying deposits. Subsequent increases will not restore an eligible account holder's interest in the liquidation account. In the event of a complete liquidation of the Bank, and only in such event, each account holder will be entitled to receive a distribution from the liquidation account in an amount proportionate to the adjusted qualifying account balances then held. The Bank may not pay dividends if those dividends would reduce equity capital below the required liquidation account amount.

The Bank is headquartered in Sykesville, Maryland and is a community-oriented financial institution providing financial services to individuals, families and businesses through three banking offices. The Bank is subject to the regulation, examination and supervision by the State of Maryland Department of Licensing and Regulation and the Federal Deposit Insurance Corporation ("FDIC"), our deposit insurer. Its primary deposits are certificate of deposit, savings and demand accounts and its primary lending products are residential and commercial real estate loans.

Principles of Consolidation

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("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 revenue and expenses during the reported period. Actual results could differ from those estimates.

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

Cash and Cash Equivalents

For the purposes of the statements of cash flows, cash and cash equivalents include cash on hand, balances due from banks and non-maturity interest-bearing deposits in other banks.

Certificates of Deposit with Depository Institutions

The Bank uses this financial instrument to supplement the securities investment portfolio. Interest and dividend income is recognized as earned. Purchase premiums and discounts are recognized as part of interest income using the interest method over the terms of the investments. Realized gains and losses on the sale of certificates of deposit are included in earnings based on trade date and are determined using the specific identification method. Certificates of deposit with depository institutions are not marked to market.

Securities

Management determines the appropriate classification of debt securities at the time of purchase and re-evaluates such designation as of each balance sheet date. Securities that the Bank has the positive intent and ability to hold to maturity are classified as held to maturity and are reported at amortized cost (including amortization of premium or accretion of discount). Securities classified as available for sale are those securities that the Bank intends to hold for an indefinite time period but not necessarily to maturity. Securities available for sale are reported at fair value. Net unrealized gains and losses on securities available for sale are recognized as increases or decreases in other comprehensive income, net of taxes, and are excluded from the determination of net income.

Interest and dividend income is recognized as earned. Realized gains and losses on the sale of securities are included in earnings based on trade date and are determined using the specific identification method. Purchase premiums and discounts are recognized as part of interest income using the interest method over the terms of the securities.

Declines in the fair value of individual available for sale securities below their cost that are other than temporary result in write-downs of the individual securities to their fair value. The related write-downs are included in earnings as realized losses. In estimating other-than-temporary impairment ("OTTI") losses for debt securities, management considers whether the Bank (1) has the intent to sell the security, or (2) will more likely than not be required to sell the security before its anticipated recovery, or (3) will suffer a credit loss as the present value of the cash flows is expected to be collected from the security are less than its amortized cost basis.

The Bank does not engage in securities trading.

Loans Held for Sale

The Bank may from time to time carry loans held for sale. Loans held for sale are carried at lower of aggregate cost or fair value. Market value is derived from secondary market quotations for similar instruments. Net unrealized losses are recognized through a valuation allowance by charges to income if required. Gains or losses are determined by using the specific identification method. There were no loans held foe sale outstanding as of December 31, 2017 and 2016.

Loans and Leases

Loans and leases that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are stated at their outstanding unpaid principal balances, net of an allowance for loan losses and any deferred fees or costs on originated loans. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized as a yield adjustment of the related loans using the interest method over the contractual term.

The accrual of interest is discontinued when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about further collectability of principal or interest, even though the loan is currently performing. A loan may remain on accrual status, if it is in the process of collection and is either guaranteed or well secured. When a loan is placed on nonaccrual status, unpaid interest is reversed. Interest received on nonaccrual loans generally is either applied against principal or reported as interest income, according to management's judgment as to the collectability of principal. Generally, loans are restored to accrual status when the obligation is brought current and future payments are reasonably assured.

Allowance for Loan Losses

The allowance for loan losses is established through provisions for loan losses charged against income. Loans deemed to be uncollectible are charged against the allowance for loan losses, and subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is maintained at a level to provide for losses that are probable and can be reasonably estimated. Management's periodic evaluation of the adequacy of the allowance is based on the Bank's past loan loss experience, known and inherent losses in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, composition of the loan portfolio, current economic conditions and other relevant factors. This evaluation is inherently subjective as it requires material estimates that may be susceptible to significant change, including the amounts and timing of future cash flows expected to be received on impaired loans.

The allowance consists of specific, general and unallocated components. The specific reserve component of the allowance relates to loans that are impaired. A specific reserve is established for the carrying amount of a loan less the collateral value of underlying property.

General allowances are established for loan losses on a portfolio basis for loans that do not meet the definition of impaired. The portfolio is grouped into similar risk characteristics, primarily loan type. The Company applies an estimated loss rate to each loan group. The loss rates applied are based upon its loss experience adjusted, as appropriate, for qualitative factors.

The unallocated component represents the margin of imprecision inherent in the underlying assumptions used in estimating specific and general allowances.

A loan is considered past due or delinquent when a contractual payment is not paid by its due date. A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan by loan basis for all loans secured by real estate by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price or the fair value of the collateral if the loan is collateral dependent.

Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Bank does not separately identify individual consumer loans for impairment disclosures.

The Bank's charge-off policy states after all collection efforts have been exhausted, the loan is deemed to be a loss and the loss amount has been determined, the loss amount will be charged against the allowance for loan losses. Loans secured by real estate, either residential or commercial, are evaluated for loss potential at the 60 day past due threshold. At 90 days past due, the loan is placed on nonaccrual status and a specific reserve is established if the net realizable value is less than the principal value of the loan balance(s). Once the actual loss value has been determined, a charge-off for the amount of the loss is taken. Each loss is evaluated on its specific facts regarding the appropriate timing to recognize the loss. Consumer real estate loans are typically charged-off no later than 180 days past due and unsecured consumer loans are charged-off at the 90 day past due threshold or when an actual loss has been determined, whichever is earlier.

Other Equity Securities

Federal law requires a member institution of the Federal Home Loan Bank (the "FHLB") to hold stock of its district FHLB according to a predefined formula. FHLB stock represents the required investment in the common stock of the Federal Home Loan Bank of Atlanta and is carried at cost. FHLB stock ownership is restricted and the stock can be sold only to the FHLB or to another member institution at its par value per share.

The Company evaluates the FHLB stock for impairment. The Company's determination of whether this investment is impaired is based on an assessment of the ultimate recoverability of its cost rather than by recognizing temporary declines in value. The determination of whether a decline in value affects the ultimate recoverability of its cost is influenced by criteria such as (1) the significance of the decline in net assets of the FHLB as compared to the capital stock amount for the FHLB and the length of time this situation has persisted, (2) commitments by the FHLB to make payments required by law or regulation and the level of such payments in relation to the operating performance of the FHLB, and (3) the impact of legislative and regulatory changes on institutions and, accordingly, on the customer base of the FHLB.

The Bank also maintains an investment in capital stock of Atlantic Community Bankers Bank, Community Bankers Bank and Maryland Financial Bank. Because no ready market exists for Atlantic Community Bankers Bank, Community Bankers Bank and Maryland Financial Bank stock, the Bank's investment in these stocks are carried at cost.

Bank Owned Life Insurance

The Bank purchased single-premium life insurance policies on certain employees of the Bank. The cash surrender value of these policies is included in the accompanying statements of financial condition and the appreciation in the cash surrender value is classified as non-interest income.

Premises and Equipment

Premises and equipment are carried at cost less accumulated depreciation. Land is carried at cost. Depreciation of premises and equipment is computed on the straight-line method over the estimated useful lives of the assets. Additions and improvements are capitalized and amortized over the shorter of their estimated useful life or the term of the lease. Estimated useful lives are 20 to 40 years for buildings, 5 to 10 years for leasehold improvements and 3 to 5 years for equipment. Charges for repairs and maintenance are expensed when incurred.

Foreclosed Assets

Real estate acquired through foreclosure is recorded at fair value less estimated selling costs at the date of the foreclosure. Management periodically evaluates the recoverability of the carrying value of the real estate acquired through foreclosure. In the event of a subsequent decline, management provides an additional allowance to reduce real estate acquired through foreclosure to its fair value less estimated disposal cost. Costs related to holding such real estate are included in expenses for the current period while costs relating to improving the fair value of such real estate are capitalized.

Income Taxes

The Tax Cut and Jobs Act enacted in December 2017 reduced the federal corporate marginal income tax rate from 34% to 21% effective January 1, 2018. As a result of the Tax Act, the fourth quarter included a one-time charge recorded as income tax expense relating to the re-measurement of the Company's deferred tax assets. The accounting for the changes in tax law resulted in stranded tax effects within accumulated other comprehensive income for items that were originally recognized in other comprehensive income rather than in net income. The FASB recently issued an accounting standard update allowing companies to reclassify stranded tax effects resulting from the Tax Act from accumulated other comprehensive income to retained earnings.

Deferred income taxes are recognized for temporary differences between the financial reporting basis and income tax basis of assets and liabilities based on enacted tax rates expected to be in effect when such amounts are realized or settled. Deferred tax assets are recognized only to the extent that it is more likely than not those amounts will be realized based on consideration of available evidence. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company has entered into a tax sharing agreement with the Bank. The agreement provides that the Company will file a consolidated federal tax return and that the tax liability shall be apportioned among the entities as would be computed if each entity had filed a separate return. According to Maryland tax law, the Company and the Bank file separate Maryland state tax returns.

Advertising Costs

Advertising costs are expensed as incurred. For the years ended December 31, 2017 and 2016, advertising expense was $47,132 and $44,554, respectively.

Comprehensive Income

GAAP requires that recognized revenue, expenses, gains and losses be included in net income. Certain changes in assets and liabilities, such as unrealized gains and losses on securities available for sale, are reported as a separate component of equity, such items, along with net income, are components of comprehensive income.

The element of "other comprehensive income" includes unrealized gains or losses on securities available for sale, net of the impact of estimated income taxes and reclassification adjustments for gains or losses on security sales.

Earnings per Share

Earnings per share ("EPS") is disclosed as basic and diluted. Basic earnings per share is net income available to common shareholders divided by the weighted average number of common shares outstanding during the period, excluding unallocated ESOP shares. Diluted earnings per share includes the dilutive effect of additional potential common shares issuable under stock options and restricted stock grants.

Stock-Based Compensation

Compensation cost is recognized for stock options and restricted stock awards issued to employees and directors, based on the fair value of these awards at the date of grant. Compensation cost is recognized over the required service period, net of estimated forfeitures. The estimation of stock-based awards that will ultimately vest requires judgement, and to the extent actual results or updated estimates differ from our current estimates, such amounts will be recorded as a cumulative adjustment in the period estimates are revised. For awards with graded vesting, compensation cost is recognized on a straight-line basis over the requisite service period for the entire award.

Off-Balance Sheet Financial Instruments

In the ordinary course of business, the Bank has entered into off-balance sheet financial instruments consisting of commitments to extend credit. Such financial instruments are recorded in the statement of financial condition when they are funded.

Credit Risk Concentrations

Most of the Bank's activities are with customers within the state of Maryland. The Bank does not have any significant concentrations to any one industry or customer but does have a concentration in real estate lending.

Subsequent events

Subsequent events have been evaluated for potential recognition and/or disclosure through March 8, 2018, which is the date these financial statements were available to be issued.

Accounting Standards Pending Adoption

In May 2014, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 provides accounting guidance for all revenue arising from contracts with customers and affects all entities that enter into contracts to provide goods or services to customers. The guidance also provides a model for the measurement and recognition of gains and losses on the sale of certain nonfinancial assets, such as property and equipment, including real estate. This standard may affect an entity's financial statements, business processes and internal control over financial reporting. The guidance is effective for the first interim or annual period beginning after December 15, 2017. The guidance must be adopted using either a full retrospective approach for all periods presented in the period of adoption or a modified retrospective approach. The Company has determined the provisions of ASU No. 2014-09 will not have a significant impact on the Company's financial statements.

In January 2016, the FASB issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*. ASU 2016-1, among other things, (i) requires equity investments, with certain exceptions, to be measured at fair value with changes in fair value recognized in net income, (ii) simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment, (iii) eliminates the requirement for public business entities to disclose the methods and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet, (iv) requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes, (v) requires 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 for financial instruments, (vi) requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the balance sheet or the accompanying notes to the financial statements and (vii) clarifies that an entity should evaluate the need for a valuation allowance in a deferred tax asset related to available for sale. ASU 2016-1 will be effective for the interim and annual reporting periods beginning after December 15, 2017 and have determined it will not have a significant impact on the Company's financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which will require organizations that lease assets – or lessees – to recognize assets and liabilities on their balance sheets for leases with lease terms of more than 12 months. Currently, the recognition, measurement, and presentation of expenses and cash flows arising from a lease for lessees primarily depends on its classification as a finance (capital) lease or operating lease. But unlike current GAAP, which requires only capital leases to be recognized on the balance sheet, the new standard requires companies to include both types of leases on their books. For finance leases, lessees will be required to (i) recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payment, in the statement of financial position, (ii) recognize interest on the lease liability separately from amortization of the right-of-use asset in the statement of comprehensive income and (iii) classify repayments of the principal portion of the lease liability within financing activities and payments of interest on the lease liability and variable lease payments within operating activities in the statement of cash flows. For operating leases, lessees will be required to (i) recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payment, in the statement of financial position, (ii) recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term on a generally straight-line basis and (iii) classify all cash payments within operating activities in the statement of cash flows. The ASU also will require disclosures to help investors and other financial statement users better understand the amounts, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements, providing additional information about the amounts recorded in the financial statements. Public companies will be required to adopt the new standard for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. For calendar year-end public companies, this means an adoption date of January 1, 2019, and retroactive application to previously issued annual and interim financial statements for 2018 and 2017. The Company has determined the provisions of ASU No. 2016-02 will not have a significant impact on the Company's financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *"Measurement of Credit Losses on Financial Instruments."* This ASU significantly changes how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. In issuing the standard, the FASB is responding to criticism that today's guidance delays recognition of credit losses. The standard will replace today's "incurred loss" approach with an "expected loss" model. The new model, referred to as the current expected credit loss ("CECL") model, will apply to: (i) financial assets subject to credit losses and measured at amortized cost, and (ii) certain off-balance sheet credit exposures. This includes, but is not limited to, loans, leases, held-to-maturity securities, loan commitments, and financial guarantees. The CECL model does not apply to available-for-sale ("AFS") debt securities. For AFS debt securities with unrealized losses, entities will measure credit losses in a manner similar to what they do today, except that the losses will be recognized as allowances rather than reductions in the amortized cost of the securities. As a result, entities will recognize improvements to estimated credit losses immediately in earnings rather than as interest income over time, as they do today. The ASU also simplifies the accounting model for purchased credit-impaired debt securities and loans. ASU 2016-13 also expands the disclosure requirements regarding an entity's assumptions, models, and methods for estimating the allowance for loan and lease losses. In addition, entities will need to disclose the amortized cost balance for each class of financial asset by credit quality indicator, disaggregated by the year of origination. ASU No. 2016-13 is effective for interim and annual reporting periods beginning after December 15, 2019; early adoption is permitted for interim and annual reporting periods beginning after December 15, 2018. Entities will apply the standard's provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (i.e., modified retrospective approach). The Company is still evaluating the provisions of ASU No. 2016-13 to determine the potential impact the standard will have on the Company's financial statements.

In August 2016, the FASB issued ASU No. 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments." This Update made the following changes that may affect the Company: (1) Debt Prepayment or Debt Extinguishment Costs: Cash payments for debt prepayment or debt extinguishment costs should be classified as cash flows for financing activities. (2) Proceeds from the Settlement of Bank-Owned Life Insurance Policies: Cash proceeds received from the settlement of bank-owned life insurance policies should be classified as cash flows from investing activities. The cash payments for premiums on bank-owned policies may be classified as cash flows for investing activities, operating activities, or a combination of investing and operating activities. The amendments in the Update will be effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The Company has determined the provisions of ASU No. 2016-15 will not have a significant impact on the Company's financial statements.

In March, 2017, the FASB issued ASU No. 2017-08, "Receivables – Nonrefundable Fees and Other Costs (Subtopic 310-20) – Premium Amortization of Purchased Callable Debt Securities." ASU 2017-08 shortens the amortization period for certain callable debt securities held at a premium to require such premiums to be amortized to the earliest call date unless applicable guidance related to certain pools of securities is applied to consider estimated prepayments. Under prior guidance, entities were generally required to amortize premiums on individual, non-pooled callable debt securities as a yield adjustment over the contractual life of the security. ASU 2017-08 does not change the accounting for callable debt securities held at a discount. ASU 2017-08 will be effective for the Company on January 1, 2019 with early adoption permitted. The Company has determined the provisions of ASU No. 2017-08 will not have a significant impact on the Company's financial statements.
In May, 2017, the FASB issued ASU No. 2017-09, "Compensation – Stock Compensation (Topic 718) – Scope of Modification Accounting." ASU 2017-09 clarifies when changes to the terms or conditions of a share-based payment award must be accounted for as modifications. Under ASU 2017-09, an entity will not apply modification accounting to a share-based payment award if all of the following are the same immediately before and after the change: (i) the award's fair value, (ii) the award's vesting conditions and (iii) the award's classification as an equity or liability instrument. ASU 2017-09 will be effective for the Company on January 1, 2018 and is not expected to have a significant impact on our financial statements.

Other than the disclosures contained within these statements, the Company has determined that all other recently issued accounting pronouncements will not have a material impact on its consolidated financial statements or do not apply to its operations.

Accounting Standards Adopted

In February, 2018, the FASB issued ASU No. 2018-02, "Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income." ASU 2018-02 provides financial statement preparers with an option to reclassify stranded tax effects within accumulated other comprehensive income to retained earnings in each period in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act (or portion thereof) is recorded. It is effective for all organizations for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. Organizations should apply the proposed guidance either in the period of adoption or retrospectively to each period (or periods) in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act is recognized. The Company has elected to reclassify the stranded income tax effects from the Tax Cuts and Jobs Act in its financial statements for the period ending December 31, 2017. The amount of this reclassification in 2017 was $14,000.

Note 2. Securities

The amortized cost and fair value of securities available for sale and held to maturity at December 31, 2017 and 2016 are as follows:

	December 31, 2017			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Securities available for sale:				
Residential mortgage-backed securities	$ 7,222,481	$ 749	$ 71,055	$ 7,152,175
Commercial mortgage-backed securities	3,011,330	-	43,340	2,967,990
Municipal bonds	4,028,315	17,878	21,428	4,024,765
Corporate bonds	2,051,692	10,906	3,123	2,059,475
	$ 16,313,818	$ 29,533	$ 138,946	$ 16,204,405
Securities held to maturity:				
Municipal bonds	$ 1,000,318	$ 7,197	$ 4,000	$ 1,003,515
Corporate bonds	1,954,650	41,437	1,869	1,994,218
	$ 2,954,968	$ 48,634	$ 5,869	$ 2,997,733

	December 31, 2016			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Securities available for sale:				
Residential mortgage-backed securities	$ 1,717,424	$ 3,012	$ 9,381	$ 1,711,055
Commercial mortgage-backed securities	2,012,834	-	15,014	1,997,820
Municipal bonds	219,691	959	702	219,948
	$ 3,949,949	$ 3,971	$ 25,097	$ 3,928,823
Securities held to maturity:				
Municipal bonds	$ 1,018,400	$ 2,145	$ 8,511	$ 1,012,034
Corporate bonds	1,955,226	40,367	-	1,995,593
	$ 2,973,626	$ 42,512	$ 8,511	$ 3,007,627

The Bank had no private label residential mortgage-backed securities at December 31, 2017 and 2016 or during the years then ended, respectively.

At December 31, 2017 and 2016 the carrying amount of securities pledged as collateral for uninsured public fund deposits was $1.8 million and $2.5 million, respectively.

The amortized cost and fair value of securities available for sale and held to maturity at December 31, 2017 and 2016, by contractual maturity, are shown below. Expected maturities for mortgage-backed securities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	December 31, 2017			
	Securities available for sale		Securities held to maturity	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Under 1 year	$ -	$ -	$ -	$ -
Over 1 year through 5 years	4,139,818	4,101,315	-	-
After 5 years through 10 years	5,502,083	5,466,838	2,704,968	2,745,545
Over 10 years	6,671,917	6,636,252	250,000	252,188
	$ 16,313,818	$ 16,204,405	$ 2,954,968	$ 2,997,733

	December 31, 2016			
	Securities available for sale		Securities held to maturity	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Under 1 year	$ -	$ -	$ -	$ -
Over 1 year through 5 years	2,321,172	2,307,603	-	-
After 5 years through 10 years	1,628,777	1,621,220	2,205,226	2,245,756
Over 10 years	-	-	768,400	761,871
	$ 3,949,949	$ 3,928,823	$ 2,973,626	$ 3,007,627

The Bank sold or had called $170,000 and $15,000, respectively, in securities available for sale during the twelve months ended December 31, 2017 and 2016. From those transactions, the Bank realized a net loss of $215 in 2017 and a net loss of $1,061 in 2016.

Securities with gross unrealized losses at December 31, 2017 and 2016, aggregated by investment category and the length of time individual securities have been in a continual loss position, are as follows:

	December 31, 2017					
	Less than 12 Months		12 Months or More		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
Securities available for sale:						
Residential mortgage-backed securities	$ 6,914,111	$ 71,055	$ -	$ -	$ 6,914,111	$ 71,055
Commercial mortgage-backed securities	2,967,990	43,340	-	-	2,967,990	43,340
Municipal bonds	1,987,754	21,428	-	-	1,987,754	21,428
Corporate bonds	531,350	3,123	-	-	531,350	3,123
	$ 12,401,205	$ 138,946	$ -	$ -	$ 12,401,205	$ 138,946
Securities held to maturity:						
Municipal bonds	$ -	$ -	$ 496,318	$ 4,000	$ 496,318	$ 4,000
Corporate bonds	401,000	1,869	-	-	401,000	1,869
	$ 401,000	$ 1,869	$ 496,318	$ 4,000	$ 897,318	$ 5,869

	December 31, 2016					
	Less than 12 Months		12 Months or More		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
Securities available for sale:						
Residential mortgage-backed securities	$ 1,372,545	$ 9,381	$ -	$ -	$ 1,372,545	$ 9,381
Commercial mortgage-backed securities	1,997,820	15,014	-	-	1,997,820	15,014
Municipal bonds	62,399	702	-	-	62,399	702
	$ 3,432,764	$ 25,097	$ -	$ -	$ 3,432,764	$ 25,097
Securities held to maturity:						
Municipal bonds	$ 509,889	$ 8,511	$ -	$ -	$ 509,889	$ 8,511

All securities with unrealized losses have modest duration risk, low credit risk, and minimal unrealized losses when compared to the total fair value of each security. The unrealized losses that exist are the result of market changes in interest rates since the original purchase. Because the Bank does not intend to sell these securities and it is not likely if at all that the Bank will be required to sell these securities before recovery of their amortized cost basis, which may be at maturity, the Bank considers the unrealized losses to be temporary. There were 18 securities in a loss position at December 31, 2017, of which one security had been in a loss position for greater than twelve months, and six securities were in a loss position at December 31, 2016.

Note 3. Loans

Loans at December 31, 2017 and 2016 are summarized as follows:

	December 31, 2017		December 31, 2016	
	Balance	Percent of Total	Balance	Percent of Total
Residential owner occupied - first lien	$ 33,421,477	24.2%	$ 34,541,411	25.4%
Residential owner occupied - junior lien	6,777,566	4.9%	6,612,647	4.9%
Residential non-owner occupied (investor)	17,801,097	12.9%	17,247,841	12.7%
Commercial owner occupied	20,436,080	14.8%	14,894,027	11.0%
Other commercial loans	59,296,457	43.1%	62,209,042	45.8%
Consumer loans	141,007	0.1%	221,818	0.2%
Total loans	137,873,684	100.0%	135,726,786	100.0%
Net deferred fees, costs and purchase premiums	486,771		517,600	
Allowance for loan losses	(1,034,895)		(965,000)	
Total loans, net	$ 137,325,560		$ 135,279,386	

Our residential one- to four-family first lien mortgage loan portfolio is pledged as collateral for our advances with the Federal Home Loan Bank of Atlanta ("FHLB").

Note 4. Credit Quality of Loans and Allowance for Loan Losses

Company policies, consistent with regulatory guidelines, provide for the classification of loans that are of lesser quality as substandard, doubtful, or loss. A loan is considered substandard if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Substandard loans include those loans characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected. Loans classified as doubtful have all the weaknesses inherent in those classified substandard with the added characteristic that the weaknesses present make collection or liquidation in full, based on currently existing facts, conditions and values, highly questionable and improbable. Loans (or portions of loans) classified as loss are those considered uncollectible and of such little value that their continuance as assets is not warranted. Loans that do not expose us to risk sufficient to warrant classification in one of these categories, but which possess potential weaknesses that deserve our close attention, are required to be designated as special mention.

The Company maintains an allowance for loan losses at an amount estimated to equal all credit losses incurred in our loan portfolio that are both probable and reasonable at the balance sheet date. Our determination as to the classification of our assets is subject to review by the Maryland Commissioner of Financial Regulation and the FDIC. We regularly review our asset portfolio to determine whether any assets require classification in accordance with applicable regulations.

The Company provides for loan losses based upon the consistent application of our documented allowance for loan loss methodology. All loan losses are charged to the allowance for loan losses and all recoveries are credited to it. Additions to the allowance for loan losses are provided by charges to income based on various factors which, in our judgment, deserve current recognition in estimating probable losses. We regularly review the loan portfolio and make provisions for loan losses to maintain the allowance for loan losses in accordance with GAAP. The allowance for loan losses consists primarily of two components:

1) specific allowances are established for loans classified as substandard or doubtful. For loans classified as impaired, the allowance is established when the net realizable value (collateral value less costs to sell) of the loan is lower than the carrying amount of the loan. The amount of impairment provided for as a specific allowance is represented by the deficiency, if any, between the present value of discounted cash flows, observable market prices, or underlying collateral value and the carrying value of the loan. Impaired loans for which the estimated fair value of the loan or the fair value of the underlying collateral, if the loan is collateral dependent, exceeds the carrying value of the loan are not considered in establishing specific allowances for loan losses; and

2) general allowances are established for loan losses on a portfolio basis for loans that do not meet the definition of impaired loans. The portfolio is grouped into similar risk characteristics, primarily loan type and regulatory classification. We apply an estimated loss rate to each loan group. The loss rates applied are based upon our loss

experience adjusted, as appropriate, for the qualitative factors discussed below. This evaluation is inherently subjective, as it requires material estimates that may be susceptible to significant revisions based upon changes in economic and real estate market conditions.

The allowance for loan losses is maintained at a level to provide for losses that are probable and can be reasonably estimated. Management's periodic evaluation of the adequacy of the allowance is based on the Company's past loan loss experience, known and inherent losses in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, composition of the loan portfolio, current economic conditions and other relevant factors. This evaluation is inherently subjective as it requires material estimates that may be susceptible to significant change, including the amounts and timing of future cash flows expected to be received on impaired loans.

The adjustments to historical loss experience are based on our evaluation of several qualitative factors, including:

- changes in the types of loans in the loan portfolio and the size of the overall portfolio;
- changes in the levels of concentration of credit;
- changes in the number and amount of non-accrual loans, classified loans, past due loans and troubled debt restructurings and other loan modifications;
- changes in the experience, ability and depth of lending personnel;
- changes in the quality of the loan review system and the degree of Board oversight;
- changes in lending policies and procedures;
- changes in the underlying collateral value;
- changes in national, state and local economic trends and business conditions; and
- changes in external factors such as competition and legal and regulatory oversight.

We evaluate the allowance for loan losses based upon the combined total of the specific and general components. Generally, when the loan portfolio increases, absent other factors, the allowance for loan loss methodology results in a higher dollar amount of estimated probable losses than would be the case without the increase. Generally, when the loan portfolio decreases, absent other factors, the allowance for loan loss methodology results in a lower dollar amount of estimated probable losses than would be the case without the decrease.

Commercial real estate loans generally have greater credit risks compared to one- to four-family residential mortgage loans we originate, as they typically involve larger loan balances concentrated with single borrowers or groups of related borrowers. In addition, the payment experience on loans secured by income-producing properties typically depends on the successful operation of the related business and thus may be subject to adverse conditions in the real estate market and in the general economy. Therefore, we expect that the percentage of the allowance for loan losses as a percentage of the loan portfolio will increase going forward as we continue our focus on the origination of commercial real estate loans.

The following tables summarize the activity in the allowance for loan losses by portfolio segment for the years ended December 31, 2017 and 2016:

	Year Ended December 31, 2017						
	Residential owner occupied - first lien	Residential owner occupied - junior lien	Residential non-owner occupied (investor)	Commercial owner occupied	Other commercial loans	Consumer loans	Total
Beginning balance	$ 133,035	$ 27,112	$ 117,023	$ 120,121	$ 567,709	$ -	$ 965,000
Charge-offs	-	-	-	-	212,917	-	212,917
Recoveries	17,985	-	-	-	-	-	17,985
Provision	(76,039)	(6,779)	57,554	37,929	252,162	-	264,827
Ending Balance	$ 74,981	$ 20,333	$ 174,577	$ 158,050	$ 606,954	$ -	$ 1,034,895

	Year Ended December 31, 2016						
	Residential owner occupied - first lien	Residential owner occupied - junior lien	Residential non-owner occupied (investor)	Commercial owner occupied	Other commercial loans	Consumer loans	Total
Beginning balance	$ 206,169	$ 21,450	$ 69,898	$ 117,744	$ 485,739	$ -	$ 901,000
Charge-offs	-	-	-	-	-	-	-
Recoveries	22,770	-	-	-	-	-	22,770
Provision	(95,904)	5,662	47,125	2,377	81,970	-	41,230
Ending Balance	$ 133,035	$ 27,112	$ 117,023	$ 120,121	$ 567,709	$ -	$ 965,000

The following tables set forth certain information with respect to our loan delinquencies by portfolio segment at December 31, 2017 and 2016:

	December 31, 2017						
	Residential owner occupied - first lien	Residential owner occupied - junior lien	Residential non-owner occupied (investor)	Commercial owner occupied	Other commercial loans	Consumer loans	Total
Current	$ 32,171,137	$ 6,777,566	$ 17,434,064	$ 20,179,185	$ 58,737,071	$ 141,007	$ 135,440,030
30-59 days past due	906,156	-	69,144	-	-	-	975,300
60-89 days past due	344,184	-	-	-	-	-	344,184
Greater than 90 days past due	-	-	297,889	256,895	559,386	-	1,114,170
Total past due	1,250,340	-	367,033	256,895	559,386	-	2,433,654
Total	$ 33,421,477	$ 6,777,566	$ 17,801,097	$ 20,436,080	$ 59,296,457	$ 141,007	$ 137,873,684

	December 31, 2016						
	Residential owner occupied - first lien	Residential owner occupied - junior lien	Residential non-owner occupied (investor)	Commercial owner occupied	Other commercial loans	Consumer loans	Total
Current	$ 33,378,885	$ 6,570,425	$ 17,041,081	$ 14,894,027	$ 59,653,839	$ 221,818	$ 131,760,075
30-59 days past due	996,983	42,222	206,760	-	-	-	1,245,965
60-89 days past due	-	-	-	-	-	-	-
Greater than 90 days past due	165,543	-	-	-	2,555,203	-	2,720,746
Total past due	1,162,526	42,222	206,760	-	2,555,203	-	3,966,711
Total	$ 34,541,411	$ 6,612,647	$ 17,247,841	$ 14,894,027	$ 62,209,042	$ 221,818	$ 135,726,786

There were no loans past due greater than 90 days and still accruing at December 31, 2017 or 2016.

The following tables set forth the balance of the allowance for loan losses by portfolio segment, disaggregated by impairment methodology, which is then further segregated by amounts evaluated for impairment collectively and individually at December 31, 2017 and 2016:

	December 31, 2017						
	Residential owner occupied - first lien	Residential owner occupied - junior lien	Residential non-owner occupied (investor)	Commercial owner occupied	Other commercial loans	Consumer loans	Total
Allowance for loan losses:							
Ending balance	$ 74,981	$ 20,333	$ 174,577	$ 158,050	$ 606,954	$ -	$ 1,034,895
Ending balance individually evaluated for impairment	$ -	$ -	$ 113,233	$ -	$ -	$ -	$ 113,233
Ending balance collectively evaluated for impairment	$ 74,981	$ 20,333	$ 61,344	$ 158,050	$ 606,954	$ -	$ 921,662
Loans:							
Ending balance	$33,421,477	$ 6,777,566	$17,801,097	$20,436,080	$59,296,457	$ 141,007	$ 137,873,684
Ending balance individually evaluated for impairment	$ 273,303	$ -	$ 457,109	$ 256,895	$ 559,386	$ -	$ 1,546,693
Ending balance collectively evaluated for impairment	$33,148,174	$ 6,777,566	$17,343,988	$20,179,185	$58,737,071	$ 141,007	$ 136,326,991

	December 31, 2016						
	Residential owner occupied - first lien	Residential owner occupied - junior lien	Residential non-owner occupied (investor)	Commercial owner occupied	Other commercial loans	Consumer loans	Total
Allowance for loan losses:							
Ending balance	$ 133,035	$ 27,112	$ 117,023	$ 120,121	$ 567,709	$ -	$ 965,000
Ending balance individually evaluated for impairment	$ -	$ -	$ 53,500	$ -	$ -	$ -	$ 53,500
Ending balance collectively evaluated for impairment	$ 133,035	$ 27,112	$ 63,523	$ 120,121	$ 567,709	$ -	$ 911,500
Loans:							
Ending balance	$34,541,411	$ 6,612,647	$17,247,841	$14,894,027	$62,209,042	$ 221,818	$ 135,726,786
Ending balance individually evaluated for impairment	$ 165,543	$ -	$ 763,558	$ -	$ 2,555,203	$ -	$ 3,484,304
Ending balance collectively evaluated for impairment	$34,375,868	$ 6,612,647	$16,484,283	$14,894,027	$59,653,839	$ 221,818	$ 132,242,482

The allowance for loan losses allocated to each portfolio segment is not necessarily indicative of future losses in any particular portfolio segment and does not restrict the use of the allowance to absorb losses in other portfolio segments.

The following tables are a summary of the loan portfolio quality indicators by portfolio segment at December 31, 2017 and 2016:

	December 31, 2017						
	Residential owner occupied - first lien	Residential owner occupied - junior lien	Residential non-owner occupied (investor)	Commercial owner occupied	Other commercial loans	Consumer loans	Total
Pass	$33,148,174	$ 6,777,566	$17,343,988	$19,333,581	$58,737,071	$ 141,007	$ 135,481,387
Special Mention	-	-	-	845,604	-	-	845,604
Substandard	273,303	-	457,109	256,895	559,386	-	1,546,693
Doubtful	-	-	-	-	-	-	-
Total	$33,421,477	$ 6,777,566	$17,801,097	$20,436,080	$59,296,457	$ 141,007	$ 137,873,684

	December 31, 2016						
	Residential owner occupied - first lien	Residential owner occupied - junior lien	Residential non-owner occupied (investor)	Commercial owner occupied	Other commercial loans	Consumer loans	Total
Pass	$34,375,868	$ 6,612,647	$16,484,283	$14,894,027	$59,152,470	$ 221,818	$ 131,741,113
Special Mention	-	-	-	-	501,369	-	501,369
Substandard	165,543	-	763,558	-	2,555,203	-	3,484,304
Doubtful	-	-	-	-	-	-	-
Total	$34,541,411	$ 6,612,647	$17,247,841	$14,894,027	$62,209,042	$ 221,818	$ 135,726,786

Management uses a ten-point internal risk rating system to monitor the credit quality of the overall loan portfolio. The first six categories are considered not criticized and are aggregated as a "Pass" rating.

- **Pass (risk ratings 1-6)** – risk ratings one to four are deemed "acceptable". Risk rating five is "acceptable with care" and risk rating six is a "watch credit".

- **Special Mention (risk rating 7)** - a special mention loan has potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or in the institution's credit position at some future date. Special mention loans are not adversely classified and do not expose the Bank to sufficient risk to warrant adverse classification.

- **Substandard (risk rating 8)** - substandard loans are inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.

- **Doubtful (risk rating 9)** - loans classified as doubtful have all the weaknesses inherent in those classified as substandard with the added characteristic that the loan's present weaknesses make collection or liquidation in full, based on currently known facts, conditions and values, highly questionable and improbable.

- **Loss (risk rating 10)** - loans classified as loss are considered uncollectible and of such little value that their continuance as assets is not warranted. This classification does not mean that the loan has absolutely no recovery or salvage value but rather it is not practical or desirable to defer writing off this basically worthless asset even though partial recovery may occur in the future.

Loans classified special mention, substandard, doubtful or loss are reviewed at least quarterly to determine their appropriate classification. Non-classified commercial loan relationships greater than $500,000 are reviewed annually. Non-classified residential mortgage loans and consumer loans are not evaluated unless a specific event occurs to raise the awareness of possible credit deterioration.

The following tables are a summary of impaired loans by portfolio segment at December 31, 2017 and 2016:

	December 31, 2017						
Impaired Loans:	Residential owner occupied - first lien	Residential owner occupied - junior lien	Residential non-owner occupied (investor)	Commercial owner occupied	Other commercial loans	Consumer loans	Total
With no related allowance recorded:							
Recorded Investment	$ 273,303	$ -	$ 90,076	$ 256,895	$ 559,386	$ -	$ 1,179,660
Unpaid Principal Balance	279,531	-	90,076	256,895	559,386	-	1,185,888
With an allowance recorded:							
Recorded Investment	$ -	$ -	$ 367,033	$ -	$ -	$ -	$ 367,033
Unpaid Principal Balance	-	-	389,806	-	-	-	389,806
Related Allowance	-	-	113,233	-	-	-	113,233
Total impaired loans:							
Recorded Investment	$ 273,303	$ -	$ 457,109	$ 256,895	$ 559,386	$ -	$ 1,546,693
Unpaid Principal Balance	279,531	-	479,882	256,895	559,386	-	1,575,694
Related Allowance	-	-	113,233	-	-	-	113,233

	December 31, 2016						
Impaired Loans:	Residential owner occupied - first lien	Residential owner occupied - junior lien	Residential non-owner occupied (investor)	Commercial owner occupied	Other commercial loans	Consumer loans	Total
With no related allowance recorded:							
Recorded Investment	$ 165,543	$ -	$ 100,152	$ -	$ 2,555,203	$ -	$ 2,820,898
Unpaid Principal Balance	165,543	-	100,152	-	2,555,203	-	2,820,898
With an allowance recorded:							
Recorded Investment	$ -	$ -	$ 182,188	$ -	$ -	$ -	$ 182,188
Unpaid Principal Balance	-	-	191,725	-	-	-	191,725
Related Allowance	-	-	53,500	-	-	-	53,500
Total impaired loans:							
Recorded Investment	$ 165,543	$ -	$ 282,340	$ -	$ 2,555,203	$ -	$ 3,003,086
Unpaid Principal Balance	165,543	-	291,877	-	2,555,203	-	3,012,623
Related Allowance	-	-	53,500	-	-	-	53,500

The following tables present by portfolio segment, information related to the average recorded investment and the interest income foregone and recognized on impaired loans for the years ended December 31, 2017 and 2016:

	Year Ended December 31, 2017						
	Residential owner occupied - first lien	Residential owner occupied - junior lien	Residential non-owner occupied (investor)	Commercial owner occupied	Other commercial loans	Consumer loans	Total
With no related allowance recorded:							
Average recorded investment	$ 221,262	$ -	$ 95,108	$ 51,379	$ 2,070,657	$ -	$ 2,438,406
Interest income that would have been recognized	11,628	-	-	6,084	200,204	-	217,916
Interest income recognized (cash basis)	-	-	-	-	-	-	-
Interest income foregone (recovered)	11,628	-	-	6,084	200,204	-	217,916
With an allowance recorded:							
Average recorded investment	$ -	$ -	$ 214,343	$ -	$ -	$ -	$ 214,343
Interest income that would have been recognized	-	-	17,981	-	-	-	17,981
Interest income recognized (cash basis)	-	-	-	-	-	-	-
Interest income foregone (recovered)	-	-	17,981	-	-	-	17,981
Total impaired loans:							
Average recorded investment	$ 221,262	$ -	$ 309,451	$ 51,379	$ 2,070,657	$ -	$ 2,652,749
Interest income that would have been recognized	11,628	-	17,981	6,084	200,204	-	235,897
Interest income recognized (cash basis)	-	-	-	-	-	-	-
Interest income foregone (recovered)	11,628	-	17,981	6,084	200,204	-	235,897

	Year Ended December 31, 2016						
	Residential owner occupied - first lien	Residential owner occupied - junior lien	Residential non-owner occupied (investor)	Commercial owner occupied	Other commercial loans	Consumer loans	Total
With no related allowance recorded:							
Average recorded investment	$ 38,620	$ -	$ 104,543	$ -	$ 511,041	$ -	$ 654,204
Interest income that would have been recognized	-	-	-	-	54,592	-	54,592
Interest income recognized (cash basis)	-	-	-	-	-	-	-
Interest income foregone (recovered)	-	-	-	-	54,592	-	54,592
With an allowance recorded:							
Average recorded investment	$ -	$ -	$ 103,789	$ -	$ -	$ -	$ 103,789
Interest income that would have been recognized	-	-	10,924	-	-	-	10,924
Interest income recognized (cash basis)	-	-	-	-	-	-	-
Interest income foregone (recovered)	-	-	10,924	-	-	-	10,924
Total impaired loans:							
Average recorded investment	$ 38,620	$ -	$ 208,332	$ -	$ 511,041	$ -	$ 757,993
Interest income that would have been recognized	-	-	10,924	-	54,592	-	65,516
Interest income recognized (cash basis)	-	-	-	-	-	-	-
Interest income foregone (recovered)	-	-	10,924	-	54,592	-	65,516

The following table is a summary of performing and nonperforming impaired loans by portfolio segment at December 31, 2017 and 2016:

	December 31, 2017	December 31, 2016
Performing loans:		
Impaired performing loans:		
Residential owner occupied - first lien	$ -	$ -
Residential owner occupied - junior lien	-	-
Residential non-owner occupied (investor)	-	-
Commercial owner occupied	-	-
Other commercial loans	-	-
Consumer loans	-	-
Troubled debt restructurings:		
Residential owner occupied - first lien	-	-
Residential owner occupied - junior lien	-	-
Residential non-owner occupied (investor)	90,076	100,152
Commercial owner occupied	-	-
Other commercial loans	-	-
Consumer loans	-	-
Total impaired performing loans	90,076	100,152
Nonperforming loans:		
Impaired nonperforming loans (nonaccrual):		
Residential owner occupied - first lien	273,303	165,543
Residential owner occupied - junior lien	-	-
Residential non-owner occupied (investor)	367,033	182,188
Commercial owner occupied	256,895	-
Other commercial loans	559,386	2,555,203
Consumer loans	-	-
Troubled debt restructurings:		
Residential owner occupied - first lien	-	-
Residential owner occupied - junior lien	-	-
Residential non-owner occupied (investor)	-	-
Commercial owner occupied	-	-
Other commercial loans	-	-
Consumer loans	-	-
Total impaired nonperforming loans (nonaccrual):	1,456,617	2,902,934
Total impaired loans	$ 1,546,693	$ 3,003,086

Troubled debt restructurings. Loans may be periodically modified in a troubled debt restructuring ("TDR") to make concessions to help a borrower remain current on the loan and/or to avoid foreclosure. Generally, we do not forgive principal or interest on a loan or modify the interest rate to below market rates. When we modify loans in a TDR, we evaluate any possible impairment like any other impaired loans. If we determine that the value of the restructured loan is less than the recorded investment in the loan, impairment is recognized through a specific allowance estimate or a charge-off to the allowance.

If a restructured loan was nonperforming prior to the restructuring, the restructured loan will remain a nonperforming loan. After a period of six months and if the restructured loan is in compliance with its modified terms, the loan will become a performing loan. If a restructured loan was performing prior to the restructuring, the restructured loan will remain a performing loan. A performing TDR will no longer be reported as a TDR in calendar years after the year of the restructuring if the effective interest rate is equal or greater than the market rate for credits with comparable risk.

There were no TDRs modified during the twelve months ended December 31, 2017 or 2016.

Residential Foreclosures and Repossessed Assets — Once all potential alternatives for reinstatement are exhausted, past due loans collateralized by residential real estate are referred for foreclosure proceedings in accordance with the requirements of the applicable jurisdiction. Once the Bank obtains possession of the property collateralizing the loan, it records the repossessed property as foreclosed assets in the consolidated statement of financial condition. At December 31, 2017, there were no residential loans in the process of foreclosure. Foreclosed residential property balances were zero and $146,410, respectively, at December 31, 2017 and 2016.

Note 5. Premises and Equipment

A summary of premises and equipment at December 31, 2017 and 2016 is as follows:

	Useful Lives	December 31, 2017	December 31, 2016
Land		$ 468,918	$ 33,918
Building and improvements	10 - 39 years	2,178,457	1,567,158
Furniture and equipment	3 - 10 years	975,866	927,504
		3,623,241	2,528,580
Accumulated depreciation		1,348,787	1,159,548
Net premises and equipment		$ 2,274,454	$ 1,369,032

In November 2017, the Bank purchased a building in Westminster, Maryland for $900,000. The building was previously a branch location for 1st Mariner Bank. The Bank expects to start renovations on the building in the second quarter of 2018 with occupancy in the fourth quarter of 2018. The building will be used for office space needed for our growing employee base and eventually use the building as a future branch location.

In April 2010, the Bank entered into a five-year lease agreement for its Westminster branch. The lease included an option for an additional five-year lease term. The Bank exercised that option in February 2015. The Bank pays its own operating expenses, including real estate taxes, insurance, utilities, maintenance and repairs. In addition, the Bank entered into a five-year lease agreement for its Bethesda branch in June 2015. The lease includes an option for the landlord to terminate the lease after three years with a one-year notice. In February 2018, the Bank entered into a three-year lease agreement for a loan production office in Mt. Airy, Maryland. The lease includes options for two additional three-year lease terms.

Rent expense for the two branch locations for the years ended December 31, 2017 and 2016 totaled $147,682 and $134,794, respectively. The total lease commitment under these branch leases and the new lease for the Mt. Airy location is as follows:

Year ended December 31,	
2018	$ 175,620
2019	186,044
2020	120,551
2021	2,785
Total lease commitment	$ 485,000

Note 6. Foreclosed Assets

The following table is a summary of the activity in foreclosed assets for the years ended December 31, 2017 and 2016:

	December 31, 2017	December 31, 2016
Beginning balance	$ 146,410	$ 199,374
Properties added during the year	1,781,823	-
Write-downs	-	(30,464)
Properties disposed during the year	(138,311)	(22,445)
Loss on sale of disposed properties	(8,099)	(55)
Ending balance	$ 1,781,823	$ 146,410

Note 7. **Deposits**

Deposits were comprised of the following at December 31, 2017 and 2016:

	December 31, 2017		December 31, 2016	
	Balance	Percent of Total	Balance	Percent of Total
Non-interest bearing checking	$ 10,478,829	7.6%	$ 9,174,681	6.8%
Interest-bearing checking	22,373,459	16.3%	20,019,845	14.8%
Savings	4,759,761	3.5%	3,964,846	2.9%
Premium savings	18,852,567	13.7%	18,961,216	14.0%
IRA savings	5,228,649	3.8%	5,722,444	4.2%
Money market	12,491,096	9.1%	9,843,536	7.3%
Certificates of deposit	63,080,316	46.0%	67,593,749	50.0%
Total deposits	$ 137,264,677	100.0%	$ 135,280,317	100.0%

Certificates of deposit scheduled maturities are as follows:

	December 31, 2017	December 31, 2016
Period to Maturity:		
Less than or equal to one year	$ 37,981,760	$ 27,308,911
More than one to two years	10,205,443	28,520,278
More than two to three years	4,646,892	2,547,805
More than three to four years	5,756,883	3,504,572
More than four to five years	4,489,338	5,712,183
Total certificates of deposit	$ 63,080,316	$ 67,593,749

Certificates of deposit included $10.0 million of brokered at December 31, 2017 and 2016, respectively. Deposit accounts in the Bank are insured by the FDIC, generally up to a maximum of $250,000 per separately insured depositor. Certificates of deposits of $250,000 or more totaled $7.9 million and $8.4 million, respectively, at December 31, 2017 and 2016.

Note 8. Borrowings

The Bank has a credit line with the FHLB with a maximum borrowing limit of 25% of the Bank's total assets, as determined on a quarterly basis based on the data in the Bank's Call Report as filed with the FDIC. The maximum borrowing availability is also limited to approximately 79% of the unpaid principal balance of qualifying residential mortgage loans. The FHLB has a blanket floating lien on the Bank's residential mortgage portfolio and FHLB stock as collateral for the outstanding advances.

Borrowing Amount	Rate	Grant Date	Maturity Date	December 31, 2017	December 31, 2016
$ 5,000,000 (1)	2.29%	8/21/2008	8/21/2018	$ 5,000,000	$ 5,000,000
8,000,000	0.98%	12/27/2016	9/27/2017	-	8,000,000
10,000,000	1.34%	9/27/2017	3/27/2018	10,000,000	-
4,000,000	1.53%	12/27/2017	3/30/2018	4,000,000	-
4,000,000	1.59%	12/29/2017	1/2/2018	4,000,000	-
Total advances from FHLB				$ 23,000,000	$ 13,000,000
Unused available line of credit				$ 21,594,250	$ 28,275,500

(1) callable quarterly by the FHLB.

At December 31, 2017, all of our outstanding FHLB advances will mature in 2018.

At December 31, 2017, the Bank had availability of $11.5 million with various correspondent banks for short term contingency liquidity needs, if necessary. There were no borrowings outstanding at December 31, 2017 and 2016 under these facilities.

Note 9. Income Taxes

Income tax expense consisted of the following components:

	For Years Ended December 31, 2017	For Years Ended December 31, 2016
Current income tax expense:		
Federal	$ 174,627	$ 91,816
State	43,747	32,520
Total current income tax expense	218,374	124,336
Re-measurement of deferred tax assets for tax rate change expense (benefit):		
Federal	113,515	-
State	(8,785)	-
Total tax rate change income tax expense	104,730	-
Deferred income tax (benefit) expense:		
Federal	(34,402)	13,322
State	(6,663)	(4,297)
Total deferred income tax (benefit) expense	(41,065)	9,025
Total income tax expense	$ 282,039	$ 133,361

A reconciliation of the statutory income tax rate of 34% to the income tax expense included in the statements of operations is as follows:

	For Years Ended December 31,			
	2017		2016	
	Amount	Percent of Pretax Income	Amount	Percent of Pretax Income
Expected tax at federal statutory rate	$ 196,997	34.00%	$ 147,560	34.00%
State income tax, net of federal income tax benefit	18,677	3.22%	18,627	4.29%
Tax-exempt income	(46,873)	-8.09%	(33,389)	-7.69%
Re-measurement of deferred tax assets for tax rate change	104,730	18.08%	-	0.00%
Other	8,508	1.47%	563	0.13%
Total income tax expense	$ 282,039	48.68%	$ 133,361	30.73%

The components of the net deferred tax assets are as follows:

	December 31,	
	2017	2016
Deferred tax assets:		
Allowance for loan losses	$ 285,073	$ 380,693
Net unrealized loss on securities available for sale	30,108	8,450
Nonaccrual interest on loans	19,085	23,178
Other	6,176	5,742
Total deferred tax assets	340,442	418,063
Deferred tax liabilities:		
Net deferred loan origination costs / fees	(62,403)	(81,140)
Depreciation on premises and equipment	(28,640)	(52,420)
Federal Home Loan Bank stock basis difference	(15,575)	(22,329)
Total deferred tax liabilities	(106,618)	(155,889)
Net deferred tax assets	$ 233,824	$ 262,174

The deferred tax assets and liabilities as of December 31, 2017 have been re-measured as a result of the lower corporate federal income tax rate pursuant to the passage of the Tax Cuts and Jobs Act with an estimated one-time charge to income tax expense.

The Bank was allowed a special bad debt deduction at various percentages of otherwise taxable income for years through December 31, 1987. If the amounts which qualified as deductions for income tax purposes prior to December 31, 1987 are later used for purposes other than to absorb loan losses, including distributions in liquidations, they will be subject to income tax at the then current corporate rate. Retained earnings at December 31, 2017 and 2016 include $655,000 of such bad debt deductions for which no provision for income tax has been provided.

In assessing whether the Company will be able to realize the deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Company considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, the Company believes it is more likely than not the benefits of these deductible differences will be realized. The amount of the deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income are reduced. There was no valuation allowance for deferred tax assets as of December 31, 2017 and 2016.

As of December 31, 2017, the Company did not have any uncertain tax positions. Interest and penalties associated with tax liabilities would be classified as additional income taxes in the statement of operations. As of December 31, 2017, tax years ended December 31, 2014 through December 31, 2016 remain open and are subject to Federal and State taxing authority examination.

Note 10. Commitments, Contingent Liabilities, and Off-Balance Sheet Arrangements

The Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financial needs of our customers. These financial instruments are limited to commitments to originate mortgage loans and home equity loans, and involve, to varying degrees, elements of credit, interest rate, and liquidity risk. These do not represent unusual risks and management does not anticipate any losses which would have a material effect on us.

Outstanding loan commitments and lines of credit at December 31, 2017 and 2016 are as follows:

	December 31, 2017	December 31, 2016
Commitments to extend credit:		
Consumer loans	$ 964,250	$ -
Commercial loans	1,058,781	5,019,000
	2,023,031	5,019,000
Commitments under available lines of credit:		
Consumer loans	6,511,254	6,092,340
Commercial loans	5,998,213	8,062,789
	12,509,467	14,155,129
Total Commitments	$ 14,532,498	$ 19,174,129

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. We generally require collateral to support financial instruments with credit risk on the same basis as we do for balance sheet instruments. Management generally bases the collateral required on the credit evaluation of the counter party. Commitments generally have interest rates fixed at current market rates, expiration dates or other termination clauses and may require payment of a fee. Available credit lines represent the unused portion of lines of credit previously extended and available to the customer so long as there is no violation of any contractual condition. These lines generally have variable interest rates. Since we expect many of the commitments to expire without being drawn upon, and since it is unlikely that customers will draw upon their lines of credit in full at any time, the total commitment amount or line of credit amount does not necessarily represent future cash requirements. We evaluate each customer's credit-worthiness on a case-by-case basis. Because we conservatively underwrite these facilities at inception, we have not had to withdraw any commitments. We are not aware of any significant loss that we would incur by funding our commitments or lines of credit.

The credit risk involved in these financial instruments is essentially the same as that involved in extending loan facilities to customers. No amount has been recognized in the statement of financial condition at December 31, 2017 or 2016 as a liability for credit loss related to these commitments.

Note 11. Defined Contribution Benefit Plan

The Company has a "safe harbor" 401(k) profit sharing plan in which a majority of its employees participate. Under the plan, the employer match is calculated on the participant's contribution based on 100% of the first 3% of a participant's annual salary and 50% on the next 2% of a participant's annual salary. During the year ended December 31, 2017, the Bank matched $75,688 compared to $78,225 during the year ended December 31, 2016, which is included in salaries and employee benefits expense in the accompanying consolidated statements of operations.

Note 12. Employee Stock Ownership Plan

The Company has an employee stock ownership plan ("ESOP") for eligible employees. The ESOP holds 37,188 shares of the Company's common stock of which 12,322 shares have been allocated to eligible employees as of December 31, 2017 with 26,044 shares remaining to be allocated over the term of the ESOP loan. The ESOP shares were reduced by a distribution of 1,178 vested shares to a terminated employee.

The loans from the Company to the ESOP to fund the ESOP's purchase of the common stock are secured by the shares purchased and will be repaid by the ESOP over the term of each loan with funds from the Bank's contributions to the ESOP and dividends payable on the common stock, if any. The interest rates on the ESOP loans are adjustable rates equal to the lowest Prime rate, as published in The Wall Street Journal. The interest rate will adjust monthly and will be the Prime rate on the first business day of the calendar month. The interest rate on the loans was 4.25% as of December 31, 2017.

The shares purchased by the ESOP are held by trustees in an unallocated suspense account, and shares are released annually from the suspense account on a pro-rata basis as principal and interest payments are made by the ESOP to the Company. The trustees allocate the shares released among participants based on each participant's proportional share of compensation relative to all participants.

Participants vest in their accounts 20% after each year of service and become 100% vested upon the completion of five years of service. Participants who were employed by the Bank immediately prior to the Company's initial public offering received credit for vesting purposes for years of service prior to adoption of the ESOP. Participants also become fully vested automatically upon normal retirement, death or disability, a change in control, or termination of the ESOP. Generally, participants will receive distributions from the ESOP upon separation from service. The separated employees can elect to receive their distribution as actual shares of vested stock or cash (based on the value of the stock as of the latest plan year-end). Forfeiture of non-vested shares and shares associated with cash distributions are reallocated to plan participants in the following year along with the regular annual share allocation.

The debt of the ESOP, in accordance with generally accepted accounting principles, is eliminated in consolidation and the shares pledged as collateral are reported as unallocated ESOP shares in the consolidated statement of financial condition. Contributions to the ESOP shall be sufficient to pay principal and interest currently due under the loan agreements. As shares are committed to be released from collateral, the Bank reports compensation expense equal to the average market price of the shares for the respective period, and shares become outstanding for earnings per share computations. ESOP compensation expense for the years ended December 31, 2017 and 2016 was $29,617 and $29,432, respectively.

Shares held by the ESOP trust at December 31, 2017 and 2016 are as follows:

	December 31,	
	2017 (1)	2016
Allocated shares	12,322	9,380
Distributed vested shares	1,178	-
Allocated shares held by the plan	11,144	9,380
Unallocated shares	26,044	25,498
Total shares held by the plan	37,188	34,878
Fair value of unallocated shares	$ 380,242	$ 407,968

(1) the number of shares reflect the impact of the 10% stock dividend paid on May 1, 2017.

Note 13. Share-Based Compensation

The Company has a restricted stock plan for eligible employees under the Carroll Bancorp, Inc. 2011 Recognition and Retention Plan and Trust Agreement ("Plan").

At December 31, 2017, the Company had 6,998 non-vested shares of restricted common stock pursuant to awards granted and 2,596 shares available to be granted. The unrecognized compensation expense related to restricted stock awards totaled approximately $74,000 at December 31, 2017 which is expected to be recognized over a weighted average period of 2.4 years.

The grant basis of these restricted stock awards is based on the closing price of the Company's stock on the grant date and is amortized in equal monthly installments over the five-year vesting period of the grant adjusted as necessary for forfeitures. The restricted stock expense for the years ended December 31, 2017 and 2016 was $38,217 and $44,623, respectively.

The table below presents the restricted stock award activity for the periods shown:

	Service-Based Restricted Stock Awards	Weighted Average Grant Date Fair Value
Non-vested at December 31, 2015	13,756	$ 12.55
Granted	-	-
Vested	(3,774)	12.50
Forfeited	(1,687)	13.58
Non-vested at December 31, 2016	8,295	12.56
Granted	1,872	14.99
Vested	(3,169)	12.49
Forfeited	-	-
Non-vested at December 31, 2017	6,998	$ 13.24

The number of shares and fair value amount have been restated for the 10% stock dividend paid on May 1, 2017.

The Company also maintains the Carroll Bancorp, Inc. 2011 Stock Option Plan. No stock options had been granted as of December 31, 2017. Options for 47,448 shares of common stock may be granted under the plan.

On December 1, 2017, the Board of Directors approved and implemented a Non-Employee Director Stock Compensation Plan. Under the plan, a director can elect to purchase newly issued shares of Carroll Bancorp, Inc. stock with their directors' fees. The purchase price is based on the closing stock price on the date of the meeting a director earned his fees. The shares of stock are issued on a quarterly basis.

Note 14. Earnings per Share

Basic earnings per share are computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. Unallocated ESOP and unearned Recognition and Retention Plan shares are excluded from this calculation.

	Year Ended December 31, 2017	Year Ended December 31, 2016
Net Income available to common shareholders	$ 297,365	$ 300,640
Weighted average number of shares used in:		
Basic number of shares	1,048,599	1,026,939
Adjustment for common share equivalents	8,347	19,191
Diluted number of shares	1,056,946	1,046,130
Basic net income per common share	$ 0.28	$ 0.29
Diluted net income per common share	$ 0.28	$ 0.29

Note 15. Related Party Transactions

In the ordinary course of business, the Bank has made loans to executive officers and directors and their affiliates. The activity for related party loans for the years ended December 31, 2017 and 2016 are as follows:

	Year Ended December 31, 2017	Year Ended December 31, 2016
Balance, beginning of year	$ 3,876,521	$ 1,801,428
Additions	1,079,140	2,280,000
Payments	(292,393)	(204,907)
Balance, end of year	$ 4,663,268	$ 3,876,521

Deposits for executive officers, directors and their affiliates as of December 31, 2017 and 2016 were $4.8 million and $4.6 million, respectively.

Note 16. Fair Value Measurements

Accounting guidance defines fair value as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. This guidance also establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below.

Level 1 Valuations for assets and liabilities traded in active exchange markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or comparable assets or liabilities which use observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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

The types of instruments valued based on quoted market prices in active markets include most U.S. government and agency securities, liquid mortgage products, active listed equities and most money market securities. Such instruments are generally classified within Level 1 or Level 2 of the fair value hierarchy. As required by accounting guidance, the Bank does not adjust the quoted price for such instruments.

The types of instruments valued based on quoted prices in markets that are not active, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency include most investment-grade and high-yield corporate bonds, less liquid mortgage products, less liquid equities, state, municipal and provincial obligations, and certain physical commodities. Such instruments are generally classified within Level 2 of the fair value hierarchy.

Level 3 is for positions that are not traded in active markets or are subject to transfer restrictions, valuations are adjusted to reflect illiquidity and/or non-transferability, and such adjustments are generally based on available market evidence. In the absence of such evidence, management's best estimate is used.

Impaired loans are evaluated and valued at the time the loan is identified as impaired, at the lower of cost or market value. Market value is measured based on the value of the collateral securing these loans and is classified within Level 3 in the fair value hierarchy. Collateral may be real estate and/or business assets including equipment, inventory and/or accounts receivable. The value of real estate collateral is determined based on an appraisal by qualified licensed appraisers hired by the Bank. The value of business equipment, inventory and accounts receivable collateral is based on the net book value on the business' financial statements and, if necessary, discounted based on management's review and analysis. Appraised and reported values may be discounted based on management's historical knowledge, changes in market conditions from the time of valuation, and/or management's expertise and knowledge of the client and client's business. Impaired loans are reviewed and evaluated on at least a quarterly basis for additional impairment and are adjusted accordingly, based on the same factors identified above.

Foreclosed assets are adjusted for fair value upon transfer of loans to foreclosed assets. Subsequently, foreclosed assets are carried at the lower of carrying value or fair value. Fair value is based upon independent market prices, appraised value of the collateral or management's estimation of the value of the collateral. When the fair value of the collateral is based on an observable market price or a current appraised value, the Bank records the foreclosed asset as nonrecurring Level 2. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market prices, the Bank records the foreclosed asset as nonrecurring Level 3.

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

	December 31, 2017			
	Carrying Value	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Residential mortgage-backed securities	$ 7,152,175	$ -	$ 7,152,175	$ -
Commercial mortgage-backed securities	2,967,990	-	2,967,990	-
Municipal bonds	4,024,765	-	4,024,765	-
Corporate bonds	2,059,475	-	2,059,475	-
Total securities available for sale	$ 16,204,405	$ -	$ 16,204,405	$ -

	December 31, 2016			
	Carrying Value	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Residential mortgage-backed securities	$ 1,711,055	$ -	$ 1,711,055	$ -
Commercial mortgage-backed securities	1,997,820	-	1,997,820	-
Municipal bonds	219,948	-	219,948	-
Total securities available for sale	$ 3,928,823	$ -	$ 3,928,823	$ -

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

December 31, 2017	Carrying Value	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Residential owner occupied - first lien	$ 273,303	$ -	$ -	$ 273,303
Residential non-owner occupied (investor)	343,876	-	-	343,876
Commercial owner occupied	256,895	-	-	256,895
Other commercial loans	559,386	-	-	559,386
Total impaired loans	$ 1,433,460	$ -	$ -	$ 1,433,460
Other commercial loans	$ 1,781,823	$ -	$ -	$ 1,781,823
Total foreclosed real estate	$ 1,781,823	$ -	$ -	$ 1,781,823

December 31, 2016	Carrying Value	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Residential owner occupied - first lien	$ 165,543	$ -	$ -	$ 165,543
Residential non-owner occupied (investor)	228,842	-	-	228,842
Other commercial loans	2,555,202	-	-	2,555,202
Total impaired loans	$ 2,949,587	$ -	$ -	$ 2,949,587
Residential owner occupied - first lien	$ 146,410	$ -	$ -	$ 146,410
Total foreclosed real estate	$ 146,410	$ -	$ -	$ 146,410

The methods and assumptions used to estimate the fair values for each class of the Company's financial instruments are included in the disclosures that follow.

Cash and Cash Equivalents (Carried at Cost). The carrying amounts of cash and cash equivalents approximate fair value.

Certificates of Deposit with Depository Institutions (Carried at Cost). The carrying amounts of the certificates of deposit approximate fair value.

Securities Available for Sale (Carried at Fair Value). Where quoted prices are available in an active market, securities available for sale are classified within Level 1 of the valuation hierarchy. Level 1 would include highly liquid government bonds, mortgage products and exchange-traded equities. If quoted market prices are not available, securities available for sale are classified within Level 2 and fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flow. Level 2 would include U.S. agency securities, mortgage-backed securities, obligations of states and political subdivisions and certain corporate, asset-backed and other securities.

Securities Held to Maturity (Carried at Amortized Cost). Where quoted prices are available in an active market, securities held to maturity are classified within Level 1 of the valuation hierarchy. Level 1 would include highly liquid government bonds, mortgage products and exchange-traded equities. If quoted market prices are not available, securities held to maturity are classified within Level 2 and fair value values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flow. Level 2 would include U.S. agency securities, mortgage-backed securities, obligations of states and political subdivisions and certain corporate, asset-backed and other securities.

Loans and Leases, Net of Allowance for Loan Losses (Carried at Cost). The fair value of loans are estimated using discounted cash flow analyses, using market rates at the statement of condition date that reflect the credit and interest rate risk inherent in the loans. Projected future cash flows are calculated based upon contractual maturity or call dates, projected repayments and prepayments of principal. Generally, for variable rate loans that reprice frequently with no significant change in credit risk, fair values are based on carrying values. Impaired loans are measured at an observable market price (if available), or at fair value of the loan's collateral (if the loan is collateral dependent). When the loan is dependent on collateral, fair value of collateral is determined by an appraisal or independent valuation, which is then adjusted for the estimated cost to sell. Impaired loans allocated to the allowance for loan losses are measured at the lower of cost or fair value on a nonrecurring basis.

Other Equity Securities (Carried at Cost). The carrying amount of Federal Home Loan Bank and correspondent bank stock approximates fair value, and considers the limited marketability of such securities.

Bank-Owned Life Insurance (Carried at Surrender Value). The carrying amount of the life insurance policies is based on the accumulated cash surrender value of each policy.

Deposits (Carried at Cost). The fair values disclosed for demand deposits (e.g., interest and non-interest checking, passbook savings, and certain types of money market accounts) are equal to the amount payable on demand at the reporting date (i.e., their carrying amounts). Fair values for certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered in the market on certificates to a schedule of aggregated expected monthly maturities.

Federal Home Loan Bank Advances (Carried at Cost). Fair values of FHLB advances are estimated using discounted cash flows analysis, based on quoted prices for new FHLB advances with similar credit risk characteristics, terms and remaining maturity. These prices obtained from this active market represent a market value that is deemed to represent the transfer price if the liability were assumed by a third party.

Off- Balance Sheet Financial Instruments (Disclosures at Cost). Fair values for off-balance sheet financial instruments (lending commitments and letters of credit) are based on fees currently charged in the market to enter similar agreements, considering the remaining terms of the agreements and the counterparties' credit standing. The fair value of these instruments is not material.

The estimated fair values of the Company's financial instruments were as follows at the dates indicated:

	December 31, 2017				
	Carrying Amount	Fair Value	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Financial instruments - assets:					
Cash and cash equivalents	$ 7,684,724	$ 7,684,724	$ 7,684,724	$ -	$ -
Certificates of deposit with depository institutions	3,500,000	3,500,000	-	3,500,000	-
Securities available for sale	16,204,405	16,204,405	-	16,204,405	-
Securities held to maturity	2,954,968	2,997,733	-	2,897,733	100,000
Loans and leases, net of allowance for loan losses	137,325,560	136,179,000	-	-	136,179,000
Other equity securities	1,274,596	1,274,596	-	-	1,274,596
Bank-owned life insurance	3,716,266	3,716,266	-	3,716,266	-
Financial instruments - liabilities:					
Deposits	$ 137,264,677	$ 136,578,000	$ -	$ 136,578,000	$ -
Federal Home Loan Bank advances	23,000,000	23,003,000	-	23,003,000	-
Financial instruments - off-balance sheet	$ -	$ -	$ -	$ -	$ -

	December 31, 2016				
	Carrying Amount	Fair Value	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Financial instruments - assets:					
Cash and cash equivalents	$ 15,479,775	$ 15,479,775	$ 15,479,775	$ -	$ -
Certificates of deposit with depository institutions	1,850,278	1,850,278	-	1,850,278	-
Securities available for sale	3,928,823	3,928,823	-	3,928,823	-
Securities held to maturity	2,973,626	3,007,627	-	2,907,627	100,000
Loans and leases, net of allowance for loan losses	135,279,386	136,238,000	-	-	136,238,000
Other equity securities	837,296	837,296	-	-	837,296
Bank-owned life insurance	2,163,305	2,163,305	-	2,163,305	-
Financial instruments - liabilities:					
Deposits	$ 135,280,317	$ 134,928,000	$ -	$ 134,928,000	$ -
Federal Home Loan Bank advances	13,000,000	13,064,000	-	13,064,000	-
Financial instruments - off-balance sheet	$ -	$ -	$ -	$ -	$ -

Note 17. Capital Requirements and Regulatory Matters

Federal and state banking regulations place certain restrictions on dividends paid to the Company by the Bank, and loans or advances made by the Bank to the Company. For a Maryland chartered bank, dividends may be paid out of undivided profits or, with the prior approval of the Maryland Commissioner of Financial Regulation, from surplus in excess of 100% of required capital stock. If, however, the surplus of a Maryland bank is less than 100% of its required capital stock, cash dividends may not be paid more than 90% of net earnings. Loans and advances are limited to 10% of the Bank's capital and surplus on a secured basis. In addition, the payment of dividends by the Bank would be prohibited if the effect thereof would cause the Bank's capital to be reduced below minimum capital requirements.

The Company's ability to pay dividends is dependent on the Bank's ability to pay dividends to the Company.

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

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the following table) of total, tier I and common equity tier 1 capital to risk weighted assets, tier 1 leverage to average assets and tangible capital to tangible assets. Management believes, as of December 31, 2017, the Bank met all capital adequacy requirements to which it is subject.

As of March 2017, the most recent notification from the Bank's regulators, the Bank was categorized as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, an institution must maintain minimum ratios as set forth in the following table. There are no conditions or events since the notification that management believes have changed the Bank's category.

The Bank's actual capital amounts and ratios at December 31, 2017 and 2016 are presented in the table below:

	December 31, 2017					
	Actual		For Capital Adequacy Purposes		To be well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital to risk-weighted assets	$ 17,853,534	13.7%	$ 10,413,927	8.0%	$ 13,017,409	10.0%
Tier 1 capital to risk-weighted assets	16,818,639	12.9%	7,810,446	6.0%	10,413,927	8.0%
Common equity tier 1 capital to risk-weighted assets	16,818,639	12.9%	5,857,834	4.5%	8,461,316	6.5%
Tier 1 leverage to average assets	16,818,639	9.4%	7,143,084	4.0%	8,928,855	5.0%
Tangible capital to tangible assets	16,752,992	9.4%	N/A	N/A	N/A	N/A

	December 31, 2016					
	Actual		For Capital Adequacy Purposes		To be well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital to risk-weighted assets	$ 17,025,069	14.3%	$ 9,494,527	8.0%	$ 11,868,159	10.0%
Tier 1 capital to risk-weighted assets	16,060,069	13.5%	7,120,895	6.0%	9,494,527	8.0%
Common equity tier 1 capital to risk-weighted assets	16,060,069	13.5%	5,340,672	4.5%	7,714,303	6.5%
Tier 1 leverage to average assets	16,060,069	9.7%	6,617,008	4.0%	8,271,260	5.0%
Tangible capital to tangible assets	16,047,393	9.7%	N/A	N/A	N/A	N/A

The following table presents a reconciliation of the Company's consolidated equity as determined using GAAP and the Bank's regulatory capital amounts:

	December 31, 2017	December 31, 2016
Consolidated GAAP equity	$ 17,125,515	$ 16,396,376
Consolidated equity in excess of Bank equity	(372,523)	(348,983)
Bank GAAP equity - Tangible capital	16,752,992	16,047,393
Less:		
Accumulated other comprehensive (loss) income, net of tax	(65,647)	(12,676)
Disallowed deferred tax assets	-	-
Common equity tier 1 capital	16,818,639	16,060,069
Plus:		
Additional tier 1 capital	-	-
Tier 1 capital	16,818,639	16,060,069
Plus:		
Allowance for loan losses (1.25% of risk-weighted assets)	1,034,895	965,000
Total risk-based capital	$ 17,853,534	$ 17,025,069

Note 18. Other Comprehensive Income

Comprehensive income is defined as net income plus transactions and other occurrences that are the result of non-owner changes in equity. For the financial statements presented, non-equity changes are comprised of the unrealized gains or losses on available-for-sale securities. Unrealized gain or losses do not have an impact on the Company's net income. The following table presents the components of other comprehensive loss for the years ended December 31, 2017 and 2016:

	Before Income Tax	Income Tax Effect	Net of Income Tax
Year Ended December 31, 2017			
Net unrealized loss on securities available-for-sale	$ (88,502)	$ (35,402)	$ (53,100)
Less: Reclassification adjustment for losses included in net income	215	86	129
Other comprehensive loss	$ (88,287)	$ (35,316)	$ (52,971)
Year Ended December 31, 2016			
Net unrealized loss on securities available-for-sale	$ (26,350)	$ (10,539)	$ (15,811)
Less: Reclassification adjustment for losses included in net income	1,061	424	637
Other comprehensive loss	$ (25,289)	$ (10,115)	$ (15,174)

The following table presents the changes in accumulated comprehensive income (loss), net of tax, for the years ended December 31, 2017 and 2016:

		Securities Available For Sale
Balance at January 1, 2016	$	2,498
Other comprehensive loss before reclassifications		(15,811)
Amounts reclassified from accumulated other comprehensive income		(637)
Net other comprehensive loss		(15,174)
Balance at December 31, 2016		(12,676)
Other comprehensive loss before reclassifications		(53,100)
Amounts reclassified from accumulated other comprehensive loss		(129)
Net other comprehensive loss		(52,971)
Reclassifcation of remaining tax effects on deferred tax assets		(13,658)
Balance at December 31, 2017	$	(79,305)

The following table presents the amount reclassified out of accumulated other comprehensive loss for the years ended December 31, 2017 and 2016:

	Year Ended December 31,				Affected Line Item in the Consolidated Statement of Operations
	2017		2016		
Realized losses on the sale of investment securities	$	215	$	1,061	Loss on sale of securities
Income tax effect		86		424	Income tax expense
Total reclassifications	$	129	$	637	Net income

Note 19. Parent Company Only Financial Statements

Presented below are the condensed balance sheets, statements of operations and statements of cash flows for Carroll Bancorp, Inc. at and for the years ended December 31, 2017 and 2016:

Condensed Balance Sheets

	December 31, 2017	December 31, 2016
Assets:		
Cash and due from banks	$ 155,070	$ 61,121
Loans	226,276	292,252
Other assets	-	115
Investment in bank subsidiary	16,752,992	16,047,393
Total Assets	$ 17,134,338	$ 16,400,881
Liabilities:		
Other liabilities	$ 8,823	$ 4,505
Total Liabilities	8,823	4,505
Stockholders' Equity:		
Preferred Stock (par value $0.01); authorized 1,000,000 shares; no shares issued and outstanding	-	-
Common Stock (par value $0.01); authorized 9,000,000 shares; issued and outstanding 1,095,011 at December 31, 2017 and 962,218 at December 31, 2016	10,950	9,622
Additional paid-in capital	14,666,089	12,562,136
Unallocated ESOP shares	(226,276)	(243,682)
Unearned RSP shares	(104,190)	(106,245)
Retained earnings	2,858,247	4,187,221
Accumulated other comprehensive income	(79,305)	(12,676)
Total stockholders' equity	17,125,515	16,396,376
Total liabilities and stockholders' equity	$ 17,134,338	$ 16,400,881

Condensed Statements of Operations

	Year Ended December 31, 2017	Year Ended December 31, 2016
Loan interest income	$ 10,947	$ 11,420
Total income	10,947	11,420
Income before income tax expense	10,947	11,420
Income tax expense	4,318	4,505
Net income before equity in net income of bank subsidiary	6,629	6,915
Equity in net income of bank subsidiary	290,736	293,725
Net income	$ 297,365	$ 300,640

Condensed Statements of Cash Flows

	Year Ended December 31, 2017	Year Ended December 31, 2016
Cash flows from operating activities:		
Net income	$ 297,365	$ 300,640
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in undistributed income of bank subsidiary	(290,736)	(293,725)
Decrease (increase) in other assets	115	(10)
Increase in other liabilities	4,319	352
Net cash provided by operating activities	11,063	7,257
Cash flows from investing activities:		
ESOP loan principal collections	17,406	17,406
Decrease in loans	48,570	1,080
Investment in bank subsidiary	(400,000)	-
Net cash (used in) provided by investing activities	(334,024)	18,486
Cash flows from financing activities:		
Director stock purchase plan	25,275	-
Proceeds from warrant exercise	391,635	25,847
Common stock repurchase	-	(291,060)
Net cash provided by (used in) financing activities	416,910	(265,213)
Net increase (decrease) in cash and cash equivalents	93,949	(239,470)
Cash and cash equivalents, beginning balance	61,121	300,591
Cash and cash equivalents, ending balance	$ 155,070	$ 61,121

Corporate Information

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Stock Exchange Listing
Common shares of Carroll Bancorp, Inc.
are traded on the OTC Pink marketplace of the
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