Section 1: 10-K (10-K)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended September 30, 2018

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______ to ________

Commission File Number: 001-38074

Community First Bancshares, Inc.
(Exact Name of Registrant as Specified in its Charter)

Federal	**82-1147778**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
3175 Highway 278, Covington, Georgia	**30014**
(Address of principal executive offices)	(Zip code)

(770) 786-7088
(Registrant's telephone number including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of exchange on which registered
Common Stock, par value $0.01 per share	**The NASDAQ Stock Market LLC**

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.
Yes ☐ No ☒

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
Emerging growth company	☒		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate value of the voting and non-voting common stock held by non-affiliates of the registrant, computed by reference to the closing price of the common stock of $11.36 as of March 31, 2018, was $37.6 million.

As of December 20, 2018 there were 7,486,216 shares outstanding of the registrant's common stock.

DOCUMENTS INCORPORATED BY REFERENCE

1. Portions of the Proxy Statement for the 2019 Annual Meeting of Stockholders. (Part III)

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PART I

ITEM 1. Business

Forward Looking Statements

This annual report contains forward-looking statements, which can be identified by the use of words such as “estimate,” “project,” “believe,” “intend,” “anticipate,” “assume,” “plan,” “seek,” “expect,” “will,” “may,” “should,” “indicate,” “would,” “contemplate,” “continue,” “potential,” “target” and words of similar meaning. These forward-looking statements include, but are not limited to:

- statements of our goals, intentions and expectations;
- statements regarding our business plans, prospects, growth and operating strategies;
- statements regarding the quality of our loan and investment portfolios; and
- estimates of our risks and future costs and benefits.

These forward-looking statements are based on current beliefs and expectations of our management and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change. Accordingly, you should not place undue reliance on such statements. We are under no duty to and do not take any obligation to update any forward-looking statements after the date of this annual report.

The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements:

- general economic conditions, either nationally or in our market areas, that are worse than expected;
- changes in the level and direction of loan delinquencies and write-offs and changes in estimates of the adequacy of the allowance for loan losses;
- our ability to access cost-effective funding;
- fluctuations in real estate values and both residential and commercial real estate market conditions;
- demand for loans and deposits in our market area;
- our ability to implement and change our business strategies;
- competition among depository and other financial institutions;
- inflation and changes in the interest rate environment that reduce our margins and yields, our mortgage banking revenues, the fair value of financial instruments or our level of loan originations, or prepayments on loans we have made and make;
- adverse changes in the securities or secondary mortgage markets;
- changes in laws or government regulations or policies affecting financial institutions, including changes in regulatory fees and capital requirements;
- changes in the quality or composition of our loan or investment portfolios;
- technological changes that may be more difficult or expensive than expected, or the failure or breaches of information technology security systems;

- the inability of third-party providers to perform as expected;
- our ability to manage market risk, credit risk and operational risk in the current economic environment;
- our ability to enter new markets successfully and capitalize on growth opportunities;
- our ability to successfully integrate into our operations any assets, liabilities, customers, systems and management personnel we may acquire and our ability to realize related revenue synergies and cost savings within expected time frames, and any goodwill charges related thereto;
- changes in consumer spending, borrowing and savings habits;
- changes in accounting policies and practices, as may be adopted by the bank regulatory agencies, the Financial Accounting Standards Board, the Securities and Exchange Commission or the Public Company Accounting Oversight Board;
- our ability to retain key employees;
- our compensation expense associated with equity allocated or awarded to our employees; and
- changes in the financial condition, results of operations or future prospects of issuers of securities that we own.

Because of these and other uncertainties, our actual future results may be materially different from the results indicated by these forward-looking statements.

Community First Bancshares, Inc.

Community First Bancshares, Inc., a federal corporation that was organized in 2017, is a savings and loan holding company headquartered in Covington, Georgia. Community First Bancshares, Inc.'s common stock is traded on the Nasdaq Capital Market under the symbol "CFBI." Community First Bancshares, Inc. conducts its operations primarily through its wholly owned subsidiary, Newton Federal Bank, a federally chartered savings bank. Community First Bancshares, Inc. manages its operations as one unit, and thus does not have separate operating segments. At September 30, 2018, Community First Bancshares, Inc. had total assets of $306.0 million, loans of $222.5 million, deposits of $216.4 million, and stockholders' equity of $76.4 million.

Community First Bancshares, Inc. was formed as part of the mutual holding company reorganization of Newton Federal Bank, which was completed in April 2017. In connection with the reorganization, Community First Bancshares, Inc. sold 3,467,595 shares of common stock to the public at $10.00 per share, representing 46% of its outstanding shares of common stock. Community First Bancshares, MHC has been organized as a mutual holding company under the laws of the United States and owns the remaining 54% of the outstanding common stock of Community First Bancshares, Inc.

The executive offices of Community First Bancshares, Inc. are located at 3175 Highway 278, Covington, Georgia 30014, and its telephone number is (770) 786-7088. Community First Bancshares, Inc. is subject to comprehensive regulation and examination by the Board of Governors of the Federal Reserve System (the "Federal Reserve Board").

Community First Bancshares, MHC

Community First Bancshares, MHC was formed as a federal mutual holding company and will, for as long as it is in existence, own a majority of the outstanding shares of Community First Bancshares, Inc.'s common stock.

Community First Bancshares, MHC's principal assets are the common stock of Community First Bancshares, Inc. it received in the reorganization and offering and $100,000 cash in initial capitalization, which was contributed from the net proceeds of the stock offering. Presently, it is expected that the only business activity of Community First Bancshares, MHC will be to own a majority of Community First Bancshares, Inc.'s common stock. Community First Bancshares, MHC is authorized, however, to engage in any other business activities that are permissible for mutual holding companies under federal law, including investing in loans and securities.

Newton Federal Bank

Newton Federal Bank is a federally chartered stock savings association headquartered in Covington, Georgia. Newton Federal Bank was originally chartered in 1928 as a Georgia-chartered mutual building and loan association under the name Newton County Building and Loan Association. In 1947, we converted to a federal charter and changed our name to "Newton Federal Savings and Loan Association." In 2004 we changed our name to "Newton Federal Bank." In 2017 we reorganized from the mutual to the stock form of ownership.

Our business consists primarily of taking deposits from the general public and, historically, investing those deposits, together with funds generated from operations, in one- to four-family residential real estate loans, and, to a lesser extent, commercial real estate loans, commercial and industrial loans, construction and land loans and consumer loans. Subject to market conditions, we expect to increase our focus on originating commercial real estate loans, commercial and industrial loans, construction loans, and indirect automobile loans in an effort to diversify our overall loan portfolio, increase the overall yield earned on our loans and assist in managing interest rate risk. We also invest in securities, which have historically consisted primarily of mortgage-backed securities issued by U.S. government sponsored enterprises and Federal Home Loan Bank stock. We offer a variety of deposit accounts, including checking accounts, savings accounts and certificate of deposit accounts. We have also used Federal Home Loan Bank borrowings to fund our operations.

Newton Federal Bank is subject to comprehensive regulation and examination by the Office of the Comptroller of the Currency. Newton Federal Bank is a member of the Federal Home Loan Bank system. Our website address is www.newtonfederal.com. Information on our website is not considered a part of this report.

Market Area

We conduct our operations from our main office and branch office in Covington, Georgia, which are located in Newton County, Georgia, as well as our loan production offices located in (i) Watkinsville, Georgia, which is in Oconee County (in the Athens, Georgia market area) and (ii) Braselton, Georgia, which is in Jackson County. Newton County, Georgia represents our primary geographic market area for deposits, while we make loans in Newton County and the contiguous counties. In March 2018 we closed our Southside branch office in Covington at 10131 Carlin Avenue. Although it no longer operates as a branch, we opened our indirect automobile lending division, Community First Auto, in this location on October 1, 2018.

Covington, Georgia is located 35 miles east of Atlanta, Georgia and 47 miles south of Athens, Georgia. In Newton County, the manufacturing sector represents 24% of the non-farm, non-government labor force. This is more than double the state of Georgia. Other significant employer industries in the county include retail trades, health care and social assistance and food services and accommodations. There are approximately 1,390 businesses operating in Newton County. Newton County's total population is estimated at 110,196, which grew 10.2% from 2010. The state of Georgia grew 9.4% during that period. Newton County is projected to grow 6.0% between 2019 and 2024, compared to 5.2% for Georgia. The median household income in Newton County was approximately $51,082, which is higher than the Georgia state median of $59,397 and lower than the national median household income of $63,174.

Oconee County's total population is estimated at 39,456, grew 20% since 2010, and is estimated to grow over 8% by 2024. It has approximately 1,118 businesses, with the largest employers in the construction, health care and social assistance, and professional, scientific, and technical services.

Clarke County has a total population of 129,527, grew 11.0% since 2010, and is projected to grow another 6.0% by 2024. It is the home to the University of Georgia. It is also home to 3,015 businesses, with the most significant employee representation in accommodation and food services, health care and social services, and retail trade.

Jackson County has a total population of 69,961, grew 15.7% since 2010, and is projected to grow another 8.2% by 2024. It has approximately 1,256 businesses, with the most significant employee representation in retail trade, construction, and other services (except public administration).

The unemployment rates in October 2018 for Newton, Oconee, Clarke, and Jackson Counties were 3.9%, 2.8%, 3.6% and 2.8%, respectively, compared to 3.6% for the State of Georgia and 3.5% for the United States.

We believe that we have developed products and services that will meet the financial needs of our current and future customer base; however, we plan, and believe it is necessary, to expand the range of products and services that we offer to be more competitive in our market area. Marketing strategies focus on the strength of our knowledge of local consumer and small business markets, as well as expanding relationships with current customers and reaching out to develop new, profitable business relationships.

Competition

We face competition within our market area both in making loans and attracting deposits. Our market area has a concentration of financial institutions that include large money center and regional banks, community banks and credit unions. We also face competition from savings institutions, mortgage banking firms, consumer finance companies and credit unions and, with respect to deposits, from money market funds, brokerage firms, mutual funds and insurance companies. As of June 30, 2018 (the most recent date for which data is available), our market share of deposits represented 21.89% of Federal Deposit Insurance Corporation-insured deposits in Newton County, ranking us third in market share of deposits out of seven institutions operating in the county.

Lending Activities

General. Our historical principal lending activity has been originating one- to four-family residential real estate loans and, to a lesser extent, commercial real estate loans, commercial and industrial loans, construction and land loans and consumer loans. To a much lesser extent, we also originate multi-family residential real estate loans and home equity loans and lines of credit. We initiated indirect automobile lending in October 2018. Subject to market conditions, we expect to increase our focus on originating commercial real estate loans, commercial and industrial loans, and construction loans in an effort to diversify our overall loan portfolio, increase the overall yield earned on our loans and assist in managing interest rate risk. Historically, we have not originated significant amounts of loans for sale, but we originated, processed and sold several Small Business Administration (SBA) loans during 2018, and we intend to continue that activity in 2019.

Loan Portfolio Composition. The following table sets forth the composition of our loan portfolio by type of loan at the dates indicated. In addition to the loans included in the table below, at September 30, 2018, we had no loans held for sale, $5.7 million of loans in process and $554,000 of deferred loan fees.

	At September 30,									
	2018		2017		2016		2015		2014	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
	(Dollars in thousands)									
Real estate loans:										
One- to four-family residential (1)	$135,508	59.85%	$138,875	63.78%	$132,899	68.54%	$132,480	75.42%	$139,977	77.84%
Commercial (2)	39,768	17.57%	29,861	13.71	29,162	15.04	24,581	13.99	25,860	14.38
Construction and land	20,188	8.92%	25,165	11.56	13,343	6.88	2,261	1.28	817	0.45
Commercial and industrial loans	28,375	12.53%	21,060	9.67	16,221	8.37	14,333	8.16	11,639	6.47
Consumer loans	2,555	1.13%	2,783	1.28	2,262	1.17	2,017	1.15	1,547	0.86
	226,394	100.00%	217,744	100.00%	193,887	100.00%	175,672	100.00%	179,840	100.00%
Less:										
Allowance for losses	3,909		4,551		4,309		5,874		5,708	
Total loans	$222,485		$213,193		$189,578		$169,798		$174,132	

(1) Includes home equity loans and lines of credit, which totaled $2.5 million at September 30, 2018.
(2) Includes multi-family residential real estate loans, which totaled $948,000 at September 30, 2018.

Contractual Maturities. The following tables set forth the contractual maturities of our total loan portfolio at September 30, 2018. Demand loans, loans having no stated repayment schedule or maturity, and overdraft loans are reported as being due in one year or less. The tables present contractual maturities and do not reflect repricing or the effect of prepayments. Actual maturities may differ.

September 30, 2018	One- to Four-Family Residential Real Estate	Commercial Real Estate	Construction and Land
		(In thousands)	
Amounts due in:			
One year or less	$ 4,716	$ 2,303	$ 9,132
More than one to five years	24,638	18,274	2,570
More than five years	106,154	19,191	8,486
Total	$ 135,508	$ 39,768	$ 20,188

September 30, 2018	Commercial and Industrial	Consumer	Total
		(In thousands)	
Amounts due in:			
One year or less	$ 6,165	$ 225	$ 22,541
More than one to five years	14,562	1,740	61,784
More than five years	7,648	590	142,069
Total	$ 28,375	$ 2,555	$ 226,394

The following table sets forth our fixed and adjustable-rate loans at September 30, 2018 that are contractually due after September 30, 2019.

	Due After September 30, 2019		
	Fixed	Adjustable	Total
		(In thousands)	
Real estate loans:			
One- to four-family residential	$ 127,798	$ 2,244	$ 130,042
Commercial	32,830	4,832	37,662
Construction and land	9,164	1,892	11,056
Commercial and industrial loans	15,119	7,091	22,210
Consumer loans	2,084	246	2,330
Total loans	$ 186,995	$ 16,305	$ 203,300

(1) Consists of home equity loans and lines of credit.

One- to Four-Family Residential Real Estate Lending. The focus of our lending program has historically been the origination of one- to four-family residential real estate loans. At September 30, 2018, we had $135.5 million of loans secured by one- to four-family real estate, representing 59.85% of our total loan portfolio. We currently originate fixed-rate residential mortgage loans, including loans with balloon terms. At September 30, 2018, $37.3 million, or 27.51%, of our one- to four-family residential real estate loans were balloon loans. We have recently introduced adjustable-rate, one- to four-family residential real estate loans (in addition to our existing home equity loans and lines of credit, which are originated with adjustable interest rates).

Our one- to four-family residential real estate loans are generally underwritten to internal guidelines, although we generally follow the documentation practices of Fannie Mae guidelines. We generally originate one- to four-family residential real estate loans in amounts up to $150,000, although we will originate loans above this amount. The significant majority of our one- to four-family residential real estate loans are secured by properties located in our primary market area.

We generally limit the loan-to-value ratios of our one- to four-family residential mortgage loans to 89.9% of the purchase price or appraised value, whichever is lower.

Historically, our one- to four-family residential real estate loans typically have terms of up to 30 years. We now offer adjustable rate mortgages with a five or seven year initial fixed rate. Our balloon loans generally have terms of five or seven years, but with amortization terms of 30 years. We will originate balloon loans with initial terms of ten years.

We do not offer "interest only" mortgage loans on permanent one- to four-family residential real estate loans (where the borrower pays interest for an initial period, after which the loan converts to a fully amortizing loan). We also do not offer loans that provide for negative amortization of principal, such as "Option ARM" loans, where the borrower can pay less than the interest owed on the loan, resulting in an increased principal balance during the life of the loan. We do not currently offer "subprime loans" on one- to four-family residential real estate loans (*i.e.*, generally loans to borrowers with credit scores less than 620).

Commercial Real Estate Loans. In recent years, we have sought to increase our commercial real estate loans. Our commercial real estate loans are secured primarily by one- to four-family non-owner occupied investment properties and houses of worship and, to a lesser extent, office buildings, industrial facilities, hotels, convenience stores and retail facilities, substantially all of which are located in our primary market area. At September 30, 2018, we had $39.8 million in commercial real estate loans, representing 17.57% of our total loan portfolio. This amount included $948,000 of multi-family residential real estate loans. At September 30, 2018, our commercial real estate loans had an average balance of $404,000.

Most of our commercial real estate loans are balloon loans with a five-year initial term and a 20-year amortization period. The maximum loan-to-value ratio of our commercial real estate loans is generally 75%. All of our commercial real estate loans are subject to our underwriting procedures and guidelines. At September 30, 2018, our largest commercial real estate loan totaled $3 million and is a convenience store secured by 1.115 acres and an 8,282 square foot building. At September 30, 2018, this loan was performing in accordance with its terms.

We consider a number of factors in originating commercial real estate loans. We evaluate the qualifications and financial condition of the borrower, including credit history, profitability and expertise, as well as the value and condition of the property securing the loan. When evaluating the qualifications of the borrower, we consider the financial resources of the borrower, the borrower's experience in owning or managing similar property and the borrower's payment history with us and other financial institutions. In evaluating the property securing the loan, the factors we consider include the net operating income of the mortgaged property before debt service and depreciation, the ratio of the loan amount to the appraised value of the mortgaged property and the debt service coverage ratio (the ratio of net operating income to debt service). The significant majority of our commercial real estate loans are appraised by outside independent appraisers approved by the board of directors, although we are only required to obtain independent appraisals on commercial real estate loans in amounts of $500,000 or greater. Personal guarantees are generally obtained from the principals of commercial real estate borrowers.

Commercial and Industrial Loans. We make commercial and industrial loans, primarily in our market area, to a variety of professionals, sole proprietorships and small businesses. These loans are generally secured by business assets, and we may support this collateral with junior liens on real property. At September 30, 2018, commercial and industrial loans were $28.4 million, or 12.53% of our gross loans. As part of our relationship driven focus, we encourage our commercial borrowers to maintain their primary deposit accounts with us, which enhances our interest rate spread and margin.

Commercial lending products include term loans and revolving lines of credit. Commercial loans and lines of credit are made with either adjustable or fixed rates of interest. Adjustable rates and fixed rates are based on the prime rate as published in *The Wall Street Journal*, plus a margin. We are focusing our efforts on experienced, growing small- to medium-sized, privately-held companies with solid historical and projected cash flow that operate in our market areas.

When making commercial and industrial loans, we consider the financial statements of the borrower, our lending history with the borrower, the debt service capabilities and global cash flows of the borrower and other guarantors, the projected cash flows of the business and the value of the collateral, accounts receivable, inventory and equipment. Depending on the collateral used to secure the loans, commercial and industrial loans are made in amounts of up to 80% of the value of the collateral securing the loan. All of these loans are secured by assets of the respective borrowers.

Our largest commercial and industrial loan at September 30, 2018 totaled $1.1 million, was originated in 2013 to a trucking company and is secured by accounts receivable. At September 30, 2018, this loan was performing in accordance with its terms.

Construction and Land Loans. We make construction loans, primarily to individuals for the construction of their primary residences and to contractors and builders of single-family homes. We also make a limited amount of land loans to complement our construction lending activities, as such loans are generally secured by lots that will be used for residential development. Land loans also include loans secured by land purchased for investment purposes. At September 30, 2018, our construction loans totaled $20.2 million, representing 8.92% of our total loan portfolio, and included $200,000 of land loans. At that date, we also had $5.6 million of construction loans in process. At September 30, 2018, $5.4 million of our single-family construction loans were to individuals and $4.7 were to contractors and builders.

While we may originate loans to contractors and builders whether or not the collateral property underlying the loan is under contract for sale, we consider each project carefully in light of current residential real estate market conditions. We actively monitor the number of unsold homes in our construction loan portfolio and local housing markets to attempt to maintain an appropriate balance between home sales and new loan originations. We generally will limit the maximum number of speculative units (units that are not pre-sold) approved for each builder. We have attempted to diversify the risk associated with speculative construction lending by doing business with experienced small and mid-sized builders within our market area.

We also originate construction loans for commercial development projects, including retail buildings, houses of worship, small industrial, hotels and office buildings. Most of our construction loans are interest-only loans that provide for the payment of interest during the construction phase, which is usually up to 12 months. At the end of the construction phase, the loan may convert to a permanent mortgage loan or the loan may be paid in full. Construction loans generally can be made with a maximum loan-to-value ratio of 75% of the estimated appraised market value upon completion of the project. Before making a commitment to fund a construction loan, we require an appraisal of the property by an independent licensed appraiser. We also generally require inspections of the property before disbursements of funds during the term of the construction loan.

At September 30, 2018, our largest construction and land loan was for $2.8 million, of which $725,000 was outstanding. This loan was originated in 2018 and is secured by a convenience store with inline retail. This loan was performing according to its terms at September 30, 2018.

Consumer Loans. We offer a limited range of consumer loans, principally to customers residing in our primary market area with other relationships with us and with acceptable credit ratings. Our consumer loans generally consist of loans secured by deposit accounts, loans on new and used automobiles and unsecured personal loans. At September 30, 2018, consumer and other loans were $2.5 million, or 1.13% of gross loans.

In October 2018, our indirect automobile lending division, Community First Auto, opened an office in Covington, Georgia at a former branch location. The bank has brought in an experienced manager and sales team to operate this line of business. At September 30, 2018, we had no indirect automobile loans. We intend to increase this type of lending.

Community First Auto (CFA) will purchase retail installment sales contracts from dealerships in the states of Georgia, Tennessee, North Carolina and South Carolina. Each dealership will submit credit applications to CFA for consideration. CFA will fully underwrite each loan for credit worthiness, vehicle valuation, debt ratios and the consumer’s stability. CFA will underwrite each loan carefully to ensure all credit policy guidelines are followed. Applications that are approved and counter-offered will be submitted to CFA for verification and funding.

All dealerships that submit retail installment contracts to CFA will sign a separate retail dealer agreement that will make representations and warranties to CFA with respect to our security interest and the accuracy and validity of all information provided during the credit application and contract process. Borrowers will be responsible for carrying full coverage insurance during the life of the loan, but CFA will have a blanket VSI policy in place to cover all loans in case of lapse of coverage, skip or confiscation.

Loan Underwriting Risks

Commercial Real Estate Loans. Loans secured by commercial real estate generally have larger balances and involve a greater degree of risk than one- to four-family residential real estate loans. The primary concern in commercial real estate lending is the borrower’s creditworthiness and the feasibility and cash flow potential of the project. Payments on loans secured by income properties often depend on successful operation and management of the properties. As a result, repayment of such loans may be subject, to a greater extent than residential real estate loans, to adverse conditions in the real estate market or the economy. To monitor cash flows on income properties, we require borrowers and loan guarantors to provide semi annual, quarterly or annual financial statements, depending on the size of the loan, on commercial real estate loans. In reaching a decision on whether to make a commercial real estate loan, we consider and review a global cash flow analysis of the borrower and consider the net operating income of the property, the borrower’s expertise, credit history and profitability and the value of the underlying property. We have generally required that the properties securing these real estate loans have an aggregate debt service ratio, including the guarantor’s cash flow and the borrower’s other projects, of at least 1.20x. An environmental phase one report is obtained when the possibility exists that hazardous materials may have existed on the site, or the site may have been impacted by adjoining properties that handled hazardous materials.

If we foreclose on a commercial real estate loan, the marketing and liquidation period to convert the real estate asset to cash can be lengthy with substantial holding costs. In addition, vacancies, deferred maintenance, repairs and market stigma can result in prospective buyers expecting sale price concessions to offset their real or perceived economic losses for the time it takes them to return the property to profitability. Depending on the individual circumstances, initial charge-offs and subsequent losses on commercial real estate loans can be unpredictable and substantial.

Commercial and Industrial Loans. Unlike residential real estate loans, which generally are made on the basis of the borrower's ability to make repayment from his or her employment or other income, and which are secured by real property whose value tends to be more easily ascertainable, commercial and industrial loans are of higher risk and typically are made on the basis of the borrower's ability to make repayment from the cash flow of the borrower's business and the collateral securing these loans may fluctuate in value. Our commercial and industrial loans are originated primarily based on the identified cash flow of the borrower and secondarily on the underlying collateral provided by the borrower. Most often, this collateral consists of real estate, accounts receivable, inventory or equipment. Credit support provided by the borrower for most of these loans is based on the liquidation of the pledged collateral and enforcement of a personal guarantee, if any. Further, any collateral securing such loans may depreciate over time, may be difficult to appraise and may fluctuate in value. As a result, the availability of funds for the repayment of commercial and industrial loans may depend substantially on the success of the business itself.

Construction and Land Loans. Our construction loans are based upon estimates of costs and values associated with the completed project. Underwriting is focused on the borrowers' financial strength, credit history and demonstrated ability to produce a quality product and effectively market and manage their operations.

Construction lending involves additional risks when compared with permanent lending because funds are advanced upon the security of the project, which is of uncertain value prior to its completion. Because of the uncertainties inherent in estimating construction costs, as well as the market value of the completed project and the effects of governmental regulation of real property, it is relatively difficult to evaluate accurately the total funds required to complete a project and the related loan-to-value ratio. In addition, generally during the term of a construction loan, interest may be funded by the borrower or disbursed from an interest reserve set aside from the construction loan budget. These loans often involve the disbursement of substantial funds with repayment substantially dependent on the success of the ultimate project and the ability of the borrower to sell or lease the property or obtain permanent take-out financing, rather than the ability of the borrower or guarantor to repay principal and interest. If the appraised value of a completed project proves to be overstated, we may have inadequate security for the repayment of the loan upon completion of construction of the project and may incur a loss.

Balloon Loans. Although balloon mortgage loans may reduce to an extent our vulnerability to changes in market interest rates because they reprice at the end of the term, the ability of the borrower to renew or repay the loan and the marketability of the underlying collateral may be adversely affected if real estate values decline prior to the expiration of the term of the loan or in a rising interest rate environment.

Adjustable-Rate Loans. While we anticipate that adjustable-rate loans will better offset the adverse effects of an increase in interest rates as compared to fixed-rate loans, an increased monthly payment required of adjustable-rate loan borrowers in a rising interest rate environment could cause an increase in delinquencies and defaults. The marketability of the underlying collateral also may be adversely affected in a high interest rate environment.

Consumer Loans. Consumer loans may entail greater risk than residential real estate loans, particularly in the case of consumer loans that are unsecured or secured by assets that depreciate rapidly. Repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment for the outstanding loan and a small remaining deficiency often does not warrant further substantial collection efforts against the borrower. Consumer loan collections depend on the borrower's continuing financial stability, and therefore are likely to be adversely affected by various factors, including job loss, divorce, illness or personal bankruptcy. Furthermore, the application of various federal and state laws, including federal and state bankruptcy and insolvency laws, may limit the amount that can be recovered on such loans.

Indirect automobile loans are inherently risky as they are often secured by assets that may be difficult to locate and can depreciate rapidly. In some cases, repossessed collateral for a defaulted automobile loan may not provide an adequate source of repayment for the outstanding loan and the remaining deficiency may not warrant further substantial collection efforts against the borrower. Automobile loan collections depend on the borrower's continuing financial stability, and therefore, are more likely to be adversely affected by job loss, divorce, illness, or personal bankruptcy. Additional risk elements associated with indirect lending include the limited personal contact with the borrower as a result of indirect lending through non-bank channels, namely automobile dealers.

Originations, Purchases and Sales of Loans

Lending activities are conducted by our salaried loan personnel operating at our main and branch office locations and our loan production offices. All loans originated by us are underwritten pursuant to our policies and procedures. We primarily originate fixed-rate loans and balloon loans and, to a lesser extent, adjustable-rate loans. Our ability to originate fixed-rate loans, balloon loans or adjustable-rate loans is dependent upon relative customer demand for such loans, which is affected by current and expected future levels of market interest rates. We originate real estate and other loans through our loan officers, marketing efforts, our customer base, walk-in customers and referrals from real estate brokers, builders and attorneys.

We sometimes purchase whole loans from third parties to supplement our loan production. These loans generally consist of loans to health care professionals and loans secured by manufactured housing. At September 30, 2018, we had $5.2 million of whole loans that we purchased. The majority of our purchased loans are to borrowers who are not located in our primary market area.

In addition, from time to time, we may purchase or sell participation interests in loans. We underwrite our participation interest in the loan that we are purchasing according to our own underwriting criteria and procedures. At September 30, 2018, we had $2.7 million of committed funds for loan participation interests that we purchased, and at that date, we had $9.3 million of loans for which we had sold participation interests.

Historically, we have not originated significant amounts of loans for sale, but we intend to increase this activity in the future in order to manage the duration and time to repricing of our loan portfolio, and to generate fee income. We currently sell loans through the LenderSelect Mortgage Group and a new partnership with Quicken Loans has been added. At September 30, 2018, we had no loans for sale, and we sold $1.3 million of loans during the year ended September 30, 2018, all on a servicing-released basis, generating $45,000 in fee income.

Loan Approval Procedures and Authority

Pursuant to federal law, the aggregate amount of loans that Newton Federal Bank is permitted to make to any one borrower or a group of related borrowers is generally limited to 15% of Newton Federal Bank's unimpaired capital and surplus (25% if the amount in excess of 15% is secured by "readily marketable collateral" or 30% for certain residential development loans). At September 30, 2018, based on the 15% limitation, Newton Federal Bank's loans-to-one-borrower limit was approximately $9.3 million. On the same date, Newton Federal Bank had no borrowers with outstanding balances in excess of this amount. At September 30, 2018, our largest loan relationship with one borrower was for $3.8 million, which was secured a home, towing and wrecker equipment and pawn shop, and the underlying loans were performing in accordance with their terms on that date.

Our lending is subject to written underwriting standards and origination procedures. Decisions on loan applications are made on the basis of detailed applications submitted by the prospective borrower, credit histories that we obtain, and property valuations (consistent with our appraisal policy) prepared by outside independent licensed appraisers approved by our board of directors as well as internal evaluations, where permitted by regulations. The loan applications are designed primarily to determine the borrower's ability to repay the requested loan, and the more significant items on the application are verified through use of credit reports, bank statements and tax returns.

All loan approval amounts are based on the aggregate loans, including total balances of outstanding loans and the proposed loan to the individual borrower and any related entity. Each of our President and Chief Executive Officer, our Chief Credit Officer and our Chief Lending Officer has individual authorization to approve loans up to $500,000. Any two of these individuals can combine their authority to approve loans up to $1.0 million. All three of these individuals can combine their authority to approve loans up to $1.5 million. The Officer Loan Committee, which consists of our President and Chief Executive Officer, Chief Credit Officer, Chief Lending Officer, Chief Operations Officer, a Commercial Lending Officer and a non-voting outside board member, can approve loans greater than $1.5 million up to $3.5 million. Loans in excess of $3.5 million require the approval of our full board of directors.

Generally, we require title insurance or abstracts on our mortgage loans as well as fire and extended coverage casualty insurance in amounts at least equal to the principal amount of the loan or the value of improvements on the property, depending on the type of loan.

Delinquencies and Asset Quality

Delinquency Procedures. When a loan payment becomes 15 days past due, we contact the customer by mailing a late notice, and loan officers may contact their customers. If a loan payment becomes 30 days past due, we mail an additional late notice and a loan-specific letter written by a collection representative, and we also place telephone calls to the borrower. These loan collection efforts continue until a loan becomes 90 days past due, at which point we would refer the loan for foreclosure proceedings unless management determines that it is in the best interest of Newton Federal Bank to work further with the borrower to arrange a workout plan. The foreclosure process would begin when a loan becomes 120 days delinquent. From time to time we may accept deeds in lieu of foreclosure.

Loans Past Due and Non-Performing Assets. Loans are reviewed on a regular basis. Management determines that a loan is impaired or non-performing when it is probable at least a portion of the loan will not be collected in accordance with the original terms due to a deterioration in the financial condition of the borrower or the value of the underlying collateral if the loan is collateral dependent. When a loan is determined to be impaired, the measurement of the loan in the allowance for loan losses is based on present value of expected future cash flows, except that all collateral-dependent loans are measured for impairment based on the fair value of the collateral. Non-accrual loans are loans for which collectability is questionable and, therefore, interest on such loans will no longer be recognized on an accrual basis. All loans that become 90 days or more delinquent are placed on non-accrual status unless the loan is well secured and in the process of collection. When loans are placed on non-accrual status, unpaid accrued interest is fully reversed, and further income is recognized only to the extent received on a cash basis or cost recovery method.

When we acquire real estate as a result of foreclosure, the real estate is classified as real estate owned. The real estate owned is recorded at the lower of carrying amount or fair value, less estimated costs to sell. Soon after acquisition, we order a new appraisal to determine the current market value of the property. Any excess of the recorded value of the loan satisfied over the market value of the property is charged against the allowance for loan losses, or, if the existing allowance is inadequate, charged to expense of the current period. After acquisition, all costs incurred in maintaining the property are expensed. Costs relating to the development and improvement of the property, however, are capitalized to the extent of estimated fair value less estimated costs to sell.

A loan is classified as a troubled debt restructuring if, for economic or legal reasons related to the borrower's financial difficulties, we grant a concession to the borrower that we would not otherwise consider. This usually includes a modification of loan terms, such as a reduction of the interest rate to below market terms, capitalizing past due interest or extending the maturity date and possibly a partial forgiveness of the principal amount due. Interest income on restructured loans is accrued after the borrower demonstrates the ability to pay under the restructured terms through a sustained period of repayment performance, which is generally six consecutive months.

Delinquent Loans. The following tables set forth our loan delinquencies, including non-accrual loans, by type and amount at the dates indicated.

	At September 30,								
	2018			2017			2016		
	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due
	(In thousands)								
Real estate loans:									
One- to four-family residential	$ 167	$ 980	$ 1,115	$ 173	$ 3,236	$ 1,559	$ 32	$ 3,382	$ 1,955
Commercial	283	3	—	—	0	45	—	66	44
Construction and land	—	257	—	—	—	—	—	—	—
Commercial and industrial loans	—	—	—	19	45	—	194	—	0
Consumer loans	—	30	7	24	7	—	20	0	0
Total	$ 450	$ 1,270	$ 1,122	$ 216	$ 3,288	$ 1,604	$ 246	$ 3,448	$ 1,999

	At September 30,					
	2015			2014		
	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due
	(In thousands)					
Real estate loans:						
One- to four-family residential	$ —	$ 2,909	$ 1,598	$ —	$ 3,244	$ 1,583
Commercial	—	408	50	0	564	509
Construction and land	—	0	—	0	11	—
Commercial and industrial loans	—	0	33	—	243	0
Consumer loans	—	15	20	—	18	—
Total	$ —	$ 3,332	$ 1,701	$ —	$ 4,080	$ 2,092

Non-Performing Assets. The following table sets forth information regarding our non-performing assets. Non-accrual loans include non-accruing troubled debt restructurings of $279,000, $620,000, $810,000, $1.3 million, and $1.4 million as of September 30, 2018, 2017, 2016, 2015, and 2014, respectively.

	At September 30,				
	2018	2017	2016	2015	2014
	(Dollars in thousands)				
Non-accrual loans:					
Real estate loans:					
One- to four-family residential	$ 2,089	$ 3,540	$ 3,013	$ 2,056	$ 2,269
Commercial	70	129	230	448	777
Construction and land	—	—	—	—	—
Commercial and industrial loans	29	—	0	33	0
Consumer loans	7	—	0	26	—
Total non-accrual loans	$ 2,195	3,669	3,243	2,563	3,046
Accruing loans past due 90 days or more	—	—	—	—	—
Real estate owned:					
One- to four-family residential	67	61	—	0	822
Commercial	—	—	0	470	0
Construction and land	—	—	0	62	307
Commercial and industrial loans	—	—	—	—	—
Consumer loans	—	—	—	—	—
Total real estate owned	67	61	0	532	1,129
Total non-performing assets	$ 2,262	$ 3,730	$ 3,243	$ 3,095	$ 4,175
Total accruing troubled debt restructured loans	$ 4,136	$ 4,956	$ 5,815	$ 4,358	$ 4,845
Total non-performing loans to total loans	0.97%	1.69%	1.71%	1.51%	1.75%
Total non-performing assets to total assets	0.74%	1.34%	1.39%	1.37%	1.84%

Interest income that would have been recorded for the year ended September 30, 2018 had non-accruing loans been current according to their original terms amounted to $843,000. We recognized $62,000 of interest income for these loans for the year ended September 30, 2018. In addition, interest income that would have been recorded for the year ended September 30, 2018 had troubled debt restructurings been current according to their original terms amounted to $284,000. We recognized $278,000 of interest income for these loans for the year ended September 30, 2018.

Classified Assets. Federal regulations provide for the classification of loans and other assets, such as debt and equity securities considered by the Office of the Comptroller of the Currency to be of lesser quality, as "substandard," "doubtful" or "loss." An asset 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" assets include those characterized by the "distinct possibility" that the insured institution will sustain "some loss" if the deficiencies are not corrected. Assets classified as "doubtful" have all of the weaknesses inherent in those classified "substandard," with the added characteristic that the weaknesses present make "collection or liquidation in full," on the basis of currently existing facts, conditions, and values, "highly questionable and improbable." Assets classified as "loss" are those considered "uncollectible" and of such little value that their continuance as assets without the establishment of a specific loss allowance is not warranted. Assets which do not currently expose the insured institution to sufficient risk to warrant classification in one of the aforementioned categories but possess weaknesses are designated as "special mention" by our management.

When an insured institution classifies problem assets as either substandard or doubtful, it may establish general allowances in an amount deemed prudent by management to cover probable accrued losses. General allowances represent loss allowances which have been established to cover probable accrued losses associated with lending activities, but which, unlike specific allowances, have not been allocated to particular problem assets. When an insured institution classifies problem assets as "loss," it is required either to establish a specific allowance for losses equal to 100% of that portion of the asset so classified or to charge-off such amount. An institution's determination as to the classification of its assets and the amount of its valuation allowances is subject to review by the regulatory authorities, which may require the establishment of additional general or specific loss allowances.

In connection with the filing of our periodic reports with the Office of the Comptroller of the Currency and in accordance with our classification of assets policy, we regularly review the problem loans in our portfolio to determine whether any loans require classification in accordance with applicable regulations.

On the basis of this review of our assets, our classified and special mention assets at the dates indicated were as follows:

	At September 30,	
	2018	2017
	(In thousands)	
Substandard assets	$ 6,651	$ 6,416
Doubtful assets	—	—
Loss assets	—	—
Total classified assets	$ 6,651	$ 6,416
Special mention assets	$ 66	$ 224

Allowance for Loan Losses

The allowance for loan losses is maintained at a level which, in management's judgment, is adequate to absorb probable credit losses inherent in the loan portfolio. The amount of the allowance is based on management's evaluation of the collectability of the loan portfolio, including the nature of the portfolio, credit concentrations, trends in historical loss experience, specific impaired loans, and economic conditions. Allowances for impaired loans are generally determined based on collateral values or the present value of estimated cash flows. Because of uncertainties associated with regional economic conditions, collateral values, and future cash flows on impaired loans, it is reasonably possible that management's estimate of probable credit losses inherent in the loan portfolio and the related allowance may change materially in the near-term. The allowance is increased by a provision for loan losses, which is charged to expense and reduced by full and partial charge-offs, net of recoveries. Changes in the allowance relating to impaired loans are charged or credited to the provision for loan losses. Management's periodic evaluation of the adequacy of the allowance is based on various factors, including, but not limited to, management's ongoing review and grading of loans, facts and issues related to specific loans, historical loan loss and delinquency experience, trends in past due and non-accrual loans, existing risk characteristics of specific loans or loan pools, the fair value of underlying collateral, current economic conditions and other qualitative and quantitative factors which could affect potential credit losses.

As an integral part of their examination process, the Office of the Comptroller of the Currency will periodically review our allowance for loan losses, and as a result of such reviews, we may have to adjust our allowance for loan losses. However, regulatory agencies are not directly involved in the process for establishing the allowance for loan losses as the process is our responsibility and any increase or decrease in the allowance is the responsibility of management.

The following table sets forth activity in our allowance for loan losses for the years indicated.

	Years Ended September 30,				
	2018	2017	2016	2015	2014
	(Dollars in thousands)				
Allowance at beginning of year	4,551	$ 4,309	$ 5,874	$ 5,708	$ 5,947
Provision for loan losses	500	—	—	—	—
Charge offs:					
Real estate loans:					
One- to four-family residential	(1,425)	(41)	(337)	(438)	(1,214)
Commercial	(6)	—	(1,796)	(20)	(132)
Construction and land	—	—	—	—	(125)
Commercial and industrial loans	(1,275)	(66)	—	0	(48)
Consumer loans	(33)	(60)	(12)	(18)	(1)
Total charge-offs	(2,739)	(167)	(2,145)	(476)	(1,520)
Recoveries:					
Real estate loans:					
One- to four-family residential	1,287	333	341	356	970
Commercial	172	52	233	130	281
Construction and land	17	—	—	0	23
Commercial and industrial loans	121	15	—	154	7
Consumer loans	—	9	6	2	—
Total recoveries	1,597	409	580	642	1,281
Net (charge-offs) recoveries	(1,142)	242	(1,565)	166	(239)
Allowance at end of year	$ 3,909	$ 4,551	$ 4,309	$ 5,874	$ 5,708
Allowance to non-performing loans	178.10%	124.04%	132.87%	229.18%	187.39%
Allowance to total loans outstanding at the end of the year	1.73%	2.10%	2.22%	3.34%	3.17%
Net (charge-offs) recoveries to average loans outstanding during the year	(0.52)%	0.12%	(0.86)%	0.09%	(0.13)%

Allocation of Allowance for Loan Losses. The following tables set forth the allowance for loan losses allocated by loan category and the percent of the allowance in each category to the total allocated allowance at the dates indicated. The allowance for loan losses allocated to each category is not necessarily indicative of future losses in any particular category and does not restrict the use of the allowance to absorb losses in other categories.

	At September 30,								
	2018			2017			2016		
	Allowance for Loan Losses	Percent of Allowance in Each Category to Total Allocated Allowance	Percent of Loans in Each Category to Total Loans	Allowance for Loan Losses	Percent of Allowance in Each Category to Total Allocated Allowance	Percent of Loans in Each Category to Total Loans	Allowance for Loan Losses	Percent of Allowance in Each Category to Total Allocated Allowance	Percent of Loans in Each Category to Total Loans
	(Dollars in thousands)								
Real estate loans:									
One- to four-family residential	$ 687	17.58%	59.85%	$ 1,704	37.49%	63.78%	$ 1,882	43.78%	68.54%
Commercial	1,312	33.57%	17.57%	1,548	34.07%	13.71%	1,595	37.10	15.04
Construction and land	178	4.55%	8.92%	349	7.68%	11.56%	143	3.32	6.88
Commercial and industrial loans	1,670	42.73%	12.53%	863	19.00%	9.67%	643	14.96	8.37
Consumer loans	61	1.57%	1.13%	79	1.75%	1.28%	36	0.84	1.17
Total allocated allowance	3,908	100.00%	100.00%	4,543	100.00%	100.00%	4,299	100.00%	100.00%
Unallocated	1			8			10		
Total	$ 3,909			$ 4,551			$ 4,309		

	At September 30,					
	2015			2014		
	Allowance for Loan Losses	Percent of Allowance in Each Category to Total Allocated Allowance	Percent of Loans in Each Category to Total Loans	Allowance for Loan Losses	Percent of Allowance in Each Category to Total Allocated Allowance	Percent of Loans in Each Category to Total Loans
	(Dollars in thousands)					
Real estate loans:						
One- to four-family residential	$ 3,486	62.47%	75.42%	$ 3,424	67.83%	77.84%
Commercial	1,238	22.19	13.99	1,034	20.48	14.38
Construction and land	67	1.20	1.28	55	1.09	0.45
Commercial and industrial loans	739	13.24	8.16	495	9.81	6.47
Consumer loans	50	0.90	1.15	40	0.79	0.86
Total allocated allowance	5,580	100.00%	100.00%	5,048	100.00%	100.00%
Unallocated	294			660		
Total	$ 5,874			$ 5,708		

Investment Activities

General. The goals of our investment policy are to provide liquidity, meet pledging requirements, generate a reasonable rate of return, and minimize risk. Subject to loan demand and our interest rate risk analysis, we will increase the balance of our investment securities portfolio when we have excess liquidity. We have invested a substantial portion of the proceeds of the offering in short-term and other investments, including U.S. government securities.

Our investment policy was adopted by the board of directors and is reviewed annually by the board of directors. All investment decisions are made by our Asset/Liability Management Committee, consisting of our President and Chief Executive Officer, the Chairman of the Board, another member of the board of directors, and other members of senior management. The Chief Financial Officer provides an investment schedule detailing the investment portfolio, which is reviewed at least monthly by the board of directors.

Our current investment policy permits, with certain limitations, investments in: U.S. Treasury securities; securities issued by the U.S. government and its agencies or government sponsored enterprises including mortgage-backed securities and collateralized mortgage obligations issued by Fannie Mae, Ginnie Mae and Freddie Mac; corporate and municipal bonds; certificates of deposit in other financial institutions; federal funds and money market funds.

At September 30, 2018, our investment portfolio consisted of securities and obligations issued by U.S. government-sponsored enterprises, the Federal Home Loan Bank of Atlanta and municipal governments. At September 30, 2018, we owned $580,400 of Federal Home Loan Bank of Atlanta stock. As a member of Federal Home Loan Bank of Atlanta, we are required to purchase stock in the Federal Home Loan Bank of Atlanta, which stock is carried at cost and classified as restricted equity securities.

The following table sets forth the amortized cost and estimated fair value of our held-to-maturity securities portfolio at the dates indicated.

	At September 30,					
	2018		2017		2016	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
				(In thousands)		
U.S. Government sponsored enterprises	$ 1,000	$ 990	$ 1,000	$ 1,001	$ 7,499	$ 7,517
Total	$ 1,000	$ 990	$ 1,000	$ 1,001	$ 7,499	$ 7,517

The following table sets forth the amortized cost and estimated fair value of our available-for-sale securities portfolio at the dates indicated.

	At September 30,					
	2018		2017		2016	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
				(In thousands)		
Municipal securities – tax exempt	$ 5,687	$ 5,521	$ 5,756	$ 5,874	$ —	$ —
Municipal securities – taxable	3,122	2,925	—	—	—	—
U.S. Government sponsored enterprises	502	488	502	502		
Government agency mortgage-backed securities	12,988	12,426	8,000	7,969	—	—
Total	$ 22,299	$ 21,360	$ 14,258	$ 14,345	$ —	$ —

As of September 30, 2018, there were no securities with an amortized cost or estimated fair value that exceeded 10% of our total equity.

Portfolio Maturities and Yields. The composition and maturities of the investment securities portfolio at September 30, 2018, are summarized in the following table. Maturities are based on the final contractual payment dates, and do not reflect the effect of scheduled principal repayments, prepayments, or early redemptions that may occur. Following is a maturity schedule at September 30, 2018 for held-to-maturity securities:

	One Year or Less		More than One Year through Five Years		More than Five Years through Ten Years		More than Ten Years		Total		
	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Fair Value	Weighted Average Yield
	(Dollars in thousands)										
U.S. Government sponsored enterprises	$ 1,000	1.60%	$ —	—%	$ —		$ —	—%	$ 1,000	$ 990	1.60%
Total	$ 1,000	1.60%	$ —	—%	$ —	%	$ —	—%	$ 1,000	$ 990	1.60%

Following is a maturity schedule at September 30, 2018 for available-for-sale securities:

	One Year or Less		More than One Year through Five Years		More than Five Years through Ten Years		More than Ten Years		Total		
	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Fair Value	Weighted Average Yield
	(Dollars in thousands)										
Municipal securities – tax exempt	$ —	—%	$ 490	2.30%	$ 5,197	2.10%	$ —	—%	$ 5,687	$ 5,521	2.12%
Municipal securities – taxable	—	—	—	—	1,124	2.90	1,998	3.13	3,122	2,925	3.05
U.S. Government sponsored enterprises	—	—	502	1.46	—	—	—	—	502	488	1.46
Government agency mortgage-backed	—	—	7,760	2.21	5,228	2.68	—		12,988	12,426	2.40
Total	$ —	—%	$ 8,752	2.17%	$ 11,549	2.44%	$ 1,998	3.13%	$ 22,299	$22,360	2.40%

Sources of Funds

General. Deposits have traditionally been our primary source of funds for use in lending and investment activities. We also may use borrowings to supplement cash flow needs, lengthen the maturities of liabilities for interest rate risk purposes and to manage the cost of funds, but we have not needed to utilize borrowings in recent periods. In addition, we receive funds from scheduled loan payments, investment maturities, loan prepayments, retained earnings and income on earning assets. While scheduled loan payments and income on earning assets are relatively stable sources of funds, deposit inflows and outflows can vary widely and are influenced by prevailing interest rates, market conditions and levels of competition.

Deposits. Our deposits are generated primarily from our primary market area. We offer a selection of deposit accounts, including savings accounts, checking accounts, certificates of deposit and individual retirement accounts. Deposit account terms vary, with the principal differences being the minimum balance required, the amount of time the funds must remain on deposit and the interest rate. We have not accepted brokered deposits in recent periods, although we have the authority to do so.

Interest rates paid, maturity terms, service fees and withdrawal penalties are established on a periodic basis. Deposit rates and terms are based primarily on current operating strategies and market rates, liquidity requirements, rates paid by competitors and growth goals. We rely upon personalized customer service, long-standing relationships with customers, and the favorable image of Newton Federal Bank in the community to attract and retain deposits. We also seek to obtain deposits from our commercial loan customers.

The flow of deposits is influenced significantly by general economic conditions, changes in money market and other prevailing interest rates and competition. The variety of deposit accounts offered allows us to be competitive in obtaining funds and responding to changes in consumer demand. Based on experience, we believe that our deposits are relatively stable. However, the ability to attract and maintain deposits and the rates paid on these deposits, has been and will continue to be significantly affected by market conditions.

The following table sets forth the distribution of total deposits by account type at the dates indicated.

	At September 30,								
	2018			2017			2016		
	Amount	Percent	Average Rate	Amount	Percent	Average Rate	Amount	Percent	Average Rate
	(Dollars in thousands)								
Non-interest-bearing checking accounts	$ 29,797	13.77%	—	$ 25,050	12.87%	—%	$ 21,727	11.96%	—%
Passbook savings accounts	24,508	11.33%	0.06%	22,655	11.64	0.04%	21,180	11.65	0.04%
Interest-bearing checking accounts	53,244	24.61%	0.63%	38,981	20.03	0.46%	30,662	16.88	0.31%
Money market checking accounts	23,140	10.69%	0.47%	22,556	11.59	0.26%	22,607	12.44	0.26%
Certificates of deposit	85,698	39.60%	1.20%	85,371	43.87	0.99%	85,523	47.07	1.39%
Total	$216,387	100.00%	0.81%	$194,613	100.00%	0.56%	$181,699	100.00%	0.87%

As of September 30, 2018, the aggregate amount of all our certificates of deposit in amounts greater than or equal to $100,000 was approximately $40.6 million. The following table sets forth the maturity of these certificates as of September 30, 2018.

	At September 30, 2018
	(In thousands)
Maturity Period:	
Three months or less	$ 974
Over three through six months	3,562
Over six through twelve months	4,424
Over twelve months	31,642
Total	$ 40,602

Borrowings. As of September 30, 2018, we had a $89.0 million line of credit with the Federal Home Loan Bank of Atlanta. Other than annual testing of the line of credit where we borrow $5.0 million for one day, we did not have any outstanding borrowings during the years ended September 30, 2018, 2017 or 2016.

In addition to the Federal Home Loan Bank of Atlanta line of credit, we have two unsecured federal funds lines of credit, in the amounts of $5.0 million and $7.5 million. No amount was outstanding on these lines of credit at September 30, 2018 or during the 2018 fiscal year, except for amounts required for annual testing.

Subsidiary Activities

Community First Bancshares, Inc. has no subsidiaries other than Newton Federal Bank.

Personnel

As of September 30, 2018, we had 83 full-time employees and no part-time employees. Our employees are not represented by any collective bargaining group. Management believes that we have good working relations with our employees.

TAXATION

Community First Bancshares, MHC, Community First Bancshares, Inc. and Newton Federal Bank are subject to federal and state income taxation in the same general manner as other corporations, with some exceptions discussed below. The following discussion of federal and state taxation is intended only to summarize material income tax matters and is not a comprehensive description of the tax rules applicable to Community First Bancshares, MHC, Community First Bancshares, Inc. and Newton Federal Bank.

Our federal and state tax returns have not been audited for the past five years.

Federal Taxation

Method of Accounting. For federal income tax purposes, Community First Bancshares, Inc. and Newton Federal Bank currently report income and expenses on the accrual method of accounting and use a tax year ending September 30 for filing its federal income tax returns. Community First Bancshares, Inc. and Newton Federal Bank file a consolidated federal income tax return. The Small Business Protection Act of 1996 eliminated the use of the reserve method of accounting for income taxes on bad debt reserves by savings institutions. For taxable years beginning after 1995, Newton Federal Bank has been subject to the same bad debt reserve rules as commercial banks. It currently utilizes the specific charge-off method under Section 582(a) of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code").

Minimum Tax. The Internal Revenue Code imposes an alternative minimum tax at a rate of 20% on a base of regular taxable income plus certain tax preferences, less an exemption amount, referred to as "alternative minimum taxable income." The alternative minimum tax is payable to the extent tax computed this way exceeds tax computed by applying the regular tax rates to regular taxable income. Net operating losses can, in general, offset no more than 90% of alternative minimum taxable income. Certain payments of alternative minimum tax may be used as credits against regular tax liabilities in future years. The Tax Cuts and Jobs Act has repealed the Alternative Minimum Tax for income generated after January 1, 2018. At September 30, 2018, the Company had no minimum tax credit carryovers.

Net Operating Loss Carryovers. As a result of the Tax Cuts and Jobs Act generally, a financial institution may carry net operating losses forward indefinitely. At September 30, 2018, Community First Bancshares, Inc. had no federal net operating loss carryforwards.

Capital Loss Carryovers. A corporation cannot recognize capital losses in excess of capital gains generated. Generally, a financial institution may carry back capital losses to the preceding three taxable years and forward to the succeeding five taxable years. Any capital loss carryback or carryover is treated as a short-term capital loss for the year to which it is carried. As such, it is grouped with any other capital losses for the year to which it is carried and is used to offset any capital gains. Any undeducted loss remaining after the five-year carryover period is not deductible. At September 30, 2018, Community First Bancshares, Inc. had no capital loss carryovers.

Corporate Dividends. Community First Bancshares, Inc. may generally exclude from its income 100% of dividends received from Newton Federal Bank as a member of the same affiliated group of corporations.

State Taxation

Newton Federal Bank is treated as a financial institution under Georgia state income tax law. The state of Georgia subjects financial institutions to all state and local taxes in the same manner and to the same extent as other business corporations in Georgia. Additionally, depository financial institutions are subject to local business license taxes and a special occupation tax.

Consolidated Group Return. Georgia is not a unitary business state. Affiliated corporations that file a consolidated federal income tax return must file separate income tax returns unless they have prior approval or have been requested to file a consolidated return by the Commissioner of the Georgia Department of Revenue. For state income tax purposes, Community First Bancshares, Inc. and Newton Federal Bank file a consolidated federal income tax return.

Net Operating Loss Carryovers. Generally, Georgia law conforms to federal law and a financial institution may carry back Georgia net operating losses to the preceding two taxable years and forward to the succeeding 20 taxable years. At September 30, 2018, Newton Federal Bank had no Georgia net operating loss carryforwards.

Bank Tax Credit. All financial depositary institutions that conduct business or own property in Georgia are required to file a Georgia Financial Institutions Business Occupation Tax based on Georgia gross receipts. Any local license tax and state occupation tax paid a depository financial institution is credited dollar for dollar against any state corporate income tax liability of such institution for the tax year during which any such tax is paid. Any unused credits may be carried forward for five years. At September 30, 2018, Newton Federal Bank had $412,500 of bank tax credits available for future use.

SUPERVISION AND REGULATION

General

As a federal savings association, Newton Federal Bank is subject to examination and regulation by the Office of the Comptroller of the Currency, and is also subject to examination by the Federal Deposit Insurance Corporation. The federal system of regulation and supervision establishes a comprehensive framework of activities in which Newton Federal Bank may engage and is intended primarily for the protection of depositors and the Federal Deposit Insurance Corporation's Deposit Insurance Fund. This regulation and supervision establishes a comprehensive framework of activities in which an institution may engage and is intended primarily for the protection of the Federal Deposit Insurance Corporation's deposit insurance fund and depositors, and not for the protection of security holders. Newton Federal Bank also is a member of and owns stock in the Federal Home Loan Bank of Atlanta, which is one of the 11 regional banks in the Federal Home Loan Bank System.

Under this system of regulation, the regulatory authorities have extensive discretion in connection with their supervisory, enforcement, rulemaking and examination activities and policies, including rules or policies that: establish minimum capital levels; restrict the timing and amount of dividend payments; govern the classification of assets; determine the adequacy of loan loss reserves for regulatory purposes; and establish the timing and amounts of assessments and fees. Moreover, as part of their examination authority, the banking regulators assign numerical ratings to banks and savings institutions relating to capital, asset quality, management, liquidity, earnings and other factors. These ratings are inherently subjective and the receipt of a less than satisfactory rating in one or more categories may result in enforcement action by the banking regulators against a financial institution. A less than satisfactory rating may also prevent a financial institution, such as Newton Federal Bank or its holding company, from obtaining necessary regulatory approvals to access the capital markets, pay dividends, acquire other financial institutions or establish new branches.

In addition, we must comply with significant anti-money laundering and anti-terrorism laws and regulations, Community Reinvestment Act laws and regulations, and fair lending laws and regulations. Government agencies have the authority to impose monetary penalties and other sanctions on institutions that fail to comply with these laws and regulations, which could significantly affect our business activities, including our ability to acquire other financial institutions or expand our branch network.

As a savings and loan holding company, Community First Bancshares, Inc. is required to comply with the rules and regulations of the Federal Reserve Board. It is required to file certain reports with the Federal Reserve Board and is subject to examination by and the enforcement authority of the Federal Reserve Board. Community First Bancshares, Inc. is also subject to the rules and regulations of the Securities and Exchange Commission under the federal securities laws.

Any change in applicable laws or regulations, whether by the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Federal Reserve Board, the Securities and Exchange Commission or Congress, could have a material adverse impact on the operations and financial performance of Community First Bancshares, Inc. and Newton Federal Bank.

Set forth below is a brief description of material regulatory requirements that are or will be applicable to Newton Federal Bank and Community First Bancshares, Inc. The description is limited to certain material aspects of the statutes and regulations addressed, and is not intended to be a complete description of such statutes and regulations and their effects on Newton Federal Bank and Community First Bancshares, Inc.

Federal Banking Regulation

Business Activities. A federal savings association derives its lending and investment powers from the Home Owners' Loan Act, as amended, and applicable federal regulations. Under these laws and regulations, Newton Federal Bank may invest in mortgage loans secured by residential and commercial real estate, commercial business and consumer loans, certain types of debt securities and certain other assets, subject to applicable limits. The Dodd-Frank Act authorized, for the first time, the payment of interest on commercial checking accounts. Newton Federal Bank may also establish, subject to specified investment limits, service corporation subsidiaries that may engage in certain activities not otherwise permissible for Newton Federal Bank, including real estate investment and securities and insurance brokerage.

Examinations and Assessments. Newton Federal Bank is primarily supervised by the Office of the Comptroller of the Currency. Newton Federal Bank is required to file reports with and is subject to periodic examination by the Office of the Comptroller of the Currency. Newton Federal Bank is required to pay assessments to the Office of the Comptroller of the Currency to fund the agency's operations.

Capital Requirements. Federal regulations require FDIC-insured depository institutions, including federal savings associations, to meet several minimum capital standards: a common equity Tier 1 capital to risk-based assets ratio, a Tier 1 capital to risk-based assets ratio, a total capital to risk-based assets and a Tier 1 capital to total assets leverage ratio. The existing capital requirements were effective January 1, 2015 and are the result of a final rule implementing regulatory amendments based on recommendations of the Basel Committee on Banking Supervision and certain requirements of the Dodd-Frank Act.

The capital standards require the maintenance of common equity Tier 1 capital, Tier 1 capital and Total capital to risk-weighted assets of at least 4.5%, 6% and 8%, respectively. The regulations also establish a minimum required leverage ratio of at least 4% Tier 1 capital. Common equity Tier 1 capital is generally defined as common stockholders' equity and retained earnings. Tier 1 capital is generally defined as common equity Tier 1 and Additional Tier 1 capital. Additional Tier 1 capital generally includes certain noncumulative perpetual preferred stock and related surplus and minority interests in equity accounts of consolidated subsidiaries. Total capital includes Tier 1 capital (common equity Tier 1 capital plus Additional Tier 1 capital) and Tier 2 capital. Tier 2 capital is comprised of capital instruments and related surplus meeting specified requirements, and may include cumulative preferred stock and long-term perpetual preferred stock, mandatory convertible securities, intermediate preferred stock and subordinated debt. Also included in Tier 2 capital is the allowance for loan and lease losses limited to a maximum of 1.25% of risk-weighted assets and, for institutions that have exercised an opt-out election regarding the treatment of Accumulated Other Comprehensive Income ("AOCI"), up to 45% of net unrealized gains on available-for-sale equity securities with readily determinable fair market values. Institutions that have not exercised the AOCI opt-out have AOCI incorporated into common equity Tier 1 capital (including unrealized gains and losses on available-for-sale-securities). Calculation of all types of regulatory capital is subject to deductions and adjustments specified in the regulations.

In determining the amount of risk-weighted assets for purposes of calculating risk-based capital ratios, an institution's assets, including certain off-balance sheet assets (e.g., recourse obligations, direct credit substitutes, residual interests), are multiplied by a risk weight factor assigned by the regulations based on the risk deemed inherent in the type of asset. Higher levels of capital are required for asset categories believed to present greater risk. For example, a risk weight of 0% is assigned to cash and U.S. government securities, a risk weight of 50% is generally assigned to prudently underwritten first lien one to four-family residential mortgages, a risk weight of 100% is assigned to commercial and consumer loans, a risk weight of 150% is assigned to certain past due loans and a risk weight of between 0% to 600% is assigned to permissible equity interests, depending on certain specified factors.

In addition to establishing the minimum regulatory capital requirements, the regulations limit capital distributions and certain discretionary bonus payments to management if the institution does not hold a "capital conservation buffer" consisting of 2.5% of common equity Tier 1 capital to risk-weighted assets above the amount necessary to meet its minimum risk-based capital requirements. The capital conservation buffer requirement is being phased in beginning January 1, 2016 at 0.625% of risk-weighted assets and increasing each year until fully implemented at 2.5% on January 1, 2019.

As a result of the recently enacted Economic Growth, Regulatory Relief, and Consumer Protection Act, the federal banking agencies are required to develop a "Community Bank Leverage Ratio" (the ratio of a bank's tangible equity capital to average total consolidated assets) for financial institutions with assets of less than $10 billion. A "qualifying community bank" that exceeds this ratio will be deemed to be in compliance with all other capital and leverage requirements, including the capital requirements to be considered "well capitalized" under Prompt Corrective Action statutes. The federal banking agencies may consider a financial institution's risk profile when evaluating whether it qualifies as a community bank for purposes of the capital ratio requirement. The federal banking agencies must set the minimum capital for the new Community Bank Leverage Ratio at not less than 8% and not more than 10%. A financial institution can elect to be subject to this new definition.

At September 30, 2018, Newton Federal Bank's capital exceeded all applicable requirements.

Loans-to-One Borrower. Generally, a federal savings association may not make a loan or extend credit to a single or related group of borrowers in excess of 15% of unimpaired capital and surplus. An additional amount may be lent, equal to 10% of unimpaired capital and surplus, if secured by "readily marketable collateral," which generally includes certain financial instruments (but not real estate). As of September 30, 2018, Newton Federal Bank was in compliance with the loans-to-one borrower limitations.

Standards for Safety and Soundness. Federal law requires each federal banking agency to prescribe certain standards for all insured depository institutions. These standards relate to, among other things, internal controls, information systems and audit systems, loan documentation, credit underwriting, interest rate risk exposure, asset growth, compensation and other operational and managerial standards as the agency deems appropriate. Interagency guidelines set forth the safety and soundness standards that the federal banking agencies use to identify and address problems at insured depository institutions before capital becomes impaired. If the appropriate federal banking agency determines that an institution fails to meet any standard prescribed by the guidelines, the agency may require the institution to submit to the agency an acceptable plan to achieve compliance with the standard. Failure to implement such a plan can result in further enforcement action, including the issuance of a cease and desist order or the imposition of civil money penalties.

Prompt Corrective Action. Under the federal Prompt Corrective Action statute, the Office of the Comptroller of the Currency is required to take supervisory actions against undercapitalized institutions under its jurisdiction, the severity of which depends upon the institution's level of capital. An institution that has a total risk-based capital ratio of less than 8.0%, a Tier 1 risk-based capital ratio of less than 6.0%, a common equity Tier 1 ratio of less than 4.5% or a leverage ratio of less than 4% is considered to be "undercapitalized." A savings institution that has total risk-based capital of less than 6.0%, a Tier 1 risk-based capital ratio of less than 4.0%, a common equity Tier 1 ratio of less than 3.0% or a leverage ratio that is less than 3.0% is considered to be "significantly undercapitalized." A savings institution that has a tangible capital to assets ratio equal to or less than 2.0% is deemed to be "critically undercapitalized."

Generally, the Office of the Comptroller of the Currency is required to appoint a receiver or conservator for a federal savings association that becomes "critically undercapitalized" within specific time frames. The regulations also provide that a capital restoration plan must be filed with the Office of the Comptroller of the Currency within 45 days of the date that a federal savings association is deemed to have received notice that it is "undercapitalized," "significantly undercapitalized" or "critically undercapitalized." Any holding company of a federal savings association that is required to submit a capital restoration plan must guarantee performance under the plan in an amount of up to the lesser of 5.0% of the savings association's assets at the time it was deemed to be undercapitalized by the Office of the Comptroller of the Currency or the amount necessary to restore the savings association to adequately capitalized status. This guarantee remains in place until the Office of the Comptroller of the Currency notifies the savings association that it has maintained adequately capitalized status for each of four consecutive calendar quarters. Institutions that are undercapitalized become subject to certain mandatory measures such as restrictions on capital distributions and asset growth. The Office of the Comptroller of the Currency may also take any one of a number of discretionary supervisory actions against undercapitalized federal savings associations, including the issuance of a capital directive and the replacement of senior executive officers and directors.

At September 30, 2018, Newton Federal Bank met the criteria for being considered "well capitalized," which means that its total risk-based capital ratio exceeded 10%, its Tier 1 risk-based ratio exceeded 8.0%, its common equity Tier 1 ratio exceeded 6.5% and its leverage ratio exceeded 5.0%

Qualified Thrift Lender Test. As a federal savings association, Newton Federal Bank must satisfy the qualified thrift lender, or "QTL," test. Under the QTL test, Newton Federal Bank must maintain at least 65% of its "portfolio assets" in "qualified thrift investments" (primarily residential mortgages and related investments, including mortgage-backed securities) in at least nine months of every 12-month period. "Portfolio assets" generally means total assets of a savings association, less the sum of specified liquid assets up to 20% of total assets, goodwill and other intangible assets, and the value of property used in the conduct of the savings association's business.

Alternatively, Newton Federal Bank may satisfy the QTL test by qualifying as a "domestic building and loan association" as defined in the Internal Revenue Code.

A savings association that fails the QTL test must operate under specified restrictions set forth in the Home Owners' Loan Act. The Dodd-Frank Act made noncompliance with the QTL test subject to agency enforcement action for a violation of law. At September 30, 2018, Newton Federal Bank satisfied the QTL test.

Capital Distributions. Federal regulations govern capital distributions by a federal savings association, which include cash dividends, stock repurchases and other transactions charged to the savings association's capital account. A federal savings association must file an application with the Office of the Comptroller of the Currency for approval of a capital distribution if:

- the total capital distributions for the applicable calendar year exceed the sum of the savings association's net income for that year to date plus the savings association's retained net income for the preceding two years;
- the savings association would not be at least adequately capitalized following the distribution;
- the distribution would violate any applicable statute, regulation, agreement or regulatory condition; or
- the savings association is not eligible for expedited treatment of its filings.

Even if an application is not otherwise required, every savings association that is a subsidiary of a savings and loan holding company, such as Newton Federal Bank, must file a notice with the Federal Reserve Board at least 30 days before the board of directors declares a dividend.

An application or notice related to a capital distribution may be disapproved if:

- the federal savings association would be undercapitalized following the distribution;
- the proposed capital distribution raises safety and soundness concerns; or
- the capital distribution would violate a prohibition contained in any statute, regulation or agreement.

In addition, the Federal Deposit Insurance Act provides that an insured depository institution shall not make any capital distribution if, after making such distribution, the institution would fail to meet any applicable regulatory capital requirement.

Community Reinvestment Act and Fair Lending Laws. All federal savings associations have a responsibility under the Community Reinvestment Act and related regulations to help meet the credit needs of their communities, including low- and moderate-income borrowers. In connection with its examination of a federal savings association, the Office of the Comptroller of the Currency is required to assess the federal savings association's record of compliance with the Community Reinvestment Act. A savings association's failure to comply with the provisions of the Community Reinvestment Act could, at a minimum, result in denial of certain corporate applications such as branches or mergers, or in restrictions on its activities. In addition, the Equal Credit Opportunity Act and the Fair Housing Act prohibit lenders from discriminating in their lending practices on the basis of characteristics specified in those statutes. The failure to comply with the Equal Credit Opportunity Act and the Fair Housing Act could result in enforcement actions by the Office of the Comptroller of the Currency, as well as other federal regulatory agencies and the Department of Justice.

The Community Reinvestment Act requires all institutions insured by the FDIC to publicly disclose their rating. Newton Federal Bank received a "satisfactory" Community Reinvestment Act rating in its most recent federal examination.

Transactions with Related Parties. A federal savings association's authority to engage in transactions with its affiliates is limited by Sections 23A and 23B of the Federal Reserve Act and federal regulation. An affiliate is generally a company that controls, or is under common control with an insured depository institution such as Newton Federal Bank. Community First Bancshares, Inc. will be an affiliate of Newton Federal Bank because of its control of Newton Federal Bank. In general, transactions between an insured depository institution and its affiliates are subject to certain quantitative limits and collateral requirements. In addition, federal regulations prohibit a savings association from lending to any of its affiliates that are engaged in activities that are not permissible for bank holding companies and from purchasing the securities of any affiliate, other than a subsidiary. Finally, transactions with affiliates must be consistent with safe and sound banking practices, not involve the purchase of low-quality assets and be on terms that are as favorable to the institution as comparable transactions with non-affiliates.

Newton Federal Bank's authority to extend credit to its directors, executive officers and 10% stockholders, as well as to entities controlled by such persons, is currently governed by the requirements of Sections 22(g) and 22(h) of the Federal Reserve Act and Regulation O of the Federal Reserve Board. Among other things, these provisions generally require that extensions of credit to insiders:

- be made on terms that are substantially the same as, and follow credit underwriting procedures that are not less stringent than, those prevailing for comparable transactions with unaffiliated persons and that do not involve more than the normal risk of repayment or present other unfavorable features; and

- not exceed certain limitations on the amount of credit extended to such persons, individually and in the aggregate, which limits are based, in part, on the amount of Newton Federal Bank's capital.

In addition, extensions of credit in excess of certain limits must be approved by Newton Federal Bank's board of directors. Extensions of credit to executive officers are subject to additional limits based on the type of extension involved.

Enforcement. The Office of the Comptroller of the Currency has primary enforcement responsibility over federal savings associations and has authority to bring enforcement action against all "institution-affiliated parties," including directors, officers, stockholders, attorneys, appraisers and accountants who knowingly or recklessly participate in wrongful action likely to have an adverse effect on a federal savings association. Formal enforcement action by the Office of the Comptroller of the Currency may range from the issuance of a capital directive or cease and desist order to removal of officers and/or directors of the institution to the appointment of a receiver or conservator. Civil penalties cover a wide range of violations and actions, and range up to $25,000 per day, unless a finding of reckless disregard is made, in which case penalties may be as high as $1.0 million per day. The FDIC also has the authority to terminate deposit insurance or recommend to the Office of the Comptroller of the Currency that enforcement action be taken with respect to a particular savings association. If such action is not taken, the FDIC has authority to take the action under specified circumstances.

Insurance of Deposit Accounts. The Deposit Insurance Fund of the FDIC insures deposits at FDIC-insured financial institutions such as Newton Federal Bank. Deposit accounts in Newton Federal Bank are insured by the FDIC generally up to a maximum of $250,000 per separately insured depositor and up to a maximum of $250,000 for self-directed retirement accounts.

The FDIC charges insured depository institutions premiums to maintain the Deposit Insurance Fund. Under the FDIC's risk-based assessment system, insured institutions were assigned a risk category based on supervisory evaluations, regulatory capital levels and certain other factors. An institution's rate depended upon the category to which it is assigned, and certain adjustments specified by FDIC regulations. Institutions deemed less risky pay lower FDIC assessments. The Dodd-Frank Act required the FDIC to revise its procedures to base its assessments upon each insured institution's total assets less tangible equity instead of deposits. The FDIC finalized a rule, effective April 1, 2011, that set the assessment range at 2.5 to 45 basis points of total assets less tangible equity.

Effective July 1, 2016, the FDIC adopted changes that eliminated the risk categories. Assessments for most institutions are now based on financial measures and supervisory ratings derived from statistical modeling estimating the probability of failure within three years. In conjunction with the Deposit Insurance Fund reserve ratio achieving 1.15%, the assessment range (inclusive of possible adjustments) was reduced for most banks and savings associations to 1.5 basis points to 30 basis points.

In addition to the FDIC assessments, the Financing Corporation ("FICO") is authorized to impose and collect, with the approval of the FDIC, assessments for anticipated payments, issuance costs and custodial fees on bonds issued by the FICO in the 1980s to recapitalize the former Federal Savings and Loan Insurance Corporation. All bonds issued by the FICO are due to mature by the end of the third quarter of 2019. For the quarter ended September 30, 2018, the annualized FICO assessment was equal to 0.32 basis points of total assets less tangible capital.

The FDIC has authority to increase insurance assessments. Any significant increases would have an adverse effect on the operating expenses and results of operations of Newton Federal Bank. Newton Federal Bank cannot predict what assessment rates will be in the future.

Insurance of deposits may be terminated by the FDIC upon a finding that an institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC. We do not currently know of any practice, condition or violation that may lead to termination of our deposit insurance.

Federal Home Loan Bank System. Newton Federal Bank is a member of the Federal Home Loan Bank System, which consists of 11 regional Federal Home Loan Banks. The Federal Home Loan Bank System provides a central credit facility primarily for member institutions as well as other entities involved in home mortgage lending. As a member of the Federal Home Loan Bank of Atlanta, Newton Federal Bank is required to acquire and hold shares of capital stock in the Federal Home Loan Bank. As of September 30, 2018, Newton Federal Bank was in compliance with this requirement. While Newton Federal Bank's ability to borrow from the Federal Home Loan Bank of Atlanta provides an additional source of liquidity, Newton Federal Bank has historically not used Federal Home Loan Bank advances to fund its operations.

Proposed Federal Regulation

On September 10, 2018, the Office of the Comptroller of the Currency issued a proposed rule implementing a section of the Economic Growth, Relief and Consumer Protection Act that permits an eligible federal savings association with total consolidated assets of $20 billion or less as of December 31, 2017, to elect to operate with national bank powers without converting to a national bank charter. An eligible savings association is a federal savings association that: (1) is well capitalized; (2) has a CAMELs composite rating of 1 or 2; (3) has a consumer compliance rating of 1 or 2; (4) has a Community Reinvestment Act rating of "outstanding" or "satisfactory," if applicable; and (5) is not subject to an enforcement action. The proposed rule is subject to change, and the Office of the Comptroller of the Currency will issue a final rule after reviewing all comments on the proposal.

Other Regulations

Interest and other charges collected or contracted for by Newton Federal Bank are subject to state usury laws and federal laws concerning interest rates. Newton Federal Bank's operations are also subject to federal laws applicable to credit transactions, such as the:

- Truth-In-Lending Act, governing disclosures of credit terms to consumer borrowers;
- Home Mortgage Disclosure Act, requiring financial institutions to provide information to enable the public and public officials to determine whether a financial institution is fulfilling its obligation to help meet the housing needs of the community it serves;
- Equal Credit Opportunity Act, prohibiting discrimination on the basis of race, creed or other prohibited factors in extending credit;
- Fair Credit Reporting Act, governing the use and provision of information to credit reporting agencies;
- Fair Debt Collection Act, governing the manner in which consumer debts may be collected by collection agencies;
- Truth in Savings Act; and
- rules and regulations of the various federal agencies charged with the responsibility of implementing such federal laws.

The operations of Newton Federal Bank also are subject to the:

- Right to Financial Privacy Act, which imposes a duty to maintain confidentiality of consumer financial records and prescribes procedures for complying with administrative subpoenas of financial records;
- Electronic Funds Transfer Act and Regulation E promulgated thereunder, which govern automatic deposits to and withdrawals from deposit accounts and customers' rights and liabilities arising from the use of automated teller machines and other electronic banking services;
- Check Clearing for the 21st Century Act (also known as "Check 21"), which gives "substitute checks," such as digital check images and copies made from that image, the same legal standing as the original paper check;
- The USA PATRIOT Act, which requires savings associations to, among other things, establish broadened anti-money laundering compliance programs, and due diligence policies and controls to ensure the detection and reporting of money laundering. Such required compliance programs are intended to supplement existing compliance

requirements that also apply to financial institutions under the Bank Secrecy Act and the Office of Foreign Assets Control regulations; and

- The Gramm-Leach-Bliley Act, which places limitations on the sharing of consumer financial information by financial institutions with unaffiliated third parties. Specifically, the Gramm-Leach-Bliley Act requires all financial institutions offering financial products or services to retail customers to provide such customers with the financial institution's privacy policy and provide such customers the opportunity to "opt out" of the sharing of certain personal financial information with unaffiliated third parties.

Holding Company Regulation

General. Community First Bancshares, Inc. and Community First Bancshares, MHC are non-diversified savings and loan holding companies within the meaning of the Home Owners' Loan Act. As such, Community First Bancshares, Inc. and Community First Bancshares, MHC are registered with the Federal Reserve Board and be subject to the regulation, examination, supervision and reporting requirements applicable to savings and loan holding companies. In addition, the Federal Reserve Board has enforcement authority over Community First Bancshares, Inc., Community First Bancshares, MHC and its non-savings institution subsidiaries. Among other things, this authority permits the Federal Reserve Board to restrict or prohibit activities that are determined to be a serious risk to the subsidiary savings institution.

Permissible Activities. Under present law, the business activities of Community First Bancshares, Inc. and Community First Bancshares, MHC are generally limited to those activities permissible for financial holding companies under Section 4(k) of the Bank Holding Company Act of 1956, as amended, provided certain conditions are met and financial holding company status is elected, or for multiple savings and loan holding companies. A financial holding company may engage in activities that are financial in nature, including underwriting equity securities and insurance as well as activities that are incidental to financial activities or complementary to a financial activity. A multiple savings and loan holding company is generally limited to activities permissible for bank holding companies under Section 4(c)(8) of the Bank Holding Company Act, subject to regulatory approval, and certain additional activities authorized by federal regulations. Community First Bancshares, Inc. and Community First Bancshares, MHC have not elected financial holding company status.

Federal law prohibits a savings and loan holding company, including Community First Bancshares, Inc. and Community First Bancshares, MHC, directly or indirectly, or through one or more subsidiaries, from acquiring more than 5% of another savings institution or savings and loan holding company, without prior Federal Reserve Board approval. In evaluating applications by holding companies to acquire savings institutions, the Federal Reserve Board considers factors such as the financial and managerial resources, future prospects of the company and institution involved, the effect of the acquisition on the risk to the federal deposit insurance fund, the convenience and needs of the community and competitive factors.

The Federal Reserve Board is prohibited from approving any acquisition that would result in a multiple savings and loan holding company controlling savings institutions in more than one state, subject to two exceptions:

- the approval of interstate supervisory acquisitions by savings and loan holding companies; and

- the acquisition of a savings institution in another state if the laws of the state of the target savings institution specifically permit such acquisition.

Capital. Savings and loan holding companies have historically not been subjected to consolidated regulatory capital requirements. The Dodd-Frank Act required the Federal Reserve Board to establish for all bank and savings and loan holding companies minimum consolidated capital requirements that are as stringent as those required for the insured depository subsidiaries. However, the Federal Reserve Board has extended to savings and loan holding companies the applicability of the "Small Bank Holding Company" exception to its consolidated capital requirements and, as a result of recent legislation, increased the threshold for the exception from $1.0 billion in assets to $3.0 billion. As a result, savings and loan holding companies with less than $3.0 billion in consolidated assets are generally not subject to the capital requirements unless otherwise advised by the Federal Reserve Board.

Source of Strength. The Dodd-Frank Act extended the "source of strength" doctrine to savings and loan holding companies. The Federal Reserve Board has issued regulations requiring that all savings and loan holding companies serve as a source of strength to their subsidiary depository institutions.

Dividends and Stock Repurchases. The Federal Reserve Board has issued a policy statement regarding the payment of dividends by holding companies. In general, the policy provides that dividends should be paid only out of current earnings and only if the prospective rate of earnings retention by the holding company appears consistent with the organization's capital needs, asset quality and overall supervisory financial condition. Separate regulatory guidance provides for prior consultation with Federal Reserve Bank staff concerning dividends in certain circumstances such as where the company's net income for the past four quarters, net of dividends previously paid over that period, is insufficient to fully fund the dividend or the company's overall rate or earnings retention is inconsistent with the company's capital needs and overall financial condition. The ability of a savings and loan holding company to pay dividends may be restricted if a subsidiary savings association becomes undercapitalized. The regulatory guidance also states that a savings and loan holding company should inform Federal Reserve Bank supervisory staff prior to redeeming or repurchasing common stock or perpetual preferred stock if the savings and loan holding company is experiencing financial weaknesses or the repurchase or redemption would result in a net reduction, at the end of a quarter, in the amount of such equity instruments outstanding compared with the beginning of the quarter in which the redemption or repurchase occurred. These regulatory policies may affect the ability of Community First Bancshares, Inc. to pay dividends, repurchase shares of common stock or otherwise engage in capital distributions.

Waivers of Dividends by Community First Bancshares, MHC. Community First Bancshares, Inc. may pay dividends on its common stock to public stockholders. If it does, it is also required to pay dividends to Community First Bancshares, MHC, unless Community First Bancshares, MHC elects to waive the receipt of dividends. Under the Dodd-Frank Act, Community First Bancshares, MHC must receive the approval of the Federal Reserve Board before it may waive the receipt of any dividends from Community First Bancshares, Inc. The Federal Reserve Board has issued an interim final rule providing that it will not object to dividend waivers under certain circumstances, including circumstances where the waiver is not detrimental to the safe and sound operation of the savings association and a majority of the mutual holding company's members have approved the waiver of dividends by the mutual holding company within the previous twelve months. In addition, for a "non-grandfathered" mutual holding company such as Community First Bancshares, MHC, each officer or director of Community First Bancshares, Inc. and Newton Federal Bank, and any tax-qualified stock benefit plan or non-tax-qualified stock benefit plan in which such individual participates that holds any shares of stock to which the waiver would apply, must waive the right to receive any such dividend declared. In addition, any dividends waived by Community First Bancshares, MHC must be considered in determining an appropriate exchange ratio in the event of a conversion of the mutual holding company to stock form.

Acquisition. Under the Federal Change in Bank Control Act, a notice must be submitted to the Federal Reserve Board if any person (including a company), or group acting in concert, seeks to acquire direct or indirect "control" of a savings and loan holding company. Under certain circumstances, a change of control may occur, and prior notice is required, upon the acquisition of 10% or more of the company's outstanding voting stock, unless the Federal Reserve Board has found that the acquisition will not result in control of the company. A change in control definitively occurs upon the acquisition of 25% or more of the company's outstanding voting stock. Under the Change in Bank Control Act, the Federal Reserve Board generally has 60 days from the filing of a complete notice to act, taking into consideration certain factors, including the financial and managerial resources of the acquirer and the competitive effects of the acquisition.

Federal Securities Laws

Community First Bancshares, Inc. common stock is registered with the Securities and Exchange Commission. Community First Bancshares, Inc. is subject to the information, proxy solicitation, insider trading restrictions and other requirements under the Securities Exchange Act of 1934.

The registration under the Securities Act of 1933 of shares of common stock issued in Community First Bancshares, Inc.'s public offering does not cover the resale of those shares. Shares of common stock purchased by persons who are not affiliates of Community First Bancshares, Inc. may be resold without registration. Shares purchased by an affiliate of Community First Bancshares, Inc. are subject to the resale restrictions of Rule 144 under the Securities Act of 1933. If Community First Bancshares, Inc. meets the current public information requirements of Rule 144 under the Securities Act of 1933, each affiliate of Community First Bancshares, Inc. that complies with the other conditions of Rule 144, including those that require the affiliate's sale to be aggregated with those of other persons, would be able to sell in the public market, without registration, a number of shares not to exceed, in any three-month period, the greater of 1% of the outstanding shares of Community First Bancshares, Inc., or the average weekly volume of trading in the shares during the preceding four calendar weeks. In the future, Community First Bancshares, Inc. may permit affiliates to have their shares registered for sale under the Securities Act of 1933.

Sarbanes-Oxley Act of 2002

The Sarbanes-Oxley Act of 2002 is intended to improve corporate responsibility, to provide for enhanced penalties for accounting and auditing improprieties at publicly traded companies and to protect investors by improving the accuracy and reliability of corporate disclosures pursuant to the securities laws. We have policies, procedures and systems designed to comply with these regulations, and we review and document such policies, procedures and systems to ensure continued compliance with these regulations.

Emerging Growth Company Status

Community First Bancshares, Inc. is an emerging growth company under the JOBS Act. We will cease to be an emerging growth company upon the earliest of: (i) the end of the fiscal year following the fifth anniversary of the completion of our initial stock offering, (ii) the first fiscal year after our annual gross revenues are $1.07 billion or more, (iii) the date on which we have, during the previous three-year period, issued more than $1.0 billion in non-convertible debt securities or (iv) the end of any fiscal year in which the market value of our common stock held by non-affiliates exceeded $700 million as of the end of the second quarter of that fiscal year. We expect to lose our status as an emerging growth company in April 2022, five years after the completion of our stock offering. An "emerging growth company" may choose not to hold stockholder votes to approve annual executive compensation (more frequently referred to as "say-on-pay" votes) or executive compensation payable in connection with a merger (more frequently referred to as "say-on-golden parachute" votes). An emerging growth company also is not subject to the requirement that its auditors attest to the effectiveness of the company's internal control over financial reporting, and can provide scaled disclosure regarding executive compensation; however, Community First Bancshares, Inc. will also not be subject to the auditor attestation requirement or additional executive compensation disclosure so long as it remains a "smaller reporting company" under Securities and Exchange Commission regulations (generally a company with less than $250 million of voting and non-voting common equity held by non-affiliates). Finally, an emerging growth company may elect to use the extended transition period to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies, but must make such election when the company is first required to file a registration statement. Community First Bancshares, Inc. has elected to use the extended transition period to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. Accordingly, our financial statements may not be comparable to the financial statements of public companies that comply with such new or revised accounting standards.

ITEM 1A. <u>Risk Factors</u>

Not applicable, as Community First Bancshares, Inc. is a "smaller reporting company."

ITEM 1B. <u>Unresolved Staff Comments</u>

None.

ITEM 2. Properties

As of September 30, 2018, the net book value of our office properties was $7.5 million, and the net book value of our furniture, fixtures and equipment was $1.5 million. The following table sets forth information regarding our offices.

Location	Leased or Owned	Year Acquired or Leased	Net Book Value of Real Property
			(In thousands)
Main Office:			
3175 Highway 278	Owned	1974	$ 2,144
Covington, Georgia 30014			
Other Properties:			
Eastside Branch	Owned	2000	704
8278 Highway 278			
Covington, Georgia 30014			
Community First Auto	Building	2006	1,016
Bypass Road & Highway 36	Owned/Land		
10131 Carlin Avenue	Leased		
Covington, Georgia 30014			
Operations Center	Owned	2017	3,184
8460 Dr. M. L. King, Jr. Avenue			
Covington, Georgia 30014			
Loan Production Office	Leased	2016	N/A
Building 1600 Unit A&C Resource Valley Park	Land for Expansion	2018	481
1551 Jennings Mill Road			
Watkinsville, Georgia 30677			
Loan Production Office	Leased	2017	N/A
103 Mulberry Village			
6342 Grand Hickory Drive			
Braselton, Georgia 30517			

We believe that current facilities are adequate to meet our present and foreseeable needs, subject to possible future expansion.

ITEM 3. Legal Proceedings

Periodically, we are involved in claims and lawsuits, such as claims to enforce liens, condemnation proceedings on properties in which we hold security interests, claims involving the making and servicing of real property loans and other issues incident to our business. We are not a party to any pending legal proceedings that we believe would have a material adverse effect on our financial condition, results of operations or cash flows.

ITEM 4. Mine Safety Disclosures

Not applicable.

PART II

ITEM 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is traded on the Nasdaq Capital Market under the symbol "CFBI." As of December 20, 2018, we had 277 stockholders of record (excluding the number of persons or entities holding stock in street name through various brokerage firms), and 7,486,216 shares of common stock outstanding. The following table sets forth market price information for our common stock beginning with the completion of our stock offering. We did not declare a dividend for any of the periods listed.

	Price Per Share	
2018	**High**	**Low**
Quarter ended September 30, 2018	$ 11.88	$ 11.15
Quarter ended June 30, 2018	$ 11.56	$ 10.53
Quarter ended March 31, 2018	$ 12.51	$ 10.95
Quarter ended December 31, 2017	$ 13.48	$ 11.60

	Price Per Share	
	High	**Low**
2017		
Quarter ended September 30, 2017	$ 11.88	$ 11.15
Quarter ended June 30, 2017	$ 11.56	$ 10.57

The payment and amount of any dividend payments will be subject to statutory and regulatory limitations, and will depend upon a number of factors, including the following: regulatory capital requirements; our financial condition and results of operations; our other uses of funds for the long-term value of stockholders; tax considerations; the Federal Reserve Board's current regulations restricting the waiver of dividends by mutual holding companies; and general economic conditions.

The Federal Reserve Board has issued a policy statement providing that dividends should be paid only out of current earnings and only if our prospective rate of earnings retention is consistent with our capital needs, asset quality and overall financial condition. Regulatory guidance also provides for prior regulatory consultation with respect to capital distributions in certain circumstances such as where the holding company's net income for the past four quarters, net of dividends previously paid over that period, is insufficient to fully fund the dividend or the holding company's overall rate or earnings retention is inconsistent with its capital needs and overall financial condition. In addition, Newton Federal Bank's ability to pay dividends will be limited if it does not have the capital conservation buffer required by the new capital rules, which may limit our ability to pay dividends to stockholders. No assurances can be given that any dividends will be paid or that, if paid, will not be reduced or eliminated in the future. Special cash dividends, stock dividends or returns of capital, to the extent permitted by regulations and policies of the Federal Reserve Board and the Office of the Comptroller of the Currency, may be paid in addition to, or in lieu of, regular cash dividends.

If Community First Bancshares, Inc. pays dividends to its stockholders, it will likely pay dividends to Community First Bancshares, MHC. The Federal Reserve Board's current regulations significantly restrict the ability of mutual holding companies organized after December 1, 2009 to waive dividends declared by their subsidiaries. Accordingly, we do not currently anticipate that Community First Bancshares, MHC will waive dividends paid by Community First Bancshares, Inc.

There were no sales of unregistered securities during the quarter ended September 30, 2018.

The following table sets forth information in connection with repurchases of shares of the Company's common stock during the three months ended September 30, 2018:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number of Shares that May Yet Be Purchased Under Plans or Programs (1)
July 1, 2018 through July 31, 2018	0	$ 0	0	376,912
August 1, 2018 through August 31, 2018	2,535	11.62	2,535	374,377
September 1, 2018 through September 30, 2018	21,778	$ 11.68	21,778	352,599
	24,313	$ 11.67	24,313	352,599

(1) The Board of Directors approved a stock repurchase program on April 30, 2018, which authorized the repurchase of up to 376,912 shares (approximately 5.0% of the then-outstanding shares). The total number of shares purchased as part of the publicly announced plan totaled 24,313 as of September 30, 2018. There is no expiration date for the stock repurchase plan.

ITEM 6. Selected Financial Data

The summary information presented below at each date or for each of the periods presented is derived in part from the financial statements of Community First Bancshares, Inc. and Newton Federal Bank. The financial condition data at September 30, 2018 and 2017, and the operating data for the years ended September 30, 2018 and 2017 were derived from the audited consolidated financial statements of Community First Bancshares, Inc. included elsewhere in this annual report. The information at and for the years ended September 30, 2016, 2015 and 2014 was derived in part from audited financial statements that are not included in this annual report. The following information is only a summary, and should be read in conjunction with our consolidated financial statements and notes included in this annual report.

	At September 30,				
	2018	2017	2016	2015	2014
			(In thousands)		
Selected Financial Condition Data:					
Total assets	$ 305,984	$ 277,815	$ 232,832	$ 226,337	$ 227,089
Cash and cash equivalents	40,796	35,943	25,693	38,494	34,140
Securities held to maturity	1,000	1,000	7,499	7,492	6,986
Securities available for sale	21,360	14,345	—	—	—
Federal Home Loan Bank stock, at cost	580	216	205	202	198
Loans receivable, net	222,485	213,310	190,050	169,798	174,132
Other real estate owned	67	61	—	532	1,129
Premises and equipment, net	9,040	8,454	4,556	4,261	4,338
Deposits	216,387	194,613	181,699	176,687	179,264
Borrowings	7,570	—	—	—	—
Stockholders' equity	76,383	76,796	45,081	43,924	42,311

	For the Years Ended September 30,				
	2018	2017	2016	2015	2014
			(In thousands)		
Selected Operating Data:					
Interest income	$ 14,292	$ 12,421	$ 11,248	$ 11,045	$ 11,571
Interest expense	1,556	1,083	1,415	1,813	2,156
Net interest income	12,736	11,338	9,833	9,232	9,415
Provision for loan losses	500	—	—	—	—
Net interest income after provision for loan losses	12,236	11,338	9,833	9,232	9,415
Non-interest income	1,908	1,258	1,185	882	871
Non-interest expenses	12,490	10,525	9,164	7,621	6,969
Income (loss) before income tax (expense) benefit	1,654	2,071	1,854	2,493	3,317
Income tax (expense) benefit	(1,205)	(706)	(697)	(879)	4,935
Net income (loss)	$ 449	$ 1,365	$ 1,157	$ 1,614	$ 8,252
Earnings per share (basic and diluted)	$ 0.06	$ 0.08	N/A	N/A	N/A

	At or For the Years Ended September 30,				
	2018	2017	2016	2015	2014
Performance Ratios:					
Return on average assets	0.15%	0.52%	0.51%	0.72%	3.71%
Return on average equity	0.59%	2.32%	2.60%	3.83%	23.39%
Interest rate spread (1)	4.49%	4.42%	4.15%	4.04%	4.04%
Net interest margin (2)	4.76%	4.63%	4.39%	4.32%	4.32%
Non-interest expense to average assets	4.31%	4.04%	4.00%	3.41%	3.14%
Efficiency ratio (3)	85.29%	83.56%	83.17%	75.35%	67.75%
Average interest-earning assets to average interest-bearing liabilities	146.37%	147.37%	138.46%	133.81%	129.08%
Capital Ratios:					
Average equity to average assets	26.32%	22.62%	19.41%	18.86%	15.87%
Total capital to risk weighted assets	31.07%	34.68%	32.13%	36.67%	33.95%
Tier 1 capital to risk weighted assets	29.82%	33.42%	30.86%	35.38%	32.66%
Common equity tier 1 capital to risk weighted assets	29.82%	33.42%	30.86%	35.38%	N/A
Tier 1 capital to average assets	20.11%	21.55%	19.32%	19.37%	17.25%
Asset Quality Ratios:					
Allowance for loan losses as a percentage of total loans	1.73%	2.10%	2.22%	3.34%	3.17%
Allowance for loan losses as a percentage of non-performing loans	178.10%	124.04%	132.87%	229.18%	187.39%
Net (charge-offs) recoveries to average outstanding loans during the year	(0.52)%	0.12%	(0.86)%	0.09%	(0.13)%
Non-performing loans as a percentage of total loans	0.97%	1.69%	1.67%	1.46%	1.69%
Non-performing loans as a percentage of total assets	0.72%	1.32%	1.39%	1.13%	1.34%
Total non-performing assets as a percentage of total assets	0.74%	1.34%	1.39%	1.37%	1.84%
Other:					
Number of offices	2	3	3	3	3
Number of full-time employees	83	81	65	63	59
Number of part-time employees	0	2	2	1	1

(1) Represents the difference between the weighted average yield on interest-earning assets and the weighted average cost of interest-bearing liabilities.

(2) Represents net interest income as a percentage of average interest-earning assets.

(3) Represents non-interest expenses divided by the sum of net interest income and non-interest income.

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

This discussion and analysis reflects our consolidated financial statements and other relevant statistical data, and is intended to enhance your understanding of our financial condition and results of operations. The information in this section has been derived from the consolidated financial statements, which appear elsewhere in this annual report. You should read the information in this section in conjunction with the other business and financial information provided in this annual report.

Overview

Total assets increased $28.2 million, or 10.1%, to $306.0 million at September 30, 2018 from $277.8 million at September 30, 2017. The increase was due to increases in loans, investment securities available-for-sale, bank owned life insurance and cash and cash equivalents. Loans increased $9.3 million, or 4.4%, to $222.5 million at September 30, 2018 from $213.2 million at September 30, 2017. Securities available-for-sale increased to $21.4 million at September 30, 2018, from $14.3 million at September 30, 2017. Bank owned life insurance increased to $7.2 million at September 30, 2018, from $0 at September 30, 2017, and cash and cash equivalents increased to $40.8 million at September 30, 2018, from $35.9 million at September 30, 2017.

Net income decreased $916,000, or 67.1%, to $449,000 for the year ended September 30, 2018, compared to $1.4 million for the year ended September 30, 2017. The decrease was due primarily to increases in non-interest expenses, the provision for loan losses and income tax expense, partially offset by increases in net interest income and non-interest income. Non-interest expenses increased $2.0 million, or 18.7%, to $12.5 million for the year ended September 30, 2018, from $10.5 million for the year ended September 30, 2017, primarily as a result of increases in salaries and employee benefits, occupancy expense and legal and accounting expenses. The provision for loan losses increased to $500,000 for the year ended September 30, 2018 from $0 for the year ended September 30, 2017. Income tax expense increased as we wrote down our deferred tax asset by approximately $1.0 million as a result of the enactment of the Tax Cuts and Jobs Act, which was partially offset by three quarters worth of lower tax rates and a cost segregation study completed on the operations center. Net interest income before provision for loan losses increased $1.4 million, or 12.3%, to $12.7 million for the year ended September 30, 2018 from $11.3 million for the year ended September 30, 2017, as a result of a higher balance of net interest-earning assets combined with a higher net interest rate spread and net interest margin. Non-interest income increased $650,000, or 51.7%, to $1.9 million for the year ended September 30, 2018 from $1.3 million for the year ended September 30, 2017, primarily as a result of an increase in Small Business Administration loan fees.

An increase in interest rates will present us with a challenge in managing our interest rate risk. As a general matter, our interest-bearing liabilities reprice or mature more quickly than our interest-earning assets, which can result in interest expense increasing more rapidly than increases in interest income as interest rates increase. Therefore, increases in interest rates may adversely affect our net interest income and net economic value, which in turn would likely have an adverse effect on our results of operations. As described in "—Management of Market Risk," our net interest income and our net economic value would decrease as a result of an instantaneous increase in interest rates. To help manage interest rate risk, we promote core deposit products and we are diversifying our loan portfolio by adding more commercial-related loans. See "—Management of Market Risk."

Summary of Significant Accounting Policies

The discussion and analysis of the financial condition and results of operations are based on our consolidated financial statements, which are prepared in conformity with accounting principles generally accepted in the United States ("U.S. GAAP"). The preparation of these consolidated financial statements requires management to make estimates and assumptions affecting the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of income and expenses. We consider the accounting policies discussed below to be significant accounting policies. The estimates and assumptions that we use are based on historical experience and various other factors and are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions, resulting in a change that could have a material impact on the carrying value of our assets and liabilities and our results of operations.

The JOBS Act contains provisions that, among other things, reduce certain reporting requirements for qualifying public companies. As an "emerging growth company" we may delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. We determined to take advantage of the benefits of this extended transition period. Accordingly, our financial statements may not be comparable to companies that comply with such new or revised accounting standards.

The following represent our significant accounting policies:

Allowance for Loan Losses. The allowance for loan losses is a reserve for estimated credit losses on individually evaluated loans determined to be impaired as well as estimated credit losses inherent in the loan portfolio. Actual credit losses, net of recoveries, are deducted from the allowance for loan losses. Loans are charged off when management believes that the collectability of the principal is unlikely. Subsequent recoveries, if any, are credited to the allowance for loan losses. A provision for loan losses, which is a charge against earnings, is recorded to bring the allowance for loan losses to a level that, in management's judgment, is adequate to absorb probable losses in the loan portfolio. Management's evaluation process used to determine the appropriateness of the allowance for loan losses is subject to the use of estimates, assumptions, and judgment. The evaluation process involves gathering and interpreting many qualitative and quantitative factors which could affect probable credit losses. Because interpretation and analysis involves judgment, current economic or business conditions can change, and future events are inherently difficult to predict, the anticipated amount of estimated loan losses and therefore the appropriateness of the allowance for loan losses could change significantly.

The allocation methodology applied by Newton Federal Bank is designed to assess the appropriateness of the allowance for loan losses and includes allocations for specifically identified impaired loans and loss factor allocations for all remaining loans, with a component primarily based on historical loss rates and a component primarily based on other qualitative factors. The methodology includes evaluation and consideration of several factors, such as, but not limited to, management's ongoing review and grading of loans, facts and issues related to specific loans, historical loan loss and delinquency experience, trends in past due and non-accrual loans, existing risk characteristics of specific loans or loan pools, the fair value of underlying collateral, current economic conditions and other qualitative and quantitative factors which could affect potential credit losses. While management uses the best information available to make its evaluation, future adjustments to the allowance may be necessary if there are significant changes in economic conditions or circumstances underlying the collectability of loans. Because each of the criteria used is subject to change, the allocation of the allowance for loan losses is made for analytical purposes and is not necessarily indicative of the trend of future loan losses in any particular loan category. The total allowance is available to absorb losses from any segment of the loan portfolio. Management believes the allowance for loan losses is appropriate at September 30, 2018. The allowance analysis is reviewed by the board of directors on a quarterly basis in compliance with regulatory requirements. In addition, various regulatory agencies periodically review the allowance for loan losses. As a result of such reviews, we may have to adjust our allowance for loan losses. However, regulatory agencies are not directly involved in the process of establishing the allowance for loan losses as the process is the responsibility of Newton Federal Bank and any increase or decrease in the allowance is the responsibility of management.

Income Taxes. The assessment of income tax assets and liabilities involves the use of estimates, assumptions, interpretation, and judgment concerning certain accounting pronouncements and federal and state tax codes. There can be no assurance that future events, such as court decisions or positions of federal and state taxing authorities, will not differ from management's current assessment, the impact of which could be significant to the results of operations and reported earnings.

The Company files a consolidated federal and a state income tax return. Amounts provided for income tax expense are based on income reported for financial statement purposes and do not necessarily represent amounts currently payable under tax laws. Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax law rates applicable to the periods in which the differences are expected to affect taxable income. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income tax expense. Valuation allowances are established when it is more likely than not that a portion of the full amount of the deferred tax asset will not be realized. In assessing the ability to realize deferred tax assets, management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies. The Company may also recognize a liability for unrecognized tax benefits from uncertain tax positions. Unrecognized tax benefits represent the differences between a tax position taken or expected to be taken in a tax return and the benefit recognized and measured in the consolidated financial statements. Penalties related to unrecognized tax benefits are classified as income tax expense.

Comparison of Financial Condition at September 30, 2018 and September 30, 2017

Total assets increased $28.2 million, or 10.1%, to $306.0 million at September 30, 2018 from $277.8 million at September 30, 2017. The increase was due to increases in loans, investment securities available-for-sale, bank owned life insurance and cash and cash equivalents.

Cash and cash equivalents increased $4.9 million, or 13.5%, to $40.8 million at September 30, 2018 from $35.9 million at September 30, 2017. The increase resulted primarily from an increase in cash from deposits exceeding our funding needs.

We had no loans held for sale at September 30, 2018 compared to $117,000 at September 30, 2017.

Loans increased $9.3 million, or 4.4%, to $222.5 million at September 30, 2018 from $213.2 million at September 30, 2017. Commercial real estate loans increased $9.9 million, or 33.2%, to $39.8 million at September 30, 2018 from $29.9 million at September 30, 2017. In addition, commercial and industrial loans increased $7.3 million, or 34.7%, to $28.4 million at September 30, 2018 from $21.1 million at September 30, 2017. These increases were largely due to increases in commercial construction loans and Small Business Administration loans.

We owned securities held-to-maturity of $1.0 million at both September 30, 2018 and September 30, 2017. Securities available-for-sale increased to $21.4 million at September 30, 2018, from $14.3 million at September 30, 2017 as we have deployed excess cash and cash equivalents into higher yielding investments.

Bank owned life insurance increased to $7.2 million at September 30, 2018, from $0 at September 30, 2017 based on purchases during the year.

Total deposits increased $21.8 million, or 11.2%, to $216.4 million at September 30, 2018 from $194.6 million at September 30, 2017. The increase was caused primarily by increases in interest-bearing checking accounts, which increased $14.3 million, or 36.6%, to $53.2 million at September 30, 2018, and in non-interest-bearing checking accounts, which increased $4.7 million, or 19.0%, to $29.8 million at September 30, 2018 from $25.1 million at September 30, 2017.

We had borrowings of $7.6 million, consisting entirely of Federal Home Loan Bank advances, at September 30, 2018, compared to no borrowings at September 30, 2017. We have recently begun borrowing from the Federal Home Loan Bank of Atlanta to fund loan growth and support operations.

Stockholders' equity decreased $413,000 or 0.5%, to $76.4 million at September 30, 2018 from $76.8 million at September 30, 2017. The decrease was due primarily to unrecognized losses on securities available-for-sale of $695,000 for the year ended September 30, 2018, compared to unrecognized gains on securities available-for-sale of $57,000 for the year ended September 30, 2017.

Average Balance Sheets

The following tables set forth average balance sheets, average yields and costs, and certain other information for the years indicated. No tax-equivalent yield adjustments have been made, as the effects would be immaterial. All average balances are monthly average balances. Non-accrual loans were included in the computation of average balances. The yields set forth below include the effect of deferred fees, discounts, and premiums that are amortized or accreted to interest income or interest expense. Loan balances exclude loans held for sale.

	For the Years Ended September 30,								
	2018			2017			2016		
	Average Outstanding Balance	Interest	Average Yield/Rate	Average Outstanding Balance	Interest	Average Yield/Rate	Average Outstanding Balance	Interest	Average Yield/Rate
	(Dollars in thousands)								
Interest-earning assets:									
Loans	$ 219,272	$13,301	6.07%	$ 199,690	$11,852	5.94%	$ 182,181	$10,937	6.00%
Securities	22,998	542	2.35%	12,043	210	1.74%	7,496	82	1.09%
Interest-earning deposits	24,811	418	1.69%	32,820	348	1.06%	34,070	219	0.64%
Federal Home Loan Bank of Atlanta stock	531	31	5.84%	210	11	5.24%	204	10	4.90%
Total interest-earning assets	267,612	14,292	5.34%	244,763	12,421	5.07%	223,951	11,248	5.02%
Non-interest-earning assets	22,256			15,752			4,980		
Total assets	$ 289,868			$ 260,515			$ 228,931		
Interest-bearing liabilities:									
Passbook savings accounts	$ 23,987	15	0.06%	$ 22,505	9	0.04%	$ 20,766	8	0.04%
Interest-bearing checking accounts	43,660	274	0.63%	35,349	164	0.46%	27,162	83	0.31%
Money market checking accounts	22,907	107	0.47%	22,294	58	0.26%	22,919	59	0.26%
Certificates of deposit	85,360	1,024	1.20%	85,910	852	0.99%	90,902	1,265	1.39%
Total interest-bearing deposits	175,914	1,420	0.81%	166,058	1,083	0.65%	161,749	1,415	0.87%
Federal Home Loan Bank advances	6,921	136	1.97%	34	—	—	—	0	—
Total interest-bearing liabilities	182,835	1,556	0.85%	166,092	1,083	0.65%	161,749	1,415	0.87%
Non-interest-bearing liabilities	30,733			35,498			22,736		
Total liabilities	213,568			201,590			184,485		
Total stockholders' equity	$ 76,300			$ 58,925			44,446		
Total liabilities and retained earnings	$ 289,868			$ 260,515			$ 228,931		
Net interest income		$12,736			$11,338			$ 9,833	
Net interest rate spread (1)			4.49%			4.42%			4.15%
Net interest-earning assets (2)	$ 84,777			$ 78,671			$ 62,202		
Net interest margin (3)			4.76%			4.63%			4.39%
Average interest-earning assets to interest-bearing liabilities	146.37%			147.37%			138.46%		

(1) Net interest rate spread represents the difference between the weighted average yield on interest-earning assets and the weighted average rate of interest-bearing liabilities.
(2) Net interest-earning assets represent total interest-earning assets less total interest-bearing liabilities.
(3) Net interest margin represents net interest income divided by average total interest-earning assets.

Rate/Volume Analysis

The following table presents the effects of changing rates and volumes on our net interest income for the years indicated. The rate column shows the effects attributable to changes in rate (changes in rate multiplied by prior volume). The volume column shows the effects attributable to changes in volume (changes in volume multiplied by prior rate). The total column represents the sum of the prior columns. For purposes of this table, changes attributable to both rate and volume, which cannot be segregated, have been allocated proportionately based on the changes due to rate and the changes due to volume.

	Year Ended September 30, 2018 vs. 2017			Year Ended September 30, 2017 vs. 2016		
	Increase (Decrease) Due to		Total Increase	Increase (Decrease) Due to		Total Increase
	Volume	Rate	(Decrease)	Volume	Rate	(Decrease)
			(In thousands)			
Interest-earning assets:						
Loans	$ 1,185	$ 264	$ 1,449	$ 1,021	$ (106)	$ 915
Securities	238	94	332	68	60	128
Interest-earning deposits and federal funds	(22)	92	70	(8)	136	129
Federal Home Loan Bank of Atlanta stock	18	2	20	—	1	1
Total interest-earning assets	1,419	452	1,871	1,082	91	1,173
Interest-bearing liabilities:						
Passbook savings accounts	1	5	6	1	—	1
Interest-bearing checking accounts	42	68	110	30	51	81
Money market checking accounts	2	47	49	(1)	0	(1)
Certificates of deposit	(5)	177	172	(66)	(347)	(413)
Total deposits	40	297	337	(36)	(296)	(331)
Federal Home Loan Bank advances	68	68	136	—	—	—
Total interest-bearing liabilities	108	365	473	(36)	(296)	(331)
Change in net interest income	$ 1,311	$ 87	$ 1,398	$ 1,118	$ 387	$ 1,505

Comparison of Operating Results for the Years Ended September 30, 2018 and 2017

General. Net income decreased $916,000, or 67.1%, to $449,000 for the year ended September 30, 2018, compared to $1.4 million for the year ended September 30, 2017. The decrease was due primarily to an increase in non-interest expenses and provision for loan losses, partially offset by increases in net interest income and non-interest income, as described in more detail below.

Interest Income. Interest income increased $1.9 million, or 15.1%, to $14.3 million for the year ended September 30, 2018 from $12.4 million for the year ended September 30, 2017. The increase was due primarily to a $1.4 million, or 12.2%, increase in interest income on loans, which represents a significant majority of our interest income. Our average balance of loans increased $19.6 million, or 9.8%, to $219.3 million for the year ended September 30, 2018 from $199.7 million for the year ended September 30, 2017. The increase in the average balance of loans resulted from our continued increased focus on commercial lending, including construction lending, and our construction lending has benefitted from the opening of our loan production office in Bogart, Georgia in January 2016 and our loan production office in Braselton, Georgia in May 2017 and from continued growth of Small Business Administration loans. Our average yield on loans increased 13 basis points to 6.07% for the year ended September 30, 2018 from 5.94% for the year ended September 30, 2017, as we have benefited from increases in interest rates.

In addition to the increase in interest income on loans, interest income on securities increased $352,000 to $573,000 for the year ended September 30, 2018 from $221,000 for the year ended September 30, 2017. Our average balance of securities increased $11.0 million, or 91.0%, to $23.0 million for the year ended September 30, 2018 from $12.0 million for the year ended September 30, 2017, and the average rate earned on securities increased 61 basis, as we have deployed excess cash and cash equivalents into higher yielding investments and benefitted from increases in interest rates.

Interest income on interest-earning deposits increased $70,000, or 20.1%, to $418,000 for the year ended September 30, 2018 from $348,000 for the year ended September 30, 2017. The increase in interest income on interest-earning deposits was due to a 63 basis point increase in yield, reflecting increases in interest rates, as our average balance of interest-earning deposits decreased $8.0

million, or 24.4%, to $24.8 million for the year ended September 30, 2018 from $32.8 million for the year ended September 30, 2017, as we have deployed excess cash and cash equivalents into higher yielding investments.

Interest Expense. Interest expense increased $473,000, or 43.7%, to $1.6 million for the year ended September 30, 2018 compared to $1.1 million for the year ended September 30, 2017, due primarily to an increase of $337,000 in interest expense on deposits, as well as an increase of $136,000 in interest expense on borrowings. Specifically, interest expense on certificates of deposit increased $172,000, or 20.2%, to $1.0 million for the year ended September 30, 2018 from $852,000 for the year ended September 30, 2017. The increase in expense on certificates of deposit was a result of a 21 basis point increase in the average rate we paid on certificates of deposit, reflecting our increasing interest rates in response to changes in market interest rates. The average balance of certificates of deposits decreased to $85.4 million for the year ended September 30, 2018 from $85.9 million for the year ended September 30, 2017. Interest expense on interest-bearing checking accounts increased $110,000, or 67.1%, to $274,000 for the year ended September 30, 2018 from $164,000 for the year ended September 30, 2017. Both the average balance and average rate we paid on interest-bearing checking accounts increased, as we have increased the rate paid on our Kasasa reward based checking accounts and continue to see an increase in the number of Kasasa accounts opened.

Interest expense on borrowings increased to $136,000 for the year ended September 30, 2018 compared to no such expense for the year ended September 30, 2017. We have recently begun borrowing from the Federal Home Loan Bank of Atlanta to fund loan growth and support operations.

Net Interest Income. Net interest income increased $1.4 million, or 12.3%, to $12.7 million for the year ended September 30, 2018 from $11.3 million for the year ended September 30, 2017, as a result of a higher balance of net interest-earning assets combined with a higher net interest rate spread and net interest margin. Our average net interest-earning assets increased by $6.1 million, or 7.8%, to $84.8 million for the year ended September 30, 2018 from $78.7 million for the year ended September 30, 2017, due primarily to our loan growth, described above. Our net interest rate spread increased by seven basis points to 4.49% for the year ended September 30, 2018 from 4.42% for the year ended September 30, 2017, and our net interest margin increased by 13 basis points to 4.76% for the year ended September 30, 2018 from 4.63% for the year ended September 30, 2017, reflecting an increase in our average yield on interest-earning assets, which exceeded the increase in the average rate we paid on interest-bearing liabilities.

Provision for Loan Losses. Provisions for loan losses are charged to operations to establish an allowance for loan losses at a level necessary to absorb known and inherent losses in our loan portfolio that are both probable and reasonably estimable at the date of the consolidated financial statements. In evaluating the level of the allowance for loan losses, management analyzes several qualitative loan portfolio risk factors including, but not limited to, management's ongoing review and grading of loans, facts and issues related to specific loans, historical loan loss and delinquency experience, trends in past due and non-accrual loans, existing risk characteristics of specific loans or loan pools, the fair value of underlying collateral, current economic conditions and other qualitative and quantitative factors which could affect potential credit losses. See "—Summary of Significant Accounting Policies" for additional information.

After an evaluation of these factors, we recorded a provision for loan losses of $500,000 for the year ended September 30, 2018, compared to no provision for the year ended September 30, 2017. Our allowance for loan losses was $3.9 million at September 30, 2018 compared to $4.6 million at September 30, 2017. The allowance for loan losses to total loans was 1.73% at September 30, 2018 compared to 2.10% at September 30, 2017, while allowance for loan losses to non-performing loans was 178.10% at September 30, 2018 compared to 124.04% at September 30, 2017. We had charge-offs of $2.7 million and recoveries of $1.6 million during the year ended September 30, 2018. To the best of our knowledge, we have recorded all loan losses that are both probable and reasonable to estimate at September 30, 2018. However, future changes in the factors described above, including, but not limited to, actual loss experience with respect to our loan portfolio, could result in material increases in our provision for loan losses. In addition, the Office of the Comptroller of the Currency, as an integral part of its examination process, will periodically review our allowance for loan losses, and as a result of such reviews, we may have to adjust our allowance for loan losses. However, regulatory agencies are not directly involved in the process of establishing the allowance for loan losses as the process is our responsibility and any increase or decrease in the allowance is the responsibility of management.

Non-interest Income. Non-interest income increased $650,000, or 51.7%, to $1.9 million for the year ended September 30, 2018 from $1.3 million for the year ended September 30, 2017. The increase resulted primarily from an increase in Small Business Administration and United States Department of Agriculture loan fees and sale premium income of $586,000 for the year ended September 30, 2018, compared to no such income for the year ended September 30, 2017.

Non-interest Expenses. Non-interest expenses information is as follows.

	Year Ended September 30, 2018	2017	Change Amount	Percent
	(Dollars in thousands)			
Salaries and employee benefits	$ $6,585	$ 5,516	$ 1,069	19.4%
Deferred compensation	212	217	(5)	(2.3)
Occupancy	1,706	1,296	410	31.6
Advertising	177	218	(41)	(18.7)
Data processing	891	775	116	15.0
Other real estate owned	91	14	77	550.0
Net (gain) loss on sale of other real estate owned	(11)	32	(43)	(134.4)
Legal and accounting	1,091	553	538	97.3
Organizational dues and subscriptions	307	294	13	4.5
Director compensation	227	229	(2)	(1.1)
Federal deposit insurance premiums	65	90	(25)	(27.4)
Other	1,149	1,291	(142)	(11.0)
Total non-interest expenses	$ $12,490	$ 10,525	$ 1,965	18.7%

Salaries and employee benefits expense increased due to increased staff for growth and infrastructure. Occupancy expense increased due to the completion of a new bank operations center. Data processing expense increased due to new account growth. Legal and accounting expense increased as a result of our being a public company. Other real estate owned expenses increased due to customer bankruptcy related expenses.

Income Tax Expense. We incurred income tax expense of $1.2 million and $706,000 for the years ended September 30, 2018 and 2017, respectively, resulting in effective rates of 72.9% and 34.1%, respectively. During the quarter ended December 31, 2017, we wrote down our deferred tax assets by approximately $844,000 as a result of the enactment of the Tax Cuts and Jobs Act of 2017, which reduced the maximum federal corporate income tax rate to 21% from 35%. The write-down is subject to adjustment in future periods. During the quarter ended June 30, 2018, we recorded a one-time benefit of $162,000, resulting from our completion of a cost segregation study on a building placed in service during 2017. The study enabled the reallocation of real property to personal property under the applicable provisions of the Internal Revenue Code, which resulted in substantially shorter depreciable tax lives and accelerated depreciation methods.

Management of Market Risk

General. Our most significant form of market risk is interest rate risk because, as a financial institution, the majority of our assets and liabilities are sensitive to changes in interest rates. Therefore, a principal part of our operations is to manage interest rate risk and limit the exposure of our financial condition and results of operations to changes in market interest rates. Our Asset/Liability Management Committee is responsible for evaluating the interest rate risk inherent in our assets and liabilities, for determining the level of risk that is appropriate, given our business strategy, operating environment, capital, liquidity and performance objectives, and for managing this risk consistent with the policy and guidelines approved by our board of directors. We currently utilize a third-party modeling program, prepared on a quarterly basis, to evaluate our sensitivity to changing interest rates, given our business strategy, operating environment, capital, liquidity and performance objectives, and for managing this risk consistent with the guidelines approved by the board of directors.

We have sought to manage our interest rate risk in order to minimize the exposure of our earnings and capital to changes in interest rates. We have implemented the following strategies to manage our interest rate risk:

- limiting our reliance on non-core/wholesale funding sources;
- growing our volume of transaction deposit accounts;
- increasing our investment securities portfolio, with an average maturity of less than 15 years;

- diversifying our loan portfolio by adding more commercial-related loans, which typically have shorter maturities and/or balloon payments; and

- continuing to price our one- to four-family residential real estate loan products in a way that encourages borrowers to select our balloon loans as opposed to longer-term, fixed-rate loans.

By following these strategies, we believe that we are better positioned to react to increases in market interest rates. In addition, beginning in calendar 2018, we intend to introduce adjustable-rate, one- to four-family residential real estate loans (in addition to our existing home equity loans and lines of credit, which are originated with adjustable interest rates).

We do not engage in hedging activities, such as engaging in futures, options or swap transactions, or investing in high-risk mortgage derivatives, such as collateralized mortgage obligation residual interests, real estate mortgage investment conduit residual interests or stripped mortgage backed securities.

Net Interest Income. We analyze our sensitivity to changes in interest rates through a net interest income model. Net interest income is the difference between the interest income we earn on our interest-earning assets, such as loans and securities, and the interest we pay on our interest-bearing liabilities, such as deposits and borrowings. We estimate what our net interest income would be for a 12-month period. We then calculate what the net interest income would be for the same period under the assumptions that the United States Treasury yield curve increases or decreases instantaneously by 200 and 400 basis point increments, with changes in interest rates representing immediate and permanent, parallel shifts in the yield curve. A basis point equals one-hundredth of one percent, and 100 basis points equals one percent. An increase in interest rates from 3% to 4% would mean, for example, a 100 basis point increase in the "Change in Interest Rates" column below.

The table below sets forth, as of September 30, 2018, the calculation of the estimated changes in our net interest income that would result from the designated immediate changes in the United States Treasury yield curve.

Change in Interest Rates (basis points) (1)	Net Interest Income Year 1 Forecast	Year 1 Change from Level
	(Dollars in thousands)	
+400	$ 11,042	0.86%
+200	11,019	0.65%
Level	10,948	—
-200	10,145	(7.34)%
-400	9,726	(11.16)%

(1) Assumes an immediate uniform change in interest rates at all maturities.

The table above indicates that at September 30, 2018, in the event of an instantaneous parallel 200 basis point increase in interest rates, we would experience a 0.65% increase in net interest income, and in the event of an instantaneous 200 basis point decrease in interest rates, we would experience a 7.34% decrease in net interest income. At September 30, 2017, in the event of an instantaneous parallel 200 basis point increase in interest rates, we would have experienced a 4.09% increase in net interest income, and in the event of an instantaneous 200 basis point decrease in interest rates, we would have experienced a 9.43% decrease in net interest income.

Net Economic Value. We also compute amounts by which the net present value of our assets and liabilities (net economic value or "NEV") would change in the event of a range of assumed changes in market interest rates. This model uses a discounted cash flow analysis and an option-based pricing approach to measure the interest rate sensitivity of net portfolio value. The model estimates the economic value of each type of asset, liability and off-balance sheet contract under the assumptions that the United States Treasury yield curve increases or decreases instantaneously by 200 and 400 basis point increments, with changes in interest rates representing immediate and permanent, parallel shifts in the yield curve.

The table below sets forth, as of September 30, 2018, the calculation of the estimated changes in our NEV that would result from the designated immediate changes in the United States Treasury yield curve.

Change in Interest Rates (basis points) (1)	Estimated NEV (2)	Estimated Increase (Decrease) in NEV		NEV as a Percentage of Present Value of Assets (3)	
		Amount	Percent	NEV Ratio (4)	Increase (Decrease) (basis points)
		(Dollars in thousands)			
+400	$ 55,505	$ (11,702)	(17.41)%	22.24%	(183)
+200	60,711	(6,846)	(9.66)%	23.06%	(99)
—	67,207	—	—	24.07%	—
-200	67,557	350	0.52%	23.33%	(74)
-400	65,910	(1,297)	(1.93)%	22.82%	(51)

(1) Assumes an immediate uniform change in interest rates at all maturities.
(2) NEV is the discounted present value of expected cash flows from assets, liabilities and off-balance sheet contracts.
(3) Present value of assets represents the discounted present value of incoming cash flows on interest-earning assets.
(4) NEV Ratio represents NEV divided by the present value of assets.

The table above indicates that at September 30, 2018, in the event of an instantaneous parallel 200 basis point increase in interest rates, we would experience a 9.66% decrease in net economic value, and in the event of an instantaneous 200 basis point decrease in interest rates, we would experience a 0.52% increase in net economic value. At September 30, 2017, in the event of an instantaneous parallel 200 basis point increase in interest rates, we would have experienced an 11.30% decrease in net economic value, and in the event of an instantaneous 200 basis point decrease in interest rates, we would have experienced a 2.68% increase in net economic value.

GAP Analysis. In addition, we analyze our interest rate sensitivity by monitoring our interest rate sensitivity "gap." Our interest rate sensitivity gap is the difference between the amount of our interest-earning assets maturing or repricing within a specific time period and the amount of our interest-bearing liabilities maturing or repricing within that same time period. A gap is considered positive when the amount of interest rate sensitive assets maturing or repricing during a period exceeds the amount of interest rate sensitive liabilities maturing or repricing during the same period, and a gap is considered negative when the amount of interest rate sensitive liabilities maturing or repricing during a period exceeds the amount of interest rate sensitive assets maturing or repricing during the same period.

The following table sets forth our interest-earning assets and our interest-bearing liabilities at September 30, 2018, which are anticipated to reprice or mature in each of the future time periods shown based upon certain assumptions. The amounts of assets and liabilities shown which reprice or mature during a particular period were determined in accordance with the earlier of term to repricing or the contractual maturity of the asset or liability. The table sets forth an approximation of the projected repricing of assets and liabilities at September 30, 2018, on the basis of contractual maturities, anticipated prepayments and scheduled rate adjustments. The loan amounts in the table reflect principal balances expected to be redeployed and/or repriced as a result of contractual amortization and as a result of contractual rate adjustments on adjustable-rate loans. Amounts are based on a preliminary balance sheet as of September 30, 2018, and may not equal amounts included in our audited consolidated financial statements for the year ended September 30, 2018. However, we believe that there would be no material changes in the results of the gap analysis if audited financial results had been utilized.

	Time to Repricing					
	Zero to 90 Days	Zero to 180 Days	Zero Days to One Year	Zero Days to Two Years	Zero Days to Five Years	Total
			(Dollars in thousands)			
Assets:						
Cash and due from banks	$ 30,514	$ 30,514	$ 30,514	$ 30,514	$ 30,514	$ 40,988
Investments	1,439	1,933	3,929	6,313	10,667	23,290
Net loans	36,993	47,908	67,281	96,125	167,330	228,585
Other assets	—	—	—	—	—	17,732
Total (1)	$ 68,946	$ 80,355	$ 101,724	$ 132,952	$ 208,511	$310,595
Liabilities:						
Non-maturity deposits	$ 54,907	$ 59,456	$ 68,554	$ 86,749	$ 121,542	$143,890
Certificates of deposit	5,093	11,734	23,173	36,366	69,147	85,698
Borrowings	—	—	—	2,440	7,570	10,321
Other liabilities	—	—	—	—	—	10,442
Equity capital	—	—	—	—	—	60,245
Total (1)	$ 60,000	$ 71,190	$ 91,727	$ 125,555	$ 198,259	$310,596
Asset/liability gap	$ 8,946	$ 9,165	$ 9,997	$ 7,397	$ 10,252	
Gap/assets ratio (2)	2.88%	2.95%	3.22%	2.38%	3.30%	

(1) Amounts do not foot due to rounding.
(2) Gap/assets ratio equals the asset/liability gap for the period divided by total assets ($306.0 million).

At September 30, 2018, our asset/liability gap from zero days to one year was $10 million, resulting in a gap/assets ratio of 3.22%.

Certain shortcomings are inherent in the methodologies used in the above interest rate risk measurements. Modeling changes require making certain assumptions that may or may not reflect the manner in which actual yields and costs respond to changes in market interest rates. In this regard, the net interest income and net economic value tables presented assume that the composition of our interest-sensitive assets and liabilities existing at the beginning of a period remains constant over the period being measured and assumes that a particular change in interest rates is reflected uniformly across the yield curve regardless of the duration or repricing of specific assets and liabilities. Accordingly, although the net interest income and NEV tables provide an indication of our interest rate risk exposure at a particular point in time, such measurements are not intended to and do not provide a precise forecast of the effect of changes in market interest rates on net interest income and NEV and will differ from actual results. Furthermore, although certain assets and liabilities may have similar maturities or periods to repricing, they may react in different degrees to changes in market interest rates. Additionally, certain assets, such as adjustable-rate loans, have features that restrict changes in interest rates both on a short-term basis and over the life of the asset. In the event of changes in interest rates, prepayment and early withdrawal levels would likely deviate significantly from those assumed in calculating the gap table.

Interest rate risk calculations also may not reflect the fair values of financial instruments. For example, decreases in market interest rates can increase the fair values of our loans, deposits and borrowings.

Liquidity and Capital Resources

Liquidity describes our ability to meet the financial obligations that arise in the ordinary course of business. Liquidity is primarily needed to meet the borrowing and deposit withdrawal requirements of our customers and to fund current and planned expenditures. Our primary sources of funds are deposits, principal and interest payments on loans and securities, proceeds from the sale of loans, and proceeds from maturities of securities. We also have the ability to borrow from the Federal Home Loan Bank of Atlanta. At September 30, 2018, we had a $80.0 million line of credit with the Federal Home Loan Bank of Atlanta, and had $7.6 million in borrowings outstanding. In addition, at September 30, 2018, we had a $5.0 million unsecured federal funds line of credit and a $7.5 million unsecured federal funds line of credit. No amount was outstanding on these lines of credit at September 30, 2018. .

While maturities and scheduled amortization of loans and securities are predictable sources of funds, deposit flows and loan prepayments are greatly influenced by general interest rates, economic conditions, and competition. Our most liquid assets are cash and short-term investments including interest-bearing demand deposits. The levels of these assets are dependent on our operating, financing, lending, and investing activities during any given period.

Our cash flows are comprised of three primary classifications: cash flows from operating activities, investing activities, and financing activities. Net cash provided by operating activities was $2.4 million and $3.1 million for the years ended September 30, 2018 and 2017, respectively. Net cash used in investing activities, which consists primarily of disbursements for loan originations and the purchase of securities and bank owned life insurance, offset by principal collections on loans, proceeds from the sale of securities and proceeds from maturing securities and pay downs on securities, was $26.7 million and $35.9 million for the years ended September 30, 2018 and 2017, respectively. Net cash provided by financing activities, consisting primarily of activity in deposit accounts and proceeds from the FHLB borrowings, as well as proceeds from our stock offering in 2017, was $29.1 million and $43.1 million for the years ended September 30, 2018 and 2017.

We are committed to maintaining a strong liquidity position. We monitor our liquidity position on a daily basis. We anticipate that we will have sufficient funds to meet our current funding commitments. Based on our deposit retention experience and current pricing strategy, we anticipate that a significant portion of maturing time deposits will be retained.

At September 30, 2018, we exceeded all of our regulatory capital requirements, and we were categorized as well capitalized at September 30, 2018 and 2017. Management is not aware of any conditions or events since the most recent notification that would change our category.

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

Commitments. As a financial services provider, we routinely are a party to various financial instruments with off-balance-sheet risks, such as commitments to extend credit and unused lines of credit. While these contractual obligations represent our future cash requirements, a significant portion of commitments to extend credit may expire without being drawn upon. Such commitments are subject to the same credit policies and approval process accorded to loans we make. At September 30, 2018, we had outstanding commitments to originate loans of $29.4 million. We anticipate that we will have sufficient funds available to meet our current lending commitments. Time deposits that are scheduled to mature in less than one year from September 30, 2018 totaled $23.2 million. Management expects that a substantial portion of the maturing time deposits will be renewed. However, if a substantial portion of these deposits is not retained, we may utilize Federal Home Loan Bank advances or raise interest rates on deposits to attract new accounts, which may result in higher levels of interest expense.

Contractual Obligations. In the ordinary course of our operations, we enter into certain contractual obligations. Such obligations include data processing services, operating leases for premises and equipment, agreements with respect to borrowed funds and deposit liabilities.

Recent Accounting Pronouncements

Please refer to Note 1 to the Financial Statements for the years ended September 30, 2018 and 2017 included as Item 8 in this Annual Report for a description of recent accounting pronouncements that may affect our financial condition and results of operations.

Impact of Inflation and Changing Price

The financial statements and related data presented herein have been prepared in accordance with U.S. GAAP, which requires the measurement of financial position and operating results in terms of historical dollars without considering changes in the relative purchasing power of money over time due to inflation. The primary impact of inflation on our operations is reflected in increased operating costs. Unlike most industrial companies, virtually all of the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates, generally, have a more significant impact on a financial institution's performance than does inflation. Interest rates do not necessarily move in the same direction or to the same extent as the prices of goods and services.

ITEM 7A. <u>Quantitative and Qualitative Disclosures About Market Risk</u>

For information regarding market risk, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations".

ITEM 8. **Financial Statements and Supplementary Data**

Porter Keadle Moore

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Community First Bancshares, Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Community First Bancshares, Inc. and subsidiary (the "Company") as of September 30, 2018 and 2017, the related consolidated statements of income, comprehensive (loss) income, changes in stockholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements. In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2018 and 2017, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company's auditor since 2004.

/s/ Porter Keadle Moore, LLC

Atlanta, Georgia
December 21, 2018

COMMUNITY FIRST BANCSHARES, INC.

Consolidated Balance Sheets

		September 30, 2018	September 30, 2017
		(In thousands)	
Assets			
Cash and due from banks, including reserve requirement of $1,889 and $1,483 at September 30, 2018 and 2017, respectively	$	4,428	3,625
Interest-earning deposits in other depository institutions		36,368	32,318
Cash and cash equivalents		40,796	35,943
Investment securities held-to-maturity (estimated fair values of $990 and $1,001)		1,000	1,000
Investment securities available-for-sale		21,360	14,345
Federal Home Loan Bank stock		580	216
Loans held for sale		—	117
Loans, net		222,485	213,193
Other real estate owned		67	61
Premises and equipment, net		9,040	8,454
Bank owned life insurance		7,195	—
Accrued interest receivable and other assets		3,461	4,486
Total assets	$	305,984	277,815
Liabilities and Stockholders' Equity			
Liabilities :			
Passbook accounts	$	24,508	22,655
Interest bearing checking		53,244	38,981
Market rate checking		23,140	22,556
Non-interest bearing checking		29,797	25,050
Certificate of deposits		85,698	85,371
Total deposits		216,387	194,613
Federal Home Loan Bank advances		7,570	—
Accrued interest payable and other liabilities		5,644	6,406
Total liabilities		229,601	201,019
Commitments			
Stockholders' equity:			
Common stock (par value $0.01 per share, 19,000,000 shares authorized, 7,538,250 issued and 7,513,937 outstanding at September 30, 2018 and 7,538,250 issued and outstanding at September 30, 2017)		75	75
Preferred stock (1,000,000 shares authorized, no shares outstanding)		—	—
Additional paid in capital		33,075	33,055
Treasury stock, 24,313 shares, at cost		(248)	—
Unearned ESOP shares		(2,719)	(2,837)
Retained earnings		46,895	46,446
Accumulated other comprehensive (loss) income		(695)	57
Total stockholders' equity		76,383	76,796
Total liabilities and stockholders' equity	$	305,984	277,815

See accompanying notes to consolidated financial statements.

COMMUNITY FIRST BANCSHARES, INC.

Consolidated Statements of Income

	For the Years Ended September 30, 2018	2017
	(In thousands)	
Interest income:		
Loans, including fees	$ 13,301	11,852
Investment securities, including dividends	573	221
Interest-earning deposits	418	348
Total interest income	14,292	12,421
Interest expense:		
Deposits	1,420	1,083
Borrowings	136	—
Total interest expense	1,556	1,083
Net interest income before provision for loan losses	12,736	11,338
Provision for loan losses	500	—
Net interest income after provision for loan losses	12,236	11,338
Non-interest income:		
Service charges on deposit accounts	727	742
Small Business Administration (SBA) loan fees	586	—
Other	595	516
Total non-interest income	1,908	1,258
Non-interest expenses:		
Salaries and employee benefits	6,585	5,516
Deferred compensation	212	217
Occupancy	1,706	1,296
Advertising	177	218
Data processing	891	775
Other real estate owned	91	14
Net (gain) loss on sale of other real estate owned	(11)	32
Legal and accounting	1,091	553
Organizational dues and subscriptions	307	294
Director compensation	227	229
Federal deposit insurance premiums	65	90
Other	1,149	1,291
Total non-interest expenses	12,490	10,525
Income before income taxes	1,654	2,071
Income tax expense	1,205	706
Net income	$ 449	1,365
Basic and diluted earnings per share	$ 0.06	$ 0.08

See accompanying notes to consolidated financial statements.

COMMUNITY FIRST BANCSHARES, INC.

Consolidated Statements of Comprehensive (Loss) Income

	For the Years Ended September 30,	
	2018	2017
	(In thousands)	
Net income	$ 449	$ 1,365
Other comprehensive (loss) income:		
Net unrealized (loss) gain on available for sale securities, net of taxes of $(274) and $30	(752)	57
Total other comprehensive (loss) income	(752)	57
Total comprehensive (loss) income	$ (303)	$ 1,422

See accompanying notes to consolidated financial statements.

COMMUNITY FIRST BANCSHARES, INC.

Consolidated Statements of Changes in Stockholders' Equity

	Common Stock	Additional Paid In Capital	Treasury Stock	Unearned ESOP Shares	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Years Ended September 30, 2018 and 2017						
	(In thousands)						
Beginning balance September 30, 2016	$ —	$ —	$ —	$ —	$ 45,081	$ —	$ 45,081
Issuance of common stock (less stock offering expenses of $1,485)	75	33,016	—	—	—	—	33,091
Issuance of shares and loan to ESOP	—	—	—	(2,955)	—	—	(2,955)
ESOP loan payment and release of ESOP shares	—	39	—	118	—	—	157
Change in unrealized gain on investment securities available-for-sale	—	—	—	—	—	57	57
Net income	—	—	—	—	1,365	—	1,365
Ending balance September 30, 2017	$ 75	$ 33,055	$ —	$ (2,837)	$ 46,446	$ 57	$ 76,796
Beginning balance September 30, 2017	$ 75	$ 33,055	$ —	$ (2,837)	$ 46,446	$ 57	$ 76,796
ESOP loan payment and release of ESOP shares	—	20	—	118	—	—	138
Purchase of treasury stock	—	—	(248)	—	—	—	(248)
Change in unrealized gain on investment securities available-for-sale	—	—	—	—	—	(752)	(752)
Net income	—	—	—	—	449	—	449
Ending balance September 30, 2018	$ 75	$ 33,075	$ (248)	$ (2,719)	$ 46,895	$ (695)	$ 76,383

See accompanying notes to consolidated financial statements.

COMMUNITY FIRST BANCSHARES, INC.

Consolidated Statements of Cash Flows

	For the Years Ended September 30, 2018	2017
	(In thousands)	
Cash flows from operating activities:		
Net income	$ 449	$ 1,365
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	909	528
Deferred income tax	1,436	51
Provision for loan losses	500	—
ESOP expense	138	157
Net loss on sale of other real estate owned	(11)	32
Originations of loans held for sale	(1,183)	(1,604)
Increase in cash surrender value of life insurance	(195)	—
Proceeds from sales of loans held for sale	1,300	1,959
Change in:		
Accrued interest receivable and other assets	(137)	262
Accrued interest payable and other liabilities	(762)	354
Net cash provided by operating activities	2,444	3,104
Cash flows from investing activities:		
Purchases of investment securities available-for-sale	(10,318)	(15,116)
Purchases of premises and equipment	(1,288)	(4,342)
Proceeds from paydowns of investment securities available-for-sale	2,070	773
Proceeds from investment securities held-to-maturity	—	6,500
Purchases of other investments	(577)	(11)
Proceeds from sales of other investments	213	—
Net change in loans	(9,911)	(23,806)
Purchase of bank owned life insurance	(7,000)	—
Proceeds from sales of other real estate owned	124	98
Net cash used in investing activities	(26,687)	(35,904)
Cash flows from financing activities:		
Net change in demand and savings deposits	21,774	12,914
Proceeds from FHLB advances	7,570	—
Proceeds from stock offering	—	34,576
Stock offering expenses	—	(1,485)
Funding of ESOP	—	(2,955)
Purchase of treasury stock	(248)	—
Net cash provided by financing activities	29,096	43,050
Net change in cash and cash equivalents	4,853	10,250
Cash and cash equivalents at beginning of period	35,943	25,693
Cash and cash equivalents at end of period	$ 40,796	$ 35,943
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 1,528	$ 1,082
Cash paid for income taxes	$ 675	$ —
Supplemental disclosures of noncash investing activities:		
Other real estate owned acquired through foreclosures	$ 119	$ 829
Finance sales of other real estate owned	$ —	$ 638

See accompanying notes to consolidated financial statements.

(1) Summary of Significant Accounting Policies

Nature of Operations

Community First Bancshares, Inc. is a savings and loan holding company headquartered in Covington, Georgia. The Company has one operating subsidiary, Newton Federal Bank (the "Bank"), conducting banking activities primarily in Newton County, Georgia and surrounding counties. The main emphasis of the Bank historically has been providing mortgage loans in its primary lending area. It offers such customary banking services as consumer and commercial checking accounts, savings accounts, certificates of deposit, mortgage, commercial and consumer loans, money transfers and a variety of other banking services.

The Company was formed to serve as the mid-tier holding company for the Bank upon the completion of the mutual holding company reorganization of the Bank. Prior to reorganization, the Company had no assets or liabilities and had not conducted any business activities other than organizational activities. Accordingly, the consolidated financial statements for periods prior to reorganization relate solely to Newton Federal Bank.

Basis of Presentation

The accounting principles followed by the Company and the methods of applying these standards and principles conform with accounting principles generally accepted in the United States of America ("GAAP") and with general practices within the banking industry. In preparing consolidated financial statements in conformity with GAAP, management is required to make estimates and assumptions that affect the reported amounts in the consolidated financial statements. Actual results could differ significantly from those estimates. Material estimates common to the banking industry that are particularly susceptible to significant change in the near term include, but are not limited to, the determination of the allowance for loan losses, the valuation of real estate acquired in connection with or in lieu of foreclosure on loans, and valuation allowances associated with deferred tax assets, the recognition of which are based on future taxable income.

Impaired loans and foreclosed real estate properties are carried at fair value less estimated selling costs, the determination of which requires significant assumptions, estimates and judgments. Fair values for foreclosed real estate properties and impaired loans collateralized by real estate are principally based on independent appraised values. Fair value is defined by GAAP as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. GAAP further defines an orderly transaction as a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets. An orderly transaction is not a forced transaction like a forced liquidation or distressed sale. The Company's markets, over the past few years, have experienced a lesser number of transactions in the type of assets which represent the vast majority of the Company's impaired loans and foreclosed properties which reflect orderly transactions as so defined. Instead, most transactions in comparable assets have been distressed sales. Accordingly, the determination of fair value in the current environment is difficult and more subjective than it would be in a stable, functional real estate environment. Although management believes its processes for determining the value of these assets are appropriate and allow the Company to arrive at a fair value under accounting standards, the value of such assets at the time they are revalued or divested may be significantly different from management's determination of fair value.

Net earnings per share for 2018 was $0.06. The net earnings for this period was $449,000 and the weighted average common shares outstanding were 7,537,305. Net earnings per share for 2017 is calculated for the period that the Company's shares of common stock were outstanding (April 27, 2017 through September 30, 2017). The net earnings for this period was $583,000 and the weighted average common shares outstanding were 7,538,250.

Reclassifications

Certain amounts in the 2017 consolidated financial statements have been reclassified to conform to the 2018 presentation.

Emerging Growth Company Status

The Company qualifies as an "emerging growth company" under the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"). For as long as the Company is an emerging growth company, it may choose to take advantage of exemptions from various reporting requirements applicable to other public companies but not to emerging growth companies. An emerging growth company may elect to use the extended transition period to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies, but must make such election when the company is first required to file a registration statement. The Company has elected to use the extended transition period described above and intends to maintain its emerging growth company status as allowed under the JOBS Act.

Recent Accounting Pronouncements

In January 2016, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2016-01, Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. ASU 2016-01 revises the accounting related to classification and measurement of investments in equity securities and the presentation of certain fair value changes for financial liabilities measured at fair value as well as amends certain disclosure requirements associated with the fair value of financial instruments. For emerging growth companies, this update will be effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The Company plans to adopt ASU 2016-01 for the fiscal year beginning October 1, 2019. For non-emerging growth companies, ASU 2016-01 was effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. The adoption of this ASU is not expected to have a material effect on the Company's financial position, results of operations or cash flows.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). ASU 2016-02 provides certain targeted improvements to align lessor accounting with the lessee accounting model. It requires lessees to recognize the assets and liabilities on their balance sheet for the rights and obligations created by most leases and continue to recognize expenses on their income statements over the lease term. It will also require disclosures designed to give financial statement users information on the amount, timing and uncertainty of cash flows arising from leases. For emerging growth companies, this update will be effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. The Company plans to adopt ASU 2016-02 for the fiscal year beginning October 1, 2020. For non-emerging growth companies, this update will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The adoption of this ASU is not expected to have a material effect on the Company's financial position, results of operations or cash flows.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. ASU 2016-13 requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions and reasonable and supportable forecasts. Adoption of ASU 2016-13 will require financial institutions and other organizations to use forward-looking information to better formulate their credit loss estimates. In addition, the ASU amends the accounting for credit losses on available for sale debt securities and purchased financial assets with credit deterioration. For emerging growth companies, this update will be effective for fiscal years beginning after December 15, 2020 and interim periods within fiscal years beginning after December 15, 2021. The Company plans to adopt ASU 2016-13 for the fiscal year beginning October 1, 2021. For non-emerging growth companies, this update will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early application will be permitted for all organizations for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Company is in the process of determining the effect of ASU 2016-13 on its financial position, results of operations and cash flows.

ASU 2014-09 Revenue Recognition

In May 2014, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers (Topic 606). This ASU prescribes the process related to the recognition of revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. For emerging growth companies, ASU 2014-09 will be effective for fiscal years beginning after December 15, 2018 and interim periods within fiscal years beginning after December 15, 2019. The Company plans to adopt ASU 2016-13 for the fiscal year beginning October 1, 2019. For non-emerging growth companies, this update was effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. As most of the Company's revenue streams are excluded from the scope of the update, the adoption of this ASU will not have a material effect on the Company's financial position, results of operations or cash flows.

ASU 2018-13 Fair Value Measurement

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. ASU 2018-13 changes the fair value measurement disclosure requirements. This update is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The adoption of this ASU is not expected to have a material effect on the Company's financial position, result of operations or cash flows.

Cash and Cash Equivalents

Cash and cash equivalents include cash and due from banks and interest-earning deposits in other depository institutions.

Investment Securities

The Company classifies its investment securities in one of three categories: trading, available-for-sale, or held-to-maturity. Trading securities are bought and held principally for the purpose of selling them in the near term. Held-to-maturity securities are those securities for which the Company has the ability and intent to hold the security until maturity. All other securities not included in trading or held-to-maturity are classified as available-for-sale.

Held-to-maturity securities are recorded at cost, adjusted for the amortization or accretion of premiums or discounts. Transfers of securities between categories are recorded at fair value at the date of transfer.

Management evaluates investment securities for other-than-temporary impairment on an annual basis. A decline in the market value of any held-to-maturity investment below cost that is deemed other-than-temporary is charged to earnings for the decline in value deemed to be credit related. The decline in value attributed to non-credit related factors is recognized in other comprehensive income and a new cost basis in the security is established.

Premiums and discounts are amortized or accreted over the life of the related security as an adjustment to the yield. Realized gains and losses for securities classified as held-to-maturity are included in earnings and are derived using the specific identification method for determining the cost of securities sold.

FHLB Stock

The Federal Home Loan Bank ("FHLB") stock is an investment that does not have a readily determinable fair value and is carried at cost.

Loans Held for Sale

Loans held for sale are carried at the lower of aggregate cost or market value. The amount by which cost exceeds market value is accounted for as a valuation allowance. Changes in the valuation allowance are included in the determination of net income of the period in which the change occurs. At September 30, 2018 and 2017, there was no valuation allowance associated with loans held for sale.

Loans, Loan Fees and Interest Income on Loans

Loans are stated at the principal amount outstanding, net of the allowance for loan losses. Interest on loans is calculated by using the simple interest method on daily balances of the principal amount outstanding.

Accrual of interest is discontinued on a loan when management believes, after considering economic and business conditions and collection efforts that the borrower's financial condition is such that collection of interest is doubtful. When a loan is placed on nonaccrual status, previously accrued and uncollected interest is charged to interest income on loans. Generally, payments on nonaccrual loans are applied first to principal. Interest income is recorded after principal has been satisfied and as payments are received.

Loan fees, net of certain origination costs, are deferred and amortized over the lives of the respective loans as an adjustment to the yield.

A loan is impaired when, based on current information and events, it is probable that all amounts due according to the contractual terms of the loan agreement will not be collected. Impaired loans are measured based on the present value of expected future cash flows discounted at the loan’s effective interest rate, or at the loan’s observable market price, or at the fair value of the collateral of the loan if the loan is collateral dependent. Estimated impairment losses for collateral dependent loans are set up as specific reserves. Interest income on impaired loans is recognized using the cash-basis method of accounting during the time the loans are impaired.

Allowance for Loan Losses

The allowance for loan losses is established through a provision for loan losses charged to expense. Loans are charged against the allowance for loan losses when management believes that the collection of the principal is unlikely. The allowance represents an amount, which in management’s judgment, will be adequate to absorb probable losses on existing loans that may become uncollectible.

Management’s judgment in determining the adequacy of the allowance is based on evaluations of the probability of collection of loans. These evaluations take into consideration such factors as changes in the nature and volume of the loan portfolio, current economic conditions that may affect the borrower’s ability to pay, overall portfolio quality, and review of specific problem loans. Management uses an external independent loan reviewer to challenge and corroborate its loan gradings and to provide additional analysis in determining the adequacy of the allowance for loan losses and necessary provisions to the allowance.

Management believes the allowance for loan losses is adequate. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the allowance for loan losses, and as a result of these reviews the Bank may have to adjust or make additions to the allowance for loan losses as a part of management’s ongoing evaluation of its adequacy.

Other Real Estate Owned

Other real estate owned includes real estate acquired through foreclosure. Each other real estate property is initially recorded at its fair value less estimated costs to sell and is subsequently carried at fair value less estimated costs to sell. All foreclosed properties are actively marketed for sale. Fair value is principally based on independent appraisals performed by local credentialed appraisers. Any excess of the carrying value of the related loan over the fair value of the real estate at the date of foreclosure is charged against the allowance for loan losses. Properties in other real estate are re-evaluated annually. Any expense incurred in connection with holding such real estate or resulting from any writedowns in value subsequent to foreclosure is included in noninterest expense. When the other real estate property is sold, a gain or loss is recognized on the sale for the difference between the sales proceeds and the carrying amount of the property.

Premises and Equipment

Premises and equipment are carried at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in earnings for the period. The cost of maintenance and repairs that do not improve or extend the useful life of the respective asset is charged to earnings as incurred, whereas significant renewals and improvements are capitalized. The range of estimated useful lives for premises and equipment are as follows:

Equipment and furniture	3 - 10 years
Buildings	40 years
Automobile	5 years

Bank Owned Life Insurance

The Bank has purchased life insurance policies on certain key executives and members of management. Bank owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other changes or other amounts due that are probable at settlement.

Income Taxes

The Company uses the liability method of accounting for income taxes, which requires the recognition of deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Additionally, this method requires the recognition of future tax benefits, such as net operating loss carryforwards, to the extent that realization of such benefits is more likely than not. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the assets and liabilities are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income tax expense in the period that includes the enactment date.

In the event the future tax consequences of differences between the financial reporting bases and the tax bases of the Company's assets and liabilities results in deferred tax assets, an evaluation of the probability of being able to realize the future benefits indicated by such asset is required. A valuation allowance is provided for the portion of the deferred tax asset when it is more likely than not that some portion or all of the deferred tax asset will not be realized. In assessing the realization of the deferred tax assets, management considers the scheduled reversals of deferred tax liabilities, projected future taxable income, and tax planning strategies.

The Company currently evaluates income tax positions judged to be uncertain. A loss contingency reserve is accrued if it is probable that the tax position will be challenged, it is probable that the future resolution of the challenge will confirm that a loss has been incurred, and the amount of such loss can be reasonably estimated.

(2) Investment Securities

Investment Securities Held-to-Maturity

Investment securities held-to-maturity at September 30, 2018 and 2017 are as follows: (in thousands)

September 30, 2018	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Government sponsored enterprises	$ 1,000	—	(10)	990
September 30, 2017				
U.S. Government sponsored enterprises	$ 1,000	1	—	1,001

The U.S. government sponsored enterprise security as of September 30, 2018 is comprised of one debt financing security issued by a government agency that matures within one year.

There were no sales of securities held-to-maturity during 2018 or 2017.

Held-to-maturity securities with a carrying value of approximately $1,000,000 were pledged to secure public deposits at September 30, 2018 and September 30, 2017.

Investment Securities Available-for-Sale

Investment securities available-for-sale at September 30, 2018 and 2017 are as follows: (in thousands)

September 30, 2018	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Municipal securities - tax exempt	$ 5,687	1	(167)	5,521
Municipal securities - taxable	3,122	—	(197)	2,925
U.S. Government sponsored enterprises	502	—	(14)	488
Government agency mortgage-backed securities	12,988	—	(562)	12,426
Total	$ 22,299	1	(940)	21,360
September 30, 2017				
Municipal securities - tax exempt	5,756	119	(2)	5,873
U.S. Government sponsored enterprises	502	—	—	502
Government agency mortgage-backed securities	8,000	6	(36)	7,970
Total	$ 14,258	125	(38)	14,345

There were 30 securities in an unrealized loss position as of September 30, 2018 for less than 12 months. There were 14 securities in an unrealized loss position greater than 12 months as of September 30, 2018. The unrealized losses on the debt securities arose due to changing interest rates and market conditions and are considered to be temporary because of acceptable investment grades where the repayment sources of principal and interest are largely backed by U.S. Government sponsored agencies or financially stable municipalities. The Company does not intend to sell the investments and it is not likely that the Company will be required to sell the investments before recovery of their amortized cost basis which may be at maturity.

The amortized cost and estimated fair value of investment securities available-for-sale at September 30, 2018, by contractual maturity, are shown below. Maturities of mortgage-backed securities will differ from contractual maturities because borrowers may have the right to call or prepay certain obligations with or without call or prepayment penalties. Therefore, these securities are not included in the maturity categories. (in thousands)

	Amortized Cost	Estimated Fair Value
Municipal securities - tax exempt		
Within 1 year	$ —	—
1 to 5 years	490	487
5 to 10 years	5,197	5,034
Greater than 10 years	—	—
	5,687	5,521
Municipal securities - taxable		
Within 1 year	—	—
1 to 5 years	—	—
5 to 10 years	1,124	1,080
Greater than 10 years	1,998	1,845
	3,122	2,925
U.S. government sponsored enterprises		
Within 1 year	—	—
1 to 5 years	502	488
5 to 10 years	—	—
Greater than 10 years	—	—
	502	488
Government agency mortgage-backed securities	12,988	12,426
Total	$ 22,299	21,360

There were no sales of securities available-for-sale during 2018 or 2017.

Available-for-sale securities with a carrying value of approximately $1,838,000 and $500,000 were pledged to secure public deposits at September 30, 2018 and 2017, respectively.

(3) Loans and Allowance for Loan Losses

Major classifications of loans, by collateral code, at September 30, 2018 and September 30, 2017 are summarized as follows: (in thousands)

	September 30, 2018	September 30, 2017
Commercial (secured by real estate)	$ 39,768	29,861
Commercial and industrial	28,375	21,060
Construction, land and acquisition & development	20,188	25,165
Residential mortgage 1-4 family	135,508	138,875
Consumer installment	2,555	2,783
	226,394	217,744
Less allowance for loan losses	(3,909)	(4,551)
	$ 222,485	213,193

The Bank grants loans and extensions of credit to individuals and a variety of firms and corporations located primarily in Newton County and other surrounding Georgia counties. A substantial portion of the loan portfolio is collateralized by improved and unimproved real estate and is dependent upon the real estate market.

Qualifying loans in the amount of approximately $113,809,000 and $137,462,000 were pledged to secure the line of credit from the FHLB at September 30, 2018 and 2017, respectively.

During the last quarter of 2018 the Bank sold approximately 70 loans. These loans had a balance of $5.0 million and the bank received $3.7 million for these loans. This resulted in an increase in both charge-offs and recoveries. This transaction was done in an effort to remove some non-performing loans which resulted in an improvement in classified assets and past due ratios for the Bank. In addition, management believes this transaction will reduce potential foreclosure and bankruptcy expenses.

The following table presents the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and based on impairment method as of September 30, 2018 and 2017: (in thousands)

September 30, 2018	Commercial (Secured by Real Estate)	Commercial and Industrial	Construction, Land and Acquisition & Development	Residential Mortgage	Consumer Installment	Unallocated	Total
Allowance for loan losses:							
Beginning balance	$ 1,548	863	349	1,704	79	8	4,551
Provision	(402)	1,961	(188)	(879)	15	(7)	500
Charge-offs	(6)	(1,275)	—	(1,425)	(33)	—	(2,739)
Recoveries	172	121	17	1,287	—	—	1,597
Ending balance	$ 1,312	1,670	178	687	61	1	3,909
Ending allowance attributable to loans:							
Individually evaluated for impairment	$ 3	29	—	7	—	—	39
Collectively evaluated for impairment	1,309	1,641	178	680	61	1	3,870
Total ending allowance	$ 1,312	$ 1,670	$ 178	$ 687	$ 61	$ 1	$ 3,909
Loans:							
Individually evaluated for impairment	$ 1,858	29	—	5,429	6	—	7,322
Collectively evaluated for impairment	37,910	28,346	20,188	130,079	2,549	—	219,072
Total loans	$ 39,768	28,375	20,188	135,508	2,555	—	226,394
September 30, 2017							
Allowance for loan losses:							
Beginning balance	$ 1,595	643	143	1,882	36	10	4,309
Provision	(99)	271	206	(470)	94	(2)	—
Charge-offs	—	(66)	—	(41)	(60)	—	(167)
Recoveries	52	15	—	333	9	—	409
Ending balance	$ 1,548	863	349	1,704	79	8	4,551
Ending allowance attributable to loans:							
Individually evaluated for impairment	$ 10	—	—	4	—	—	14
Collectively evaluated for impairment	1,538	863	349	1,700	79	8	4,537
Total ending allowance	$ 1,548	863	349	1,704	79	8	4,551
Loans:							
Individually evaluated for impairment	$ 1,893	—	—	6,296	3	—	8,192
Collectively evaluated for impairment	27,968	21,060	25,165	132,579	2,780	—	209,552
Total loans	$ 29,861	21,060	25,165	138,875	2,783	—	217,744

The Bank individually evaluates all loans for impairment that are on nonaccrual status or are rated substandard (as described below). Additionally, all troubled debt restructurings are evaluated for impairment. A loan is considered impaired when, based on current events and circumstances, it is probable that all amounts due according to the contractual terms of the loan will not be collected. Impaired loans are measured based on the present value of expected future cash flows, discounted at the loan's effective interest rate, at the loan's observable market price, or the fair value of the collateral if the loan is collateral dependent. Interest payments received on impaired loans are applied as a reduction of the outstanding principal balance.

Impaired loans at September 30, 2018 and 2017 were as follows: (in thousands)

September 30, 2018	Recorded Investment	Unpaid Principal Balance	Allocated Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Commercial (secured by real estate)	$ 87	1,152	—	106	42
Commercial and industrial	—	—	—	—	—
Construction, land and acquisition & development	—	—	—	—	—
Residential mortgage	4,507	5,430	—	4,354	153
Consumer installment	—	-	—	—	0
	4,594	6,582	—	4,460	195
With an allowance recorded:					
Commercial (secured by real estate)	1,771	1,771	3	1,790	—
Commercial and industrial	29	29	29	15	110
Construction, land and acquisition & development	—	—	—	—	—
Residential mortgage	922	922	7	931	—
Consumer installment	6	6	—	—	51
	2,728	2,728	39	2,736	161
Total impaired loans	$ 7,322	9,310	39	7,196	356
September 30, 2017					
With no related allowance recorded:					
Commercial (secured by real estate)	$ 83	2,745	—	115	19
Commercial and industrial	—	—	—	—	—
Construction, land and acquisition & development	—	—	—	—	—
Residential mortgage	5,611	7,678	—	5,636	224
Consumer installment	3	3	—	4	—
	5,697	10,426	—	5,755	243
With an allowance recorded:					
Commercial (secured by real estate)	1,810	1,810	10	1,834	122
Commercial and industrial	—	—	—	—	—
Construction, land and acquisition & development	—	—	—	—	—
Residential mortgage	685	685	4	696	38
Consumer installment	—	—	—	—	—
	2,495	2,495	14	2,530	160
Total impaired loans	$ 8,192	12,921	14	8,285	403

The following table presents the aging of the recorded investment in past due loans, as well as the recorded investment in nonaccrual loans, as of September 30, 2018 and 2017 by class of loans: (in thousands)

September 30, 2018	30 -59 Days Past Due	60- 89 Days Past Due	90 Days or Greater Past Due	Total Past Due	Current	Total	Nonaccrual
Commercial (secured by real estate)	$ 283	3	—	286	39,482	39,768	70
Commercial and industrial	—	—	—	—	28,375	28,375	29
Construction, land and acquisition & development	—	257	—	257	19,931	20,188	—
Residential mortgage	167	980	1,115	2,262	133,246	135,508	2,089
Consumer installment	—	30	7	37	2,518	2,555	7
Total	$ 450	1,270	1,122	2,842	223,552	226,394	2,195
September 30, 2017							
Commercial (secured by real estate)	$ —	$ —	45	45	29,816	29,861	129
Commercial and industrial	19	45	—	64	20,996	21,060	—
Construction, land and acquisition & development	—	—	—	—	25,165	25,165	—
Residential mortgage	173	3,236	1,559	4,968	133,907	138,875	3,540
Consumer installment	24	7	—	31	2,752	2,783	—
Total	$ 216	3,288	1,604	5,108	212,636	217,744	3,669

There were no loans past due over 90 days and still accruing interest as of September 30, 2018 and 2017.

The table below presents information on troubled debt restructurings including the number of loan contracts restructured and the pre- and post-modification recorded investment that have occurred during the years ended September 30, 2018 and 2017. Also included in the table are the number of contracts and the recorded investment for those trouble debt restructurings that have subsequently defaulted during the years ended September 30, 2018 and 2017: (in thousands)

				Troubled Debt Restructurings that have Subsequently Defaulted	
September 30, 2018	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of Contracts	Recorded Investment
Residential mortgage	1	30	30	—	—
September 30, 2017					
Residential mortgage	1	$ 18	$ 18	2	131

The Bank has allocated an allowance for loan losses of approximately $36,000 and $12,000 to customers whose loan terms have been modified in troubled debt restructurings as of September 30, 2018 and 2017, respectively.

The Bank categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information and current economic trends, among other factors. The Bank analyzes loans individually by classifying the loans as to credit risk. This analysis is performed on a continuous basis. The Bank uses the following definitions for its risk ratings:

Special Mention. Loans have potential weaknesses that may, if not corrected, weaken or inadequately protect the Bank's credit position at some future date. Weaknesses are generally the result of deviation from prudent lending practices, such as over advances on collateral. Credits in this category should, within a 12 month period, move to Pass if improved or drop to Substandard if poor trends continue.

Substandard. Inadequately protected by the current net worth and paying capacity of the obligor or by the collateral pledged, if any. Loans have a well-defined weakness or weaknesses such as primary source of repayment is gone or severely impaired or cash flow is insufficient to reduce debt. There is a distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.

Doubtful. Loans have weaknesses of those classified Substandard, with the added characteristic that the weaknesses make collection or liquidation in full highly questionable and improbable. The likelihood of a loss on an asset or portion of an asset classified Doubtful is high.

Loss. Loans considered uncollectible and of such little value that the continuance as a Bank asset is not warranted. This does not mean that the loan has no recovery or salvage value, but rather the asset should be charged off even though partial recovery may be possible in the future.

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be Pass rated loans. As of September 30, 2018 and 2017, and based on the most recent analysis performed, the risk category of loans by class of loans is as follows: (in thousands)

September 30, 2018	Pass	Special Mention	Substandard	Doubtful/ Loss	Total
Commercial (secured by real estate)	$ 39,387	—	381	—	39,768
Commercial and industrial	28,346	—	29	—	28,375
Construction, land and acquisition & development	20,010	—	178	—	20,188
Residential mortgage	129,441	66	6,001	—	135,508
Consumer installment	2,493	—	62	—	2,555
Total	$ 219,677	66	6,651	—	226,394

September 30, 2017	Pass	Special Mention	Substandard	Doubtful/ Loss	Total
Commercial (secured by real estate)	$ 29,416	—	445	—	29,861
Commercial and industrial	21,015	—	45	—	21,060
Construction, land and acquisition & development	25,165	—	—	—	25,165
Residential mortgage	132,725	224	5,926	—	138,875
Consumer installment	2,783	—	—	—	2,783
Total	$ 211,104	224	6,416	—	217,744

(4) Premises and Equipment

Premises and equipment at September 30, 2018 and 2017 are summarized as follows: (in thousands)

	2018	2017
Land	$ 1,416	$ 935
Buildings	9,111	8,629
Equipment and furniture	4,847	4,536
Construction in process	25	11
Automobile	123	123
	15,522	14,234
Less: Accumulated depreciation	6,482	5,780
	$ 9,040	$ 8,454

Depreciation expense was approximately $702,000 and $444,000 for the years ended September 30, 2018 and 2017, respectively.

The Company is obligated under non-cancelable operating leases for certain of its facilities and related land. At September 30, 2018, the approximate minimum annual rentals under these non-cancelable agreements with remaining terms in excess of one year are as follows: (in thousands)

Years ending September 30,		
2019	$	112
2020		77
2021		77
2022		77
2023		77
Thereafter		122
Total	$	542

Total rent expense for leased property approximated $122,000 and $92,000 for the years ended September 30, 2018 and 2017, respectively.

(5) Deposits

At September 30, 2018, contractual maturities of certificate of deposits are summarized as follows: (in thousands).

2019	$	23,173
2020		13,193
2021		6,144
2022		17,517
2023		9,120
Thereafter		16,551
	$	85,698

The aggregate amounts of certificates of deposit of $250,000 or more, the standard FDIC deposit insurance coverage limit per depositor, were approximately $11,854,000 at September 30, 2018 and $10,151,000 at September 30, 2017. The aggregate amounts of certificates of deposit of $100,000 or more were approximately $40,603,000 at September 30, 2018 and $36,885,000 at September 30, 2017.

The following is a summary of interest expense on deposits for the years ended September 30, 2018 and 2017: (in thousands)

		2018		2017
Passbook accounts	$	15	$	9
Interest bearing checking accounts		274		164
Market rate checking accounts		107		58
Certificate of deposits		1,024		852
	$	1,420	$	1,083

(6) Borrowings

At September 30, 2018 and 2017, the Bank had a line of credit totaling $89,000,000 and $70,000,000, respectively, from the FHLB, which is reviewed annually by the FHLB. The following advances, which require monthly or quarterly interest payments, were outstanding at September 30, 2018:

Advance Date	Advance	Interest Rate	Maturity	Rate	Call Feature
10/25/2017	$ 2,710,000	1.98%	10/26/2020	Fixed	None
10/25/2017	1,250,000	1.81%	10/25/2019	Fixed	None
11/13/2017	1,190,000	1.87%	11/13/2019	Fixed	None
11/13/2017	2,420,000	2.02%	11/13/2020	Fixed	None
	$ 7,570,000				

The Company had one FHLB letter of credit of $5.0 million, used to collateralize public deposits, outstanding at September 30, 2018.

At September 30, 2017, the Company had no advances or letters of credit outstanding.

At September 30, 2018 and 2017, the Bank had unsecured federal funds lines of credit of $12,500,000, for which no amounts were outstanding.

(7) Income Taxes

The components of income tax expense for the years ended September 30, 2018 and 2017 are as follows: (in thousands)

	2018	2017
Current	$ (231)	$ 655
Rate reduction adjustment	884	
Deferred	552	— 51
	$ 1,205	$ 706

The difference between income tax expense and the amount computed by applying the statutory federal income tax rate to income before taxes for the years ended September 30, 2018 and 2017 is as follows (in thousands):

	2018	2017
Statutory Federal tax rate	24.25%	34.0%
Pretax income at statutory rate	$ 401	$ 704
State income tax, net of federal benefit	3	23
Other	(83)	(21)
Tax reform deferred tax rate reduction adjustment	884	—
Actual tax expense (73% and 34%, respectively)	$ 1,205	$ 706

The following summarizes the sources and expected tax consequences of future deductions or income for income tax purposes which comprised the net deferred taxes at September 30, 2018 and 2017: (in thousands)

	2018	2017
Deferred income tax assets:		
Allowance for loan losses	$ 988	$ 1,731
Deferred compensation	923	1,487
Write downs on other real estate owned	—	2
Deferred gain on other real estate owned	56	107
State tax credits	325	227
Unrealized loss on investment securities available for sale	244	—
Other	36	38
Total deferred income tax assets	2,572	3,592
Deferred income tax liabilities:		
FHLB stock dividends	4	6
Premises and equipment	208	47
Unrealized gain on investment securities available-for-sale	—	31
Other	83	87
Total deferred income tax liabilities	295	171
Net deferred income tax asset	$ 2,277	$ 3,421

The Company establishes a valuation allowance if, based on the weight of the available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. As of September 30, 2018 and 2017, the Company believes that it will have sufficient earnings to realize its deferred tax asset and has not provided an allowance.

The Company is subject to federal income tax and income tax of state taxing authorities. The Company's federal income tax returns for the years ended September 30, 2018 and 2017 and its state taxing authorities income tax returns for the years ended September 30, 2015, 2016 and 2017 are open to audit under the statutes of limitations.

As a result of legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act") that was enacted on December 22, 2017, during the quarter ended December 31, 2017, the Company revised its estimated annual effective rate to reflect a change in the federal statutory tax rate from 34.0% to 21.0%. The Tax Act makes broad and complex changes to the U.S. tax code that affect the Company's fiscal year ended September 30, 2018, including reducing the U.S. federal corporate statutory tax rate to 21.0% beginning January 1, 2018, which results in a blended federal corporate statutory rate of 24.25% for the Company's fiscal year ended September 30, 2018, that is based on the applicable tax rates before and after the Tax Act and the number of days in the fiscal year.

During the quarter ended December 31, 2017, the Company revalued the deferred tax balance to reflect the new corporate tax rate, which resulted in a decrease in net deferred tax assets of approximately $884,000. As a result, income tax expense reported for the fiscal year ended September 30, 2018, was adjusted to reflect the effects of the change in the tax law and the application of the newly enacted rates to existing deferred balances.

(8) Employee Stock Ownership Plan

The Company sponsors an employee stock ownership plan (“ESOP”) that covers all employees who meet certain service requirements. The Company makes annual contributions to the ESOP in amounts as defined by the plan document. These contributions are used to pay debt service and purchase additional shares. Certain ESOP shares are pledged as collateral for debt. As the debt is repaid, shares are released from collateral and allocated to active employees, based on the proportion of debt service paid in the year.

In April 2017, the ESOP borrowed $2,954,990 payable to the Company for the purpose of purchasing shares of the Company’s common stock. A total of 295,499 shares were purchased with the loan proceeds as part of the Company’s initial stock offering. The balance of the note payable of the ESOP was $2,750,592 at September 30, 2018. Because the source of the loan payments are contributions received by the ESOP from the Company, the related notes receivable is shown as a reduction of stockholders' equity. As of September 30, 2018, 23,600 shares have been released.

(9) Benefit Plans

The Company has a profit sharing plan to provide retirement benefits for all employees. Contributions have been paid in the past to a trust fund annually by the Company in an amount determined by the Board of Directors. No contributions were made to the plan for the plan years ended September 30, 2018 and 2017 as the Board of Directors adopted an incentive program and paid cash bonuses rather than having contributions made to the profit sharing plan.

In January 2014, the Company added a 401(k) feature to the profit sharing plan that covers substantially all employees. Under the terms of the feature, the Company may make matching contributions to the plan and the employees can contribute up to the maximum amounts allowed by IRS guidelines. The contribution expense related to the 401(k) feature totaled $93,000 and $68,000 for the plan years ended September 30, 2018 and 2017, respectively.

The Company sponsors a deferred compensation plan for directors. Under this plan, participating directors may defer their Board fees and receive the deferred amounts plus interest upon completion of their time as a director or at their election. The cumulative deferred contributions for the directors in the plan and earnings thereon at September 30, 2018 and 2017 totaled approximately $3,650,000 and $3,916,000, respectively. These amounts are included in other liabilities in the accompanying consolidated balance sheets. No contributions have been made to the plan since 2015 as the plan was frozen as of June 30, 2015.

(10) Stockholders' Equity

Prior to January 1, 1996, the Bank was permitted under the Internal Revenue Code (the "Code") a special bad debt deduction related to additions to tax bad debt reserves established for the purpose of absorbing losses. The provisions of the Code permitted the Bank to deduct from taxable income an allowance for bad debts based on the greater of a percentage of taxable income before such deduction or actual loss experience. Retained earnings at September 30, 2018 includes approximately $3,625,000 for which no deferred Federal income tax liability has been recognized. The amounts represent an allocation of income for bad debt deductions for tax purposes only. Reduction of amounts so allocated for purposes other than tax bad debt losses would create income for tax purposes only, which would be subject to the then current corporate income tax rate.

On August 20, 1996, legislation was passed which eliminated the percentage of taxable income bad debt deduction for thrift institutions for tax years beginning after December 31, 1995. This legislation also requires a thrift to generally recapture the excess of its current tax reserves over its 1987 base year reserves whereas the base year reserves are frozen from taxation. No additional financial statement tax expense resulted from this legislation as the Bank had previously provided deferred taxes on this recaptured amount.

On October 31, 2016, the Board of Directors of the Bank adopted a Plan of Reorganization from a Mutual Savings Association to a Mutual Holding Company and Stock Issuance Plan (the "Plan"). The Plan was subject to the approval of the Board of Governors of the Federal Reserve System and the affirmative vote of at least a majority of the total votes eligible to be cast by the voting members of the Bank at a special meeting. Pursuant to the Plan, on April 27, 2017 the Bank converted to a stock savings bank and is now organized in the mutual holding company structure. The Bank issued all of its outstanding stock to a new holding company, Community First Bancshares, Inc., which sold 3,467,595 shares of common stock to the public at $10.00 per share, representing 46% of its outstanding shares of common stock. This amount included shares purchased by the Bank's employee stock ownership plan ("ESOP"), which purchased 3.92% of the common stock of the new holding company outstanding upon the completion of the reorganization and stock issuance. Community First Bancshares, Inc. is organized as a corporation under the laws of the United States. Community First Bancshares, MHC has been organized as a mutual holding company under the laws of the United States and owns 54% of the outstanding common stock of Community First Bancshares, Inc.

(11) Regulatory Matters

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 Bank'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 the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

In July 2013, the Federal bank regulatory agencies issued a final rule that revises their risk-based capital requirements and the method for calculating components of capital and of computing risk-weighted assets to make them consistent with agreements that were reached by the Basel Committee on Banking Supervision and certain provisions of the Dodd-Frank Act. The final rule applies to all depository institutions, top-tier bank holding companies with total consolidated assets of $500 million or more and top-tier savings and loan holding companies. The rule establishes a new common equity Tier 1 minimum capital requirement, increases the minimum capital ratios and assigns a higher risk weight to certain assets based on the risk associated with these assets. The final rule includes transition periods that generally implement the new regulations over a five year period. These changes were being phased in beginning in January 2015. Management continues to evaluate this final rule and its potential impact on the Bank. Preliminary assessments indicate that the Bank will continue to exceed all regulatory capital requirements under the phased in requirements of the new rule.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of Common Equity Tier 1, Total and Tier I Capital to Risk-Weighted Assets and of Tier I Capital to Average Assets. Management believes, as of September 30, 2018 and 2017, that the Bank meets all capital adequacy requirements to which it is subject.

As of September 30, 2018 and 2017, the most recent notification from the FDIC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum common equity Tier 1 risk-based, total risk-based, Tier I risk-based and Tier I leverage ratios as set forth below. There are no conditions or events since that notification that management believes have changed the Bank's category.

The Bank's actual capital amounts and ratios for September 30, 2018 and 2017 are presented in the table below (in thousands).

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of September 30, 2018:						
Common Equity Tier 1						
(to Risk Weighted Assets)	$ 60,658	30%	$ 9,155	4.5%	$ 13,223	6.5%
Total Capital						
(to Risk Weighted Assets)	$ 63,218	31%	$ 16,275	8%	$ 20,344	10%
Tier I Capital						
(to Risk Weighted Assets)	$ 60,658	30%	$ 12,206	6%	$ 16,275	8%
Tier I Capital						
(to Average Assets)	$ 60,658	20%	$ 12,068	4%	$ 15,085	5%
As of September 30, 2017:						
Common Equity Tier 1						
(to Risk Weighted Assets)	$ 59,919	33%	$ 8,069	4.5%	$ 11,655	6.5%
Total Capital						
(to Risk Weighted Assets)	$ 62,189	35%	$ 14,344	8%	$ 17,930	10%
Tier I Capital						
(to Risk Weighted Assets)	$ 59,919	33%	$ 10,758	6%	$ 14,344	8%
Tier I Capital						
(to Average Assets)	$ 59,919	22%	$ 11,130	4%	$ 13,913	5%

A reconciliation of the Bank's equity capital amounts under GAAP to tier 1 and total risk-based capital for September 30, 2018 and 2017 are presented in the table below (in thousands).

		2018	2017
Regulatory capital:			
Stockholders' equity	$	60,244	60,192
Disallowed deferred taxes and accumulated other comprehensive income		414	(273))
Tier 1 risk-based capital		60,658	59,919
Eligible allowance for loan losses		2,560	2,270
Total risk-based capital	$	63,218	62,189

(12) Related Party Transactions

The Company conducts transactions with its directors and executive officers, including companies in which they have beneficial interest, in the normal course of business. It is the policy of the Company that loan transactions with directors and executive officers be made on substantially the same terms as those prevailing at the time for comparable loans to other persons. The following is a summary of activity for related party loans for 2018: (in thousands).

Beginning balance	$	1,057
Loans advanced		31
Repayments		(74)
Ending balance	$	1,014

The aggregate amount of deposits from directors and executive officers and their affiliates amounted to approximately $1,671,000 and $1,432,000 at September 30, 2018 and 2017, respectively.

(13) Commitments

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments could include commitments to extend credit. Those instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the balance sheet. The contract amounts of those instruments reflect the extent of involvement the Company has in particular classes of financial instruments.

The exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

In most cases, the Bank requires collateral or other security to support financial instruments with credit risk.

		Appropriate Contract Amount	
		2018	2017
Financial instruments whose contract amounts represent credit risk: (in thousands)			
Commitments to extend credit	$	29,444	21,707

The dollar amount and ranges of rates of commitments to fund fixed rate loans follows: (in thousands)

	September 30,				
	2018			2017	
		Amount	Interest Rate Range	Amount	Interest Rate Range
Commitments to extend credit	$	9,239	2.30%-8.25%	15,288	2.30%-8.125%

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

(14) Fair Value Measurements and Disclosures

The Company utilizes fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. From time to time, the Company may be required to record at fair value other assets on a nonrecurring basis, such as impaired loans and other real estate owned. These nonrecurring fair value adjustments typically involve application of the lower of cost or market accounting or write-downs of individual assets. Additionally, the Company is required to disclose, but not record, the fair value of other financial instruments.

Fair Value Hierarchy

The Company groups assets and liabilities at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 – Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 – Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

Following is a description of valuation methodologies used for assets and liabilities recorded at fair value.

Cash and Cash Equivalents

The carrying value of cash and cash equivalents is a reasonable estimate of fair value.

Investment Securities Available-for-Sale

Available-for-sale securities are recorded at market value. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions and other factors such as credit loss assumptions. Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange, and U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter market funds. Level 2 securities include mortgage-backed securities issued by government sponsored enterprises and state, county and municipal bonds. Securities classified as Level 3 include asset-backed securities in less liquid markets.

Investment Securities Held-to-Maturity

Held-to-maturity securities are recorded at cost, adjusted for the amortization or accretion of premiums and discounts. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions and other factors such as credit loss assumptions. Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange, and U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter market funds. Level 2 securities include mortgage-backed securities issued by government sponsored enterprises and state, county and municipal bonds. Securities classified as Level 3 include asset-backed securities in less liquid markets.

FHLB Stock

The carrying value of FHLB Stock approximates fair value.

Loans and Loans Held for Sale

The Company does not record loans at fair value on a recurring basis. However, from time to time, a loan is considered impaired and a specific reserve is established within the allowance for loan losses. Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement are considered impaired. Once a loan is identified as individually impaired, management measures impairment in accordance with GAAP. The fair value of impaired loans is estimated using one of three methods, including collateral value, market value of similar debt, and discounted cash flows. Those impaired loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceed the recorded investments in such loans. In accordance with GAAP, impaired loans where an allowance is established based on the fair value of collateral require classification in the fair value hierarchy. When the fair value of the collateral is based on an observable market price, the Company records the impaired loan as nonrecurring Level 2. When an appraised value is used or an appraisal 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 price, the Company records the impaired loan as nonrecurring Level 3. For disclosure purposes, the fair value of fixed rate loans which are not considered impaired is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings. For unimpaired variable rate loans, the carrying amount is a reasonable estimate of fair value for disclosure purposes.

The estimated fair value of loans held for sale, classified within Level 2, is approximated by the carrying value, given the short-term nature of the loans and similarly to what secondary markets are currently offering for portfolios of loans with similar characteristics.

Other Real Estate Owned

Other real estate properties are adjusted to fair value upon transfer of the loans to other real estate. Subsequently, other real estate assets are carried at fair value less estimated selling costs. Fair value is based upon independent market prices, appraised values 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, the Bank records the other real estate as nonrecurring Level 2. When an appraised value is used or an appraisal 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 price, the Bank records the other real estate asset as nonrecurring Level 3.

Bank Owned Life Insurance

The carrying value of Bank Owned Life Insurance approximates fair value.

Deposits

The fair value of passbook accounts, interest bearing checking accounts, non-interest bearing checking accounts and market rate checking accounts is the amount payable on demand at the reporting date, while the fair value of fixed maturity certificate of deposits is estimated by discounting the future cash flows using current rates at which comparable certificates would be issued.

Federal Home Loan Bank Advances

Federal Home Loan Bank advances are carried at cost and the fair value is obtained from the Federal Home Loan Bank of Atlanta.

Commitments to Extend Credit

Commitments to extend credit are short-term and, therefore, the carrying value and the fair value are considered immaterial for disclosure.

Assets Recorded at Fair Value on a Recurring Basis

The Company's only assets recorded at fair value on a recurring basis are available-for-sale securities that had a fair value of $21.4 million and $14.3 million at September 30, 2018 and 2017, respectively. They are classified as Level 2.

Assets Recorded at Fair Value on a Nonrecurring Basis

The Company may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis in accordance with GAAP. These include assets that are measured at the lower of cost or market that were recognized at fair value below cost at the end of the period. Assets measured at fair value on a nonrecurring basis are included in the table below as of September 30, 2018 and 2017 (in thousands).

September 30, 2018	Level 1	Level 2	Level 3	Total
Other real estate owned	$ —	—	67	67
Impaired loans	—	—	7,283	7,283
Total assets at fair value	$ —	—	7,350	7,350

September 30, 2017	Level 1	Level 2	Level 3	Total
Other real estate owned	$ —	—	61	61
Impaired loans	—	—	8,178	8,178
Total assets at fair value	$ —	—	8,239	8,239

The carrying amounts and estimated fair values (in thousands) of the Company's financial instruments at September 30, 2018 and 2017 are as follows:

	September 30, 2018		September 30, 2017	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets:				
Cash and cash equivalents	$ 40,796	40,796	35,943	35,943
Investment securities				
available-for-sale	$ 21,360	21,360	14,345	14,345
held-to-maturity	$ 1,000	990	1,000	1,001
FHLB Stock	$ 580	580	216	216
Loans held for sale	$ —	—	117	117
Loans, net	$ 222,485	188,870	213,193	198,637
Bank owned life insurance	$ 7,195	7,195		
Financial liabilities:				
Deposits	$ 216,387	216,280	194,613	194,300
FHLB advances	$ 7,570	7,706	—	—

Limitations

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Because no market exists for a significant portion of the Company's financial instruments, fair value estimates are based on many judgments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair value estimates are based on existing on and off-balance sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. Significant assets and liabilities that are not considered financial instruments include deferred income taxes and premises and equipment. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in the estimates.

(15) Condensed Parent Company Only Financial Information

Community First Bancshares, Inc. began its operations April 28, 2017, when it was formed as a result of the capital raise of Newton Federal Bank. A condensed summary of its financial information is shown as if the reorganization/ formation had occurred as of the beginning of the year.

Parent Only Condensed Balance Sheets

	September 30, 2018	September 30, 2017
	(In thousands)	(In thousands)
Assets		
Cash in bank subsidiary	$ 13,223	$ 13,801
Cash in banks	$ 252	
Investment in subsidiary, at underlying equity:	60,245	60,232
Loan receivable - ESOP	2,751	2,821
Other assets	—	—
Total assets	$ 76,471	$ 76,854
Liabilities and Stockholders' Equity		
Liabilities :		
Other liabilities	$ 88	$ 58
Total liabilities	88	58
Stockholders' equity:		
Total stockholders' equity	76,383	76,796
Total liabilities and stockholders' equity	$ 76,471	$ 76,854

COMMUNITY FIRST BANCSHARES, INC.

Notes to Consolidated Financial Statements

Parent Only Condensed Statements of Income

	Year Ended September 30, 2018 (In thousands)	Year Ended September 30, 2017 (In thousands)
Interest income:		
Income on ESOP loan	$ 120	$ 51
Interest on bank deposits	4	
Total interest income	124	51
Non-interest expenses:		
Other non-interest expense	371	85
Loss before income taxes	(247)	(34)
Income tax expense	60	12
Loss before equity in undistributed earnings of Bank	(187)	(22)
Equity in undistributed earnings of Bank	635	1,387
Net income	$ 449	$ 1,365

Parent Only Condensed Statements of Cash Flows

	Year Ended September 30, 2018 (In thousands)	Year Ended September 30, 2017 (In thousands)
Cash flows from operating activities:		
Net income	$ 449	$ 1,365
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Proceeds from ESOP loan	190	185
Equity in undistributed earnings of Bank	(635)	(1,387)
Other	(82)	(2)
Net cash (used in) provided by operating activities	(78)	161
Cash flows from investing activities:		
Capital injection into Bank:	—	(16,496)
Net cash used in investing activities	—	(16,496)
Cash flows from financing activities:		
Proceeds from stock offering	—	34,576
Stock offering expenses	—	(1,485)
Funding of ESOP	—	(2,955)
Purchase of treasury stock	(248)	
Net cash (used in) provided by financing activities	(248)	30,136
Net change in cash and cash equivalents	(326)	13,801
Cash and cash equivalents at beginning of period	13,801	—
Cash and cash equivalents at end of period	$ 13,475	$ 13,801

ITEM 9. **Changes In and Disagreements With Accountants on Accounting and Financial Disclosure**

None.

ITEM 9A. **Controls and Procedures**

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based upon that evaluation, the principal executive officer and principal financial officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective.

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting.

The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management, including the principal executive officer and principal financial officer, assessed the effectiveness of the Company's internal control over financial reporting as of September 30, 2018, based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in "Internal Control-Integrated Framework (2013)." Based on such assessment, management believes that, as of September 30, 2018, the Company's internal control over financial reporting is effective, based on those criteria.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. As the Company is a non-accelerated filer, management's report is not subject to attestation by the Company's registered public accounting firm pursuant to provisions of the Dodd-Frank Act that permit the Company to provide only the management's report in this annual report.

There were no changes made in our internal controls during the quarter ended September 30, 2018 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. **Other Information**

None.

PART III

ITEM 10. Directors, Executive Officers and Corporate Governance

Community First Bancshares, Inc. has adopted a Code of Ethics that applies to its principal executive officer, principal financial officer and principal accounting officer or controller or persons performing similar functions. A copy of the Code is available on Community First Bancshares, Inc.'s website at www.newtonfederal.com under "About Us – Investor Relations – Governance – Governance Documents."

The information contained under the sections captioned "Proposal I – Election of Directors" in the Company's definitive Proxy Statement for the 2019 Annual Meeting of Stockholders (the "Proxy Statement") is incorporated herein by reference.

ITEM 11. Executive Compensation

The information contained under the section captioned "Proposal I – Election of Directors – Executive Compensation" in the definitive Proxy Statement is incorporated herein by reference.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

(a) Securities Authorized for Issuance under Stock-Based Compensation Plans

Set forth below is information as of September 30, 2018 with respect to compensation plans (other than our Employee Stock Ownership Plan) under which Company equity securities are authorized for issuance. Other than our Employee Stock Ownership Plan, we do not have any equity compensation plans that were not approved by our stockholders. Equity compensation plans approved by stockholders consist of the Community First Bancshares, Inc. 2018 Equity Incentive Plan (the "2018 Equity Incentive Plan").

Equity Compensation Plan Information

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price outstanding options, warrants and rights	Number of securities remaining available for future issuance under stock-based compensation plans (excluding securities reflected in first column)
Equity compensation plans approved by security holders	0	N/A	0
Equity compensation plans not approved by security holders	0	N/A	0
Total	517,123	N/A	517,123

(b) Security Ownership of Certain Beneficial Owners

The information required by this item is incorporated herein by reference to the section captioned "Voting Securities and Principal Holders" in the Proxy Statement.

(c) Security Ownership of Management

The information required by this item is incorporated herein by reference to the section captioned "Voting Securities and Principal Holders" in the Proxy Statement.

(d) Changes in Control

Management of the Company knows of no arrangements, including any pledge by any person of securities of the Company, the operation of which may at a subsequent date result in a change in control of the registrant.

ITEM 13. **Certain Relationships and Related Transactions, and Director Independence**

The information required by this item is incorporated herein by reference to the sections captioned “Proposal I – Election of Directors – Transactions with Certain Related Persons,” “– Board Independence” and “– Meetings and Committees of the Board of Directors” of the Proxy Statement.

ITEM 14. **Principal Accountant Fees and Services**

The information required by this item is incorporated herein by reference to the section captioned “Proposal II – Ratification of Appointment of Independent Registered Public Accounting Firm” of the Proxy Statement.

PART IV

ITEM 15. Exhibits and Financial Statement Schedules

3.1	Charter of Community First Bancshares, Inc. (incorporated by reference to Exhibit 3.1 to the Registration Statement on Form S-1 of Community First Bancshares, Inc. (File No. 333-215041), initially filed with the Securities and Exchange Commission on December 12, 2016)
3.2	Bylaws of Community First Bancshares, Inc. (incorporated by reference to Exhibit 3.2 to the Registration Statement on Form S-1 of Community First Bancshares, Inc. (File No. 333-215041), initially filed with the Securities and Exchange Commission on December 12, 2016)
3.3	Amendment to Bylaws of Community First Bancshares, Inc. (incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K of Community First Bancshares, Inc. (File No. 001-38074), filed with the Securities and Exchange Commission on November 2, 2017.)
3.4	Amendment to Bylaws of Community First Bancshares, Inc. (incorporated by reference to Exhibit 3 to the Current Report on Form 8-K of Community First Bancshares, Inc. (File No. 001-38074), filed with the Securities and Exchange Commission on November 1, 2018)
3.5	Amendment to Bylaws of Community First Bancshares, Inc. (incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K of Community First Bancshares, Inc. (File No. 001-38074), filed with the Securities and Exchange Commission on December 7, 2018)
4	Form of Common Stock Certificate of Community First Bancshares, Inc. (incorporated by reference to Exhibit 4 to the Registration Statement on Form S-1 of Community First Bancshares, Inc. (File No. 333-215041), initially filed with the Securities and Exchange Commission on December 12, 2016)
10.1	Directors Deferred Compensation Plan (incorporated by reference to Exhibit 10.2 to the Registration Statement on Form S-1 of Community First Bancshares, Inc. (File No. 333-215041), initially filed with the Securities and Exchange Commission on December 12, 2016) †
10.2	Comprehensive Release and Severance Agreement (incorporated by reference to Exhibit 10.3 to the Registration Statement on Form S-1 of Community First Bancshares, Inc. (File No. 333-215041), initially filed with the Securities and Exchange Commission on December 12, 2016)†
10.3	Community First Bancshares, Inc. 2018 Equity Incentive Plan (incorporated by reference to Appendix A to the Proxy Statement for the Annual Meeting of Stockholders of Community First Bancshares, Inc. (File No. 001-38074), filed with the Securities and Exchange Commission on July 18, 2018)†
10.4	Employment Agreement between Newton Federal Bank, Community First Bancshares, Inc. and Johnny S. Smith (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Community First Bancshares, Inc. (File No. 001-38074), filed with the Securities and Exchange Commission on September 7, 2018)†
10.5	Employment Agreement between Newton Federal Bank, Community First Bancshares, Inc. and Gregory J. Proffitt (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K of Community First Bancshares, Inc. (File No. 001-38074), filed with the Securities and Exchange Commission on September 7, 2018)†
10.6	Employment Agreement between Newton Federal Bank, Community First Bancshares, Inc. and Tessa M. Nolan (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K of Community First Bancshares, Inc. (File No. 001-38074), filed with the Securities and Exchange Commission on September 7, 2018)†
10.7	Employment Agreement between Newton Federal Bank, Community First Bancshares, Inc. (as guarantor) and Kenneth D. Lumpkin (incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K of Community First Bancshares, Inc. (File No. 001-38074), filed with the Securities and Exchange Commission on September 7, 2018)†
21	Subsidiaries of Registrant
23	Consent of Porter Keadle Moore, LLC

31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following materials from the Company’s Annual Report on Form 10-K, formatted in XBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Income, (iii) Consolidated Statements of Comprehensive (Loss) Income, (iv) Consolidated Statements of Changes in Stockholders’ Equity, (v) Consolidated Statements of Cash Flows and (vi) Notes to the Consolidated Financial Statements

† Management contract or compensation plan or arrangement.

ITEM 16. Form 10-K Summary

Not applicable

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COMMUNITY FIRST BANCSHARES, INC.

Date: December 21, 2018	By:	/s/ Johnny S. Smith Johnny S. Smith President, Chief Executive Officer and Director (Duly Authorized Representative)

Pursuant to the requirements of the Securities Exchange of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ Johnny S. Smith Johnny S. Smith	President, Chief Executive Officer and Director (Principal Executive Officer)	December 21, 2018
/s/ Tessa M. Nolan Tessa M. Nolan	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	December 21, 2018
/s/ William D. Fortson, Jr. William D. Fortson, Jr.	Chairman of the Board	December 21, 2018
/s/ Marshall L. Ginn Marshall L. Ginn	Director	December 21, 2018
/s/ Bob W. Richardson Bob W. Richardson	Director	December 21, 2018
/s/ Howard G. Roberts Howard G. Roberts	Director	December 21, 2018
/s/ Mark Ross Mark Ross	Director	December 21, 2018
/s/ Edward P. Stone Edward P. Stone	Director	December 21, 2018

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Section 2: EX-21 (EX-21)

EXHIBIT 21

SUBSIDIARIES OF THE REGISTRANT

Name	State of Incorporation	Ownership Percentage
Newton Federal Bank	Federal	100%

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Section 3: EX-23 (EX-23)

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement (No. 333-227212) on Form S-8 of Community First Bancshares, Inc. of our report dated December 21, 2018, relating to the consolidated financial statements of Community First Bancshares, Inc., appearing in this Annual Report on Form 10-K of Community First Bancshares, Inc. for the year ended September 30, 2018.

/s/ Porter Keadle Moore, LLC

Atlanta, Georgia
December 21, 2018

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Section 4: EX-31.1 (EX-31.1)

Exhibit 31.1

Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Johnny S. Smith, certify that:

1. I have reviewed this annual report on Form 10-K of Community First Bancshares, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant is made known to us by others within the entity, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors:

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 21, 2018

/s/ Johnny S. Smith
Johnny S. Smith
President and Chief Executive Officer

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Section 5: EX-31.2 (EX-31.2)

Exhibit 31.2

Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Tessa M. Nolan, certify that:

1. I have reviewed this annual report on Form 10-K of Community First Bancshares, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant is made known to us by others within the entity, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 21, 2018

/s/ Tessa M. Nolan
Tessa M. Nolan
Senior Vice President and Chief Financial Officer

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Section 6: EX-32 (EX-32)

Exhibit 32

Certification of Chief Executive Officer and Chief Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Johnny S. Smith, President and Chief Executive Officer of Community First Bancshares, Inc., (the "Company") and Tessa M. Nolan, Senior Vice President and Chief Financial Officer of the Company, each certify in his or her capacity as an officer of the Company that they have reviewed the annual report on Form 10-K for the year ended September 30, 2018 (the "Report") and that to the best of their knowledge:

1. the Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 21, 2018	/s/ Johnny S. Smith Johnny S. Smith President and Chief Executive Officer
Date: December 21, 2018	/s/ Tessa M. Nolan Tessa M. Nolan Senior Vice President and Chief Financial Officer

The purpose of this statement is solely to comply with Title 18, Chapter 63, Section 1350 of the United States Code, as amended by Section 906 of the Sarbanes-Oxley Act of 2002.

A signed original of this written statement required by Section 906 has been provided to Community First Bancshares, Inc. and will be retained by Community First Bancshares, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

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