

METAIRIE BANK AND TRUST COMPANY

DECEMBER 31, 2015 AND 2014

METAIRIE, LOUISIANA

TABLE OF CONTENTS

Audited Financial Statements:

Independent Auditor's Report.....	Page	1 - 2
Balance Sheets.....		3
Statements of Income.....		4
Statements of Comprehensive Income.....		5
Statements of Changes in Shareholders' Equity.....		6
Statements of Cash Flows.....		7 - 8
Notes to Financial Statements.....		9 - 39

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Independent Auditor's Report

To the Board of Directors and Stockholders
Metairie Bank and Trust Company
Metairie, Louisiana

We have audited the accompanying financial statements of Metairie Bank and Trust Company (a Corporation), which comprise the Balance Sheets as of December 31, 2015 and 2014, and the related Statements of Income, Comprehensive Income, Changes in Shareholders' Equity and Cash Flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Metairie Bank and Trust Company as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Respectfully submitted,

Harris T. Bourgeois, LLP

New Orleans, Louisiana
March 1, 2016

METAIRIE BANK AND TRUST COMPANY

BALANCE SHEETS

AS OF DECEMBER 31, 2015 AND 2014

ASSETS

	<u>2015</u>	<u>2014</u>
Cash and Due From Banks	\$ 20,408,975	\$ 14,722,915
Federal Funds Sold	3,401,368	455,112
Total Cash and Cash Equivalents	23,810,343	15,178,027
Interest Bearing Deposits with other Banks	1,221,151	1,221,151
Securities Available-for-Sale	72,342,559	85,367,922
Mortgage Loans Available-for Sale	-	546,000
Loans, Less Allowance for Loan Losses of \$2,084,168 for 2015 and \$1,896,304 for 2014	251,465,371	227,899,966
Bank Premises and Equipment, Net	10,513,714	10,666,636
Accrued Interest Receivable	860,867	843,594
Other Real Estate Owned	-	98,200
Investment in FNBB Stock	250,000	250,000
Investment in FHLB of Dallas Stock	156,500	156,100
Other Investments	400,000	400,000
Cash Surrender Value of Life Insurance	2,769,997	2,992,099
Other Assets	1,893,832	2,015,178
Total Assets	<u>\$ 365,684,334</u>	<u>\$ 347,634,873</u>

LIABILITIES

Deposits:		
Non-Interest Bearing	\$ 106,122,535	\$ 97,544,684
Interest Bearing	220,096,139	210,941,145
Total Deposits	326,218,674	308,485,829
Accrued Interest Payable	46,070	61,141
Dividends Payable	1,021,772	919,594
Deferred Tax Liability	782,070	691,008
Other Liabilities	1,135,691	1,136,687
Total Liabilities	329,204,277	311,294,259

STOCKHOLDERS' EQUITY

Common Stock - \$1 Par Value, 2,100,000 Shares Authorized		
2,043,543 Issued and Outstanding	2,043,543	2,043,543
Capital Surplus	9,956,457	9,956,457
Retained Earnings	25,332,634	25,267,150
Accumulated Other Comprehensive Income (Loss)	(852,577)	(926,536)
Total Stockholders' Equity	36,480,057	36,340,614
Total Liabilities and Stockholders' Equity	<u>\$ 365,684,334</u>	<u>\$ 347,634,873</u>

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

METAIRIE BANK AND TRUST COMPANY

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
Interest Income:		
Interest and Fees on Loans	\$ 10,994,573	\$ 9,894,440
Interest and Dividends on Securities-Taxable	1,106,257	1,135,739
Interest and Dividends on Securities-Non-taxable	124,280	154,353
Interest on Federal Funds Sold	3,273	2,853
Total Interest Income	12,228,383	11,187,385
Interest Expense:		
Interest Expense on Deposits	498,489	582,913
Interest on Borrowings	24	-
Total Interest Expense	498,513	582,913
Net Interest Income	11,729,870	10,604,472
Provision for Loan Losses	290,000	-
Net Interest Income after Provision for Loan Losses	11,439,870	10,604,472
Noninterest Income:		
Customer Service Fees	2,467,015	2,519,706
Gain on Sale of Loans	107,058	65,372
Other	704,634	540,104
Total Noninterest Income	3,278,707	3,125,182
Noninterest Expense:		
Salaries and Employee Benefits	6,510,713	6,313,628
Occupancy Expense	1,205,396	1,168,084
Other Operating Expenses	4,005,618	3,784,622
Total Noninterest Expense	11,721,727	11,266,334
Income Before Income Taxes	2,996,850	2,463,320
Provision for Income Taxes	990,000	708,035
Net Income	\$ 2,006,850	\$ 1,755,285

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

METAIRIE BANK AND TRUST COMPANY

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Net Income	\$ 2,006,850	\$ 1,755,285
Other Comprehensive Income:		
Unrealized (Losses) Gains on Investment Securities	361,952	878,577
Income Tax Effect	<u>(123,064)</u>	<u>(298,716)</u>
	<u>238,888</u>	<u>579,861</u>
Reclassification Adjustment for Losses (Gains) Realized	1,554	(38,470)
Income Tax Effect	<u>(528)</u>	<u>13,080</u>
	<u>1,026</u>	<u>(25,390)</u>
Unrecognized Pension Plan Gains (Losses)	(251,447)	676,786
Income Tax Effect	<u>85,492</u>	<u>(230,107)</u>
	<u>(165,955)</u>	<u>446,679</u>
Total Other Comprehensive Income, Net of Taxes	<u>73,959</u>	<u>1,001,150</u>
Comprehensive Income	<u>\$ 2,080,809</u>	<u>\$ 2,756,435</u>

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

METAIRIE BANK AND TRUST COMPANY

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balances, December 31, 2013	\$ 2,043,543	\$ 5,956,457	\$ 29,248,877	\$ (1,927,686)	\$ 35,321,191
Comprehensive Income:					
Net Income	-	-	1,755,285	-	1,755,285
Other Comprehensive Income	-	-	-	1,001,150	1,001,150
Transfer to Capital Surplus	-	4,000,000	(4,000,000)	-	-
Cash Dividends (\$.85 per Share)	-	-	(1,737,012)	-	(1,737,012)
Balances, December 31, 2014	2,043,543	9,956,457	25,267,150	(926,536)	36,340,614
Comprehensive Income:					
Net Income	-	-	2,006,850	-	2,006,850
Other Comprehensive Income	-	-	-	73,959	73,959
Cash Dividends (\$.95 per Share)	-	-	(1,941,366)	-	(1,941,366)
Balances, December 31, 2015	<u>\$ 2,043,543</u>	<u>\$ 9,956,457</u>	<u>\$ 25,332,634</u>	<u>\$ (852,577)</u>	<u>\$ 36,480,057</u>

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

METAIRIE BANK AND TRUST COMPANY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
Cash Flows From Operating Activities:		
Net Income	\$ 2,006,850	\$ 1,755,285
Adjustments To Reconcile Net Income to Net Cash		
Provided by Operating Activities:		
Net Amortization on Securities Available-for-Sale	355,886	444,218
Net (Gain) Loss on Sale of Securities Available-for-Sale	1,554	(38,470)
Net (Gain) Loss on Sale of Foreclosed Assets	18,479	-
Provision for Loan Losses	290,000	-
Provision (Benefit) for Deferred Income Taxes	52,962	54,655
Provision for Write Down of Other Real Estate	14,499	15,259
Depreciation and Amortization	616,371	556,595
Stock Dividend on FHLB of Dallas Stock	(400)	(400)
Changes in Assets and Liabilities:		
(Increase) Decrease in Mortgage Loans Available for Sale	546,000	(396,000)
(Increase) Decrease in Accrued Interest Receivable	(17,273)	32,803
(Increase) Decrease in Cash Surrender Value of Life		
Insurance	222,102	81,028
(Increase) Decrease in Other Assets	(130,101)	(244,438)
Increase (Decrease) in Accrued Interest Payable	(15,071)	(17,839)
Increase (Decrease) in Dividends Payable	102,178	-
Increase (Decrease) in Other Liabilities	(996)	(18,570)
Net Cash Provided by Operating Activities	4,063,040	2,224,126
Cash Flows From Investing Activities:		
Purchases of Securities Available-for-Sale	-	(23,508,629)
Proceeds from Maturities, Calls and Paydowns of Securities		
Available-for-Sale	13,031,429	16,704,200
Purchase of Interest Bearing Deposits in Other		
Financial Institutions	(976,152)	(1,221,151)
Proceeds from Maturities of Interest Bearing Deposits in		
Other Financial Institutions	976,152	1,221,848
Proceeds from Sale of Foreclosed Assets	136,922	-
Net (Increase) Decrease in Loans	(23,927,105)	(18,593,455)
Purchases of Premises and Equipment	(463,449)	(453,870)
Net Cash Used in Investing Activities	(11,222,203)	(25,851,057)

(CONTINUED)

	<u>2015</u>	<u>2014</u>
Cash Flows From Financing Activities:		
Net Increase (Decrease) in Deposits	17,732,845	413,911
Cash Dividends	<u>(1,941,366)</u>	<u>(1,737,012)</u>
Net Cash Provided by (Used in) Financing Activities	<u>15,791,479</u>	<u>(1,323,101)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	8,632,316	(24,950,032)
Cash and Cash Equivalents - Beginning of Year	<u>15,178,027</u>	<u>40,128,059</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 23,810,343</u></u>	<u><u>\$ 15,178,027</u></u>
Supplemental Disclosures of Cash Flow Information:		
Cash Payments for:		
Interest on Deposits	<u>\$ 513,560</u>	<u>\$ 600,752</u>
Interest on Federal Funds Purchased	<u>\$ 24</u>	<u>\$ -</u>
Income Taxes	<u>\$ 1,028,531</u>	<u>\$ 640,000</u>
Supplemental Schedule of Noncash Investing Activities:		
Change in Unrealized (Loss) Gain on Securities Available-for-Sale	<u>\$ 363,506</u>	<u>\$ 840,107</u>
Change in Deferred Tax Effect on the Unrealized Gain (Loss) on Securities Available-for-Sale	<u>\$ 123,592</u>	<u>\$ 285,636</u>
Foreclosed Real Estate Acquired in Settlement of Loans	<u>\$ 71,700</u>	<u>\$ 113,459</u>

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

METAIRIE BANK AND TRUST COMPANY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

Note 1 - Summary of Significant Accounting Policies -

Nature of Operations

Metairie Bank and Trust Company (the Bank) operates under a state bank charter and provides full banking services. The Bank is subject to regulation of the Federal Deposit Insurance Corporation and the Office of Financial Institutions of the State of Louisiana. The Bank serves the immediate and surrounding geographic areas from its seven offices located in Metairie and Mandeville, Louisiana, and generates commercial, mortgage and consumer loans to and receives deposits from individual and business customers located in these and surrounding areas. In addition, the Bank operates a full service insurance agency, MB Insurance, and an investment advisory firm, MB Investments.

The Bank's loan portfolio consists mainly of consumer, commercial and mortgage loans. That portion of the Bank's loan portfolio, which is secured, has been collateralized largely by area real estate. The loans are expected to be repaid from cash flows of the borrowers. Some of the activities that the economy of the region of Louisiana in which the Bank operates is dependent upon include the petrochemical industry, port activity along that region of the Mississippi River, healthcare and tourism. Significant declines in these activities and the general economic conditions in the Bank's market areas could affect borrowers' abilities to repay loans and cause a decline in value of the assets securing the loan portfolio.

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for losses on loans, the valuation of foreclosed real estate, the valuation of deferred tax assets, other than temporary impairments of securities and the fair value of financial instruments. While management uses available information to recognize losses on loans, further reductions in the carrying amounts of loans may be necessary based on changes in local economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the estimated losses on loans. Such agencies may require the Bank to recognize additional losses based on their judgments about information available to them at the time of their examination. Because of these factors, it is reasonably possible that these estimates may change in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

The accounting and reporting policies of the Bank are in accordance with U.S. generally accepted accounting principles and conform to general practices within the banking industry. The more significant of the principles used in preparing the financial statements are briefly described below:

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand and due from banks, interest bearing deposits with maturities of less than 90 days and federal funds sold.

Securities

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

Trading account securities are carried at market value. Gains and losses, both realized and unrealized, are reflected in earnings. Held to maturity securities are stated at amortized cost. Available for sale securities are stated at fair value, with unrealized gains and losses, net of tax, reported in a separate component of other comprehensive income.

The amortized cost of debt securities classified as held to maturity or available for sale is adjusted for amortization of premiums and accretion of discounts to maturity or, in the case of mortgage-backed securities, over the estimated life of the security. Amortization, accretion and accrued interest are included in interest income on securities.

Realized gains and losses, and declines in value judged to be other than temporary, are included in net securities gains and losses. The cost of securities sold is determined based on the specific identification method.

Declines in the fair value of individual held-to-maturity and available-for-sale securities below their cost that are other-than-temporary result in write-downs of the individual securities to their fair value. The written down amount then becomes the security's new cost basis. The related write-downs are included in earnings as realized losses. In estimating whether to recognize other-than-temporary impairment losses on a security, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Bank to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. Current guidance replaced the "intent and ability" indication in prior guidance by specifying that (a) if management does not have the intent to sell a debt security prior to recovery and (b) it is more likely than not that it will not have to sell the debt security prior to recovery, the security would not be considered other-than-temporarily impaired unless there is a credit loss identified within the security. When management does not intend to sell the security, and it is more likely than not, management will not have to sell the security before recovery of its cost basis, it will recognize the credit component of an other-than-temporary impairment of a debt security in earnings and the remaining portion in other comprehensive income. For held-to-maturity debt securities, the amount of an other-than-temporary impairment recorded in other comprehensive income for the noncredit portion of a previous other-than-temporary impairment should be amortized prospectively over the remaining life of the security on the basis of the timing of future estimated cash flows of the security.

Mortgage Loans Held for Sale

Mortgage loans originated and intended for sale in the secondary market are carried at the lower of cost or fair value under fair value option accounting guidance for financial instruments. For these loans, gains and losses on loan sales are recorded in noninterest income, and direct loan origination costs and fees are deferred at origination of the loan and are recognized in noninterest income upon sale of the loan.

Loans

The Bank grants mortgage, commercial and consumer loans to customers. Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at their outstanding unpaid principal balances adjusted for unearned income, the allowance for loan losses and any unamortized deferred fee or costs on originated loans, and premiums or discounts on purchased loans. Unearned income relates principally to consumer installment loans. Interest income on these loans is recognized using the interest method over the life of the loan.

When the payment of principal or interest on a loan is delinquent for 90 days, or earlier in some cases, the loan is placed on non-accrual status, unless the loan is in the process of collection and the underlying collateral fully supports the carrying value of the loan. Past due status is based on contractual terms of the loan. In all cases, loans are placed on non-accrual status or charged off at an earlier date if collection of principal or interest is considered doubtful.

If the decision is made to continue accruing interest on the loan, periodic reviews are made to confirm the accruing status of the loan. When a loan is placed on a non-accrual basis, interest accrued during the current year prior to the judgment of uncollectability is charged to operations. Interest accrued during prior periods is charged to allowance for loan losses. Generally, any payments received on non-accrual loans are applied first to outstanding loan amounts and next to the recovery of charged-off loan amounts. Any excess is treated as recovery of lost interest.

The Bank considers a loan to be impaired when, based upon current information and events, it believes it is probable that the Bank will be unable to collect all amounts due according to the contractual terms of the loan agreement. The Bank's impaired loans include troubled debt restructuring and performing and non-performing major loans in which full payment of principal or interest is not expected. Non-major homogenous loans, which are evaluated on an overall basis, generally include all loans under \$500,000. The Bank calculates a reserve required for impaired loans 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 the fair value of its collateral.

Allowance for Loan Losses

The allowance for loan losses is maintained at a level which is considered adequate to reflect estimated probable credit losses inherent in the loan portfolio that have been incurred as of the balance sheet date as well as estimated credit losses associated with specifically identified loans. A formal review of the allowance for loan losses is prepared periodically to assess the risk of loss in the loan portfolio and to determine the adequacy of the allowance for loan losses. For purposes of the periodic review, loans are aggregated into pools based on various characteristics. Some of those characteristics include payment status, concentrations, risk rating, loan to collateral value and the financial status of borrowers.

The allowance allocated to each of these pools is based on historical charge-off rates, adjusted for changes in the credit risk characteristics within these pools, as determined from current information and analyses. Management also ensures that the overall allowance appropriately reflects current macroeconomic conditions, industry exposure and a margin for the imprecision inherent in most estimates of expected credit losses.

As a result, such amount is reflected in a portion of the allowance that is included to provide for probable losses incurred but unidentified within the loan portfolio as of the balance sheet date and not to provide for possible or future losses beyond the balance sheet date. This portion of the allowance, which is judgmentally determined, generally serves to compensate for the uncertainty in estimating loan losses, particularly in times of changing economic conditions, and considers the possibility of improper risk rating and possible over or under allocation of specific allowances.

The allowance considers trends in delinquencies and non-accrual loans, concentrations, the volatility of risk ratings and the evolving portfolio mix in terms of collateral, relative loan size and the degree of seasoning within the various loan products. Changes in underwriting standards, credit administration and collection policies, regulation and other factors which affect the credit quality and collectability of the loan portfolio also impact this portion of the allowance level. The allowance also consists of amounts provided for each loan that is reviewed for impairment or for which a probable loss has been identified.

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

The allowance for loan losses is based on management's estimate of probable credit losses inherent in the loan portfolio and represents an estimate in the financial statements. As such, the actual level of allowance required could vary from the amount estimated by management at the balance sheet date and actual credit losses could vary from the current estimate. As adjustments to the allowance for loan losses become necessary, they are reflected as a provision for loan losses in current-period earnings. Actual loan charge-offs are deducted from and subsequent recoveries of previously charged-off loans are added to the allowance.

Impaired Loans

A loan is considered impaired, in accordance with the impairment accounting guidance of FASB ASC 310-10-35-16, Receivables, when based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal and interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of delay, the reasons for the delay, the borrower's prior payment record, and the amount of shortfall in relation to the principal and interest owed. Impairment is measured on a loan by loan basis by either the present value of expected cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

When the measure of the impaired loan is less than the recorded investment in the loan, the impairment is recorded through a valuation allowance. This valuation allowance is recorded in the allowance for loan losses on the balance sheet.

Interest payments received on impaired loans are recorded as interest income unless collection of the remaining recorded investment is doubtful, at which time payments received are recorded as reductions of principal. Changes in the present value due to the passage of time are recorded as interest income, while changes in estimated cash flows are recorded in the provision for loan losses.

Bank Premises and Equipment

Bank premises and equipment are carried at cost less accumulated depreciation and amortization. Depreciation expense is computed using the straight-line method for bank premises and leaseholds over estimated useful lives of those assets of 39 years and the straight-line method for equipment, furniture and fixtures over their estimated useful lives ranging from 3 to 7 years.

Foreclosed Assets

Properties acquired through foreclosure or deed taken in lieu of foreclosure are recorded at fair value at the time of foreclosure, net of disposal costs. Write-downs from cost to fair value at the time of foreclosure are charged to the allowance for loan losses. Subsequent write-downs and gains and losses recognized on the sales of such properties are included in the statements of income. Determinations of fair value are based on periodic appraisals, which are subject to significant fluctuations as economic conditions change.

Other Investments

Investments in entities such as a partnership or a limited liability company are accounted for under the cost method in which the original investment is recorded at its historical cost.

Income Taxes

The Bank accounts for income taxes in accordance with income tax guidance of FASB ASC 740, Income Taxes, and has adopted the recent accounting guidance related to accounting for uncertainty in income taxes, which sets forth a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions.

The income tax guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of enacted tax law to the taxable income or excess deductions over revenues. The Bank determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the difference between the book and tax bases of assets and liabilities. Enacted changes in tax rates and laws are recognized in the period in which they occur.

Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50 percent; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that

meets the more likely than not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more likely than not recognition threshold considers the facts, circumstances, and information available at the reporting date and is subject to management's judgment. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

The Bank evaluates all significant tax positions as required by accounting principles generally accepted in the United States of America. As of December 31, 2015 and 2014, the Bank does not believe that it has taken any positions that would require the recording of any additional tax liability nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next year.

The Bank files income tax returns in the U.S. federal jurisdiction. With few exceptions, the Bank is no longer subject to federal tax examinations by the federal tax authorities for years before 2012. The Bank recognizes interest and penalties on income taxes, if incurred, as a component of income tax expense.

The Bank is not currently subject to state or local income taxes.

Comprehensive Income

The Bank reports comprehensive income in accordance with the accounting guidance related to FASB ASC 220, Comprehensive Income. Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes net unrealized gains and (losses) on securities and net unrecognized pension plan gains and (losses) and is presented in the statements of stockholders' equity and comprehensive income. FASB ASC 220 requires only additional disclosures in the financial statements and does not affect the Bank's financial position or results of operations.

Statement of Cash Flows

The statement of cash flows was prepared in accordance with the accounting guidance of FASB ASC 230, Statement of Cash Flows, which permits certain financial institutions to report, in a statement of cash flows, net receipts and payments for deposits placed, time deposits accepted and repaid and loans made and collected.

Fair Value Measurement

The Bank uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with FASB ASC 820, Fair Value Measurements and Disclosures, the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based on quoted market prices. However, in many instances, there are no quoted market prices for the Bank's various financial instruments.

In cases where quoted market prices are not available, fair values are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, fair value estimates may not be realized in an immediate settlement of the instrument.

The fair value accounting guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

In accordance with this guidance, the Bank groups its financial assets and financial liabilities measured 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.

Level 1 - Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. Level 2 inputs include the following:

- a. Quoted prices for similar assets or liabilities in active markets;
- b. Quoted prices for identical or similar assets or liabilities in markets that are not active, that is, markets in which there are few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers (for example, some brokered markets), or in which little information is released publicly (for example, a principal-to-principal market);
- c. Inputs other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates);
- d. Inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).

Level 3 - Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of a market participant that holds the asset or owes the liability.

Therefore, unobservable inputs shall reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs shall be developed based on the best information available in the circumstances, which might include the reporting entity's own data. However, the reporting entity's own data used to develop unobservable inputs shall be adjusted if information is

reasonably available without undue cost and effort that indicates that market participants would use different assumptions.

Advertising

The Bank follows the policy of charging the costs of advertising to expense as incurred. Advertising expense was \$179,142 and \$158,113 for the years ended December 31, 2015 and 2014, respectively, and is included in other operating expenses.

Reclassifications

Certain amounts in the 2014 financial statements have been reclassified to conform to the presentation in the current year financial statements. Such reclassifications had no effect on previously reported net income.

Subsequent Events

Management has evaluated subsequent events and transactions for any potential recognition or disclosure in the financial statements through March 1, 2016 the date which the financial statements were available to be issued.

Note 2 - Investment Securities -

At December 31, 2015 and 2014 the Bank had no securities classified as trading or held to maturity.

A summary of investment securities classified as available for sale is presented below.

	December 31, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Available for Sale:				
U.S. Treasury Securities and Obligations of U.S. Government Agencies	\$ 62,782,163	\$ 226,852	\$ (107,399)	\$ 62,901,616
Securities Issued by States and Political Subdivisions in the U. S.	9,445,747	116,823	(121,627)	9,440,943
	<u>\$ 72,227,910</u>	<u>\$ 343,675</u>	<u>\$ (229,026)</u>	<u>\$ 72,342,559</u>

	December 31, 2014			Fair Value
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	
Available for Sale:				
U.S. Treasury Securities and Obligations of U.S. Government Agencies	\$ 73,351,231	\$ 216,390	\$ (396,871)	\$ 73,170,750
Securities Issued by States and Political Subdivisions in the U. S.	12,265,548	80,264	(148,640)	12,197,172
	<u>\$ 85,616,779</u>	<u>\$ 296,654</u>	<u>\$ (545,511)</u>	<u>\$ 85,367,922</u>

The carrying value and estimated fair value of securities at December 31, 2015, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available for Sale	
	Amortized Cost	Estimated Fair Value
Amounts Maturing in:		
One Year or Less	\$ 6,081,010	\$ 6,099,394
After One Year through Five Years	58,000,537	58,144,182
After Five Years through Ten Years	4,247,252	4,293,847
Over Ten Years	3,899,111	3,805,136
	<u>\$ 72,227,910</u>	<u>\$ 72,342,559</u>

Estimated fair values for securities are determined from quoted prices or quoted market prices of similar securities of comparable risk and maturity where no quoted market price exists. Management does not anticipate a requirement to sell any of the Bank's investment securities for liquidity or other operating purposes.

For the year ended December 31, 2015 and 2014, there were realized gains of \$43,022 and \$38,470 and realized losses of \$44,576 and \$-0- from the sales and calls of securities, respectively. Investment securities with amortized costs of \$3,059,359 and \$3,077,746 and estimated market values of \$3,061,486 and \$3,063,359 at December 31, 2015 and 2014, respectively, were pledged to secure public deposits and for other purposes as required or permitted by law.

Fair values of investment securities measured on a recurring basis at December 31, 2015 and 2014 are as follows:

	Fair Value	Fair Value at Reporting Date Using		
		Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>December 31, 2015</u>				
Available for Sale:				
U.S. Treasury Securities and Obligations of U.S. Government Agencies	\$ 62,901,616	\$ -	\$ 62,901,616	\$ -
Securities Issued by States and Political Subdivisions in the U. S.	9,440,943	-	9,440,943	-
	<u>\$ 72,342,559</u>	<u>\$ -</u>	<u>\$ 72,342,559</u>	<u>\$ -</u>

	Fair Value	Fair Value at Reporting Date Using		
		Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>December 31, 2014</u>				
Available for Sale:				
U.S. Treasury Securities and Obligations of U.S. Government Agencies	\$ 73,170,750	\$ -	\$ 73,170,750	\$ -
Securities Issued by States and Political Subdivisions in the U. S.	12,197,172	-	12,197,172	-
	<u>\$ 85,367,922</u>	<u>\$ -</u>	<u>\$ 85,367,922</u>	<u>\$ -</u>

Gross unrealized losses in investment securities at December 31, 2015 and 2014 existing for continuous periods of less than 12 months and for continuous periods of 12 months or more are required financial statement disclosures and are as follows:

<u>Security Description</u>	December 31, 2015					
	Less Than 12 Months		12 Months or More		Totals	
	Fair Value	Unrealized (Losses)	Fair Value	Unrealized (Losses)	Fair Value	Unrealized (Losses)
Available for Sale:						
U.S. Treasury Securities and Obligations of U.S. Government Agencies	\$ -	\$ -	\$18,387,772	\$(107,399)	\$18,387,772	\$ (107,399)
Securities Issued by States and Political Subdivisions in the U. S.	-	-	4,484,663	(121,627)	4,484,663	(121,627)
Totals	\$ -	\$ -	\$22,872,435	\$(229,026)	\$22,872,435	\$ (229,026)
<u>Security Description</u>	December 31, 2014					
	Less Than 12 Months		12 Months or More		Totals	
	Fair Value	Unrealized (Losses)	Fair Value	Unrealized (Losses)	Fair Value	Unrealized (Losses)
Available for Sale:						
U.S. Treasury Securities and Obligations of U.S. Government Agencies	\$12,110,038	\$ (26,709)	\$24,145,549	\$(370,162)	\$36,255,587	\$ (396,871)
Securities Issued by States and Political Subdivisions in the U. S.	997,039	(10,943)	4,494,982	(137,697)	5,492,021	(148,640)
Totals	\$13,107,077	\$ (37,652)	\$28,640,531	\$(507,859)	\$41,747,608	\$ (545,511)

Management evaluates securities for other-than-temporary impairment on a periodic and regular basis, as well as when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Bank to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

At December 31, 2015 and 2014, these unrealized losses related principally to current interest rates for similar types of securities. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition. As the Bank has the ability to hold debt securities until maturity, or for the foreseeable future if classified as available-for-sale, no declines are deemed to be other-than-temporary.

Note 3 - Loans -

The loan portfolio consists of loans classified by major types at December 31, 2015 and 2014 as follows:

	<u>2015</u>	<u>2014</u>
Real Estate - Mortgage	\$ 122,894,893	\$ 114,502,820
Installment	33,074,364	27,494,988
Commercial, Financial and Industrial	97,508,484	87,674,746
Overdrafts	<u>71,798</u>	<u>123,716</u>
	253,549,539	229,796,270
Allowance for Loan Losses	<u>(2,084,168)</u>	<u>(1,896,304)</u>
	<u><u>\$ 251,465,371</u></u>	<u><u>\$ 227,899,966</u></u>

An analysis of activity in the allowance for loan losses is as follows for the years ended December 31, 2015 and 2014.

	<u>2015</u>	<u>2014</u>
Balance, January 1	\$ 1,896,304	\$ 1,965,765
Loans Charged Off	(234,284)	(208,886)
Recoveries	132,148	139,425
Provision for Estimated Loan Losses	<u>290,000</u>	<u>-</u>
Balance, December 31	<u><u>\$ 2,084,168</u></u>	<u><u>\$ 1,896,304</u></u>

The Bank has entered into transactions with certain directors, executive officers, significant stockholders and their affiliates. Such transactions were made in the ordinary course of business on substantially the same terms and conditions, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other customers and did not, in the opinion of management, involve more than normal credit risk or present other unfavorable features.

An analysis of the aggregate of these loans at December 31, 2015 and 2014 is as follows:

	2015	2014
Balance, January 1	\$ 4,956,344	\$ 5,085,555
Advances	329,721	1,813,875
Payments	(2,492,170)	(1,943,086)
Balance, December 31	<u>\$ 2,793,895</u>	<u>\$ 4,956,344</u>

Management segregates the loan portfolio into portfolio segments which is defined as the level at which the Bank develops and documents a systematic method for determining its allowance for loan losses. The portfolio segments are segregated based on loan types and the underlying risk factors present in each loan type. Such risk factors are periodically reviewed by management and revised as deemed appropriate. The following tables sets forth, as of December 31, 2015 and 2014, the balance of the allowance for loan losses by portfolio segment, disaggregated by impairment methodology, which is then further segregated by amounts evaluated for impairment collectively and individually. The allowance for loan losses allocated to each portfolio segment is not necessarily indicative of future losses in any particular portfolio segment and does not restrict the use of the allowance to absorb losses in other portfolio segments.

Allowance for Loan Losses and Recorded Investment in Loans Receivable for the year ended December 31, 2015 and 2014 (in thousands):

2015	Real Estate- Residential	Real Estate- Non Residential	Commercial	Consumer & Credit Card	Construction & Land Development	Total
Allowance for Loan Losses:						
Beginning Balance	\$ 422	\$ 232	\$ 93	\$ 1,056	\$ 93	\$ 1,896
Charge-Offs	(65)	-	-	(169)	-	(234)
Recoveries	1	-	-	131	-	132
Provision	96	25	11	147	11	290
Ending Balance	<u>\$ 454</u>	<u>\$ 257</u>	<u>\$ 104</u>	<u>\$ 1,165</u>	<u>\$ 104</u>	<u>\$ 2,084</u>
Ending Balance:						
Individually Evaluated for Impairment	<u>\$ 37</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37</u>
Collectively Evaluated for Impairment	<u>\$ 417</u>	<u>\$ 257</u>	<u>\$ 104</u>	<u>\$ 1,165</u>	<u>\$ 104</u>	<u>\$ 2,047</u>
Ending Balance:						
Loans Receivable	<u>\$ 134,854</u>	<u>\$ 81,806</u>	<u>\$ 15,708</u>	<u>\$ 10,232</u>	<u>\$ 10,950</u>	<u>\$ 253,550</u>
Ending Balance:						
Individually Evaluated for Impairment	<u>\$ 362</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 341</u>	<u>\$ 703</u>
Ending Balance:						
Collectively Evaluated for Impairment	<u>\$ 134,492</u>	<u>\$ 81,806</u>	<u>\$ 15,708</u>	<u>\$ 10,232</u>	<u>\$ 10,609</u>	<u>\$ 252,847</u>

<u>2014</u>	Real Estate- Residential	Real Estate- Non Residential	Commercial	Consumer & Credit Card	Construction & Land Development	Total
Allowance for Loan Losses:						
Beginning Balance	\$ 459	\$ 238	\$ 96	\$ 1,077	\$ 96	\$ 1,966
Charge-offs	(67)	(6)	(3)	(130)	(3)	(209)
Recoveries	30	-	-	109	-	139
Provision	-	-	-	-	-	-
Ending Balance	<u>\$ 422</u>	<u>\$ 232</u>	<u>\$ 93</u>	<u>\$ 1,056</u>	<u>\$ 93</u>	<u>\$ 1,896</u>
Ending Balance:						
Individually Evaluated for Impairment	<u>\$ 28</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28</u>
Collectively Evaluated for Impairment	<u>\$ 394</u>	<u>\$ 232</u>	<u>\$ 93</u>	<u>\$ 1,056</u>	<u>\$ 93</u>	<u>\$ 1,868</u>
Ending Balance:						
Loans Receivable	<u>\$ 132,448</u>	<u>\$ 78,500</u>	<u>\$ 9,174</u>	<u>\$ 5,323</u>	<u>\$ 4,351</u>	<u>\$ 229,796</u>
Ending Balance:						
Individually Evaluated for Impairment	<u>\$ 341</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 115</u>	<u>\$ 457</u>
Ending Balance:						
Collectively Evaluated for Impairment	<u>\$ 132,107</u>	<u>\$ 78,500</u>	<u>\$ 9,174</u>	<u>\$ 5,322</u>	<u>\$ 4,236</u>	<u>\$ 229,339</u>

Management further disaggregates the loan portfolio segments into classes of loans, which are based on the initial measurement of the loan, risk characteristics of the loan and the method for monitoring and assessing the credit risk of the loan.

As of December 31, 2015 and 2014, there were no loan balances outstanding more than 90 days and still accruing interest.

At December 31, 2015 and 2014, the credit quality indicators (performing and non-performing loans), disaggregated by class of loan, are as follows (in thousands):

<u>2015</u>	Pass	Watch List	Sub- Standard	Doubtful	Loss	Total
Real Estate Loans:						
Residential	\$ 123,626	\$ 10,401	\$ 827	\$ -	\$ -	\$ 134,854
Non-Residential	70,563	10,983	260	-	-	81,806
Commercial Loans	15,007	687	14	-	-	15,708
Consumer and Credit Cards	10,071	161	-	-	-	10,232
Construction and Land Development	9,956	653	341	-	-	10,950
	<u>\$ 229,223</u>	<u>\$ 22,885</u>	<u>\$ 1,442</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 253,550</u>

<u>2014</u>	<u>Pass</u>	<u>Watch List</u>	<u>Sub- Standard</u>	<u>Doubtful</u>	<u>Loss</u>	<u>Total</u>
Real Estate Loans:						
Residential	\$ 124,019	\$ 7,528	\$ 901	\$ -	\$ -	\$ 132,448
Non-Residential	68,537	9,680	283	-	-	78,500
Commercial Loans	8,937	225	12	-	-	9,174
Consumer and Credit Cards	5,171	149	3	-	-	5,323
Construction and Land Development	3,831	51	469	-	-	4,351
	<u>\$ 210,495</u>	<u>\$ 17,633</u>	<u>\$ 1,668</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 229,796</u>

The following table reflects certain information with respect to the loan portfolio delinquencies by loan class and amount as of December 31, 2015 and 2014 (in thousands):

<u>2015</u>	<u>30-59 Days Past Due</u>	<u>60-89 Days Past Due</u>	<u>Greater Than 90 Days</u>	<u>Total Past Due</u>	<u>Current</u>	<u>Total Loans Receivable</u>	<u>Recorded investment Over 90 Days and Still Accruing</u>
Real Estate Loans:							
Residential	\$ 496	\$ -	\$ 362	\$ 858	\$ 133,996	\$ 134,854	\$ -
Non-Residential	-	-	-	-	81,806	81,806	-
Commercial Loans	-	-	-	-	15,708	15,708	-
Consumer and Credit Cards	38	-	-	38	10,194	10,232	-
Construction and Land Development	23	-	341	364	10,586	10,950	-
	<u>\$ 557</u>	<u>\$ -</u>	<u>\$ 703</u>	<u>\$ 1,260</u>	<u>\$ 252,290</u>	<u>\$ 253,550</u>	<u>\$ -</u>
<u>2014</u>	<u>30-59 Days Past Due</u>	<u>60-89 Days Past Due</u>	<u>Greater Than 90 Days</u>	<u>Total Past Due</u>	<u>Current</u>	<u>Total Loans Receivable</u>	<u>Recorded investment Over 90 Days and Still Accruing</u>
Real Estate loans:							
Residential	\$ 590	\$ -	\$ 341	\$ 931	\$ 131,517	\$ 132,448	\$ -
Non-Residential	-	-	-	-	78,500	78,500	-
Commercial Loans	-	-	-	-	9,174	9,174	-
Consumer and Credit Cards	4	-	1	5	5,318	5,323	-
Construction and Land Development	354	-	115	469	3,882	4,351	-
	<u>\$ 948</u>	<u>\$ -</u>	<u>\$ 457</u>	<u>\$ 1,405</u>	<u>\$ 228,391</u>	<u>\$ 229,796</u>	<u>\$ -</u>

All impaired loans by class of loans as of December 31, 2015 and 2014 are as follows (in thousands):

<u>2015</u>	<u>Recorded Investment</u>	<u>Unpaid Principal Balance</u>	<u>Recorded Allowance</u>	<u>Average Recorded Investment</u>	<u>Interest Income Recognized</u>
Impaired Loans with no Related Allowance Recorded:					
Real Estate Loans:					
Residential	\$ 362	\$ 362	\$ -	\$ 354	\$ -
Non-Residential	-	-	-	-	-
Commercial Loans	-	-	-	-	-
Construction and Land Development	341	341	-	225	-
Consumer and Credit Cards	-	-	-	-	-
	<u>\$ 703</u>	<u>\$ 703</u>	<u>\$ -</u>	<u>\$ 579</u>	<u>\$ -</u>
With an Allowance Recorded:					
Real Estate loans:					
Residential	\$ -	\$ -	\$ -	\$ -	\$ -
Non-Residential	-	-	-	-	-
Commercial Loans	-	-	-	-	-
Construction and Land Development	-	-	-	-	-
Consumer and Credit Cards	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Impaired Loans:					
Real Estate loans:					
Residential	\$ 362	\$ 362	\$ -	\$ 354	\$ -
Non-Residential	-	-	-	-	-
Commercial Loans	-	-	-	-	-
Construction and Land Development	341	341	-	225	-
Consumer and Credit Cards	-	-	-	-	-
	<u>\$ 703</u>	<u>\$ 703</u>	<u>\$ -</u>	<u>\$ 579</u>	<u>\$ -</u>

2014	Recorded Investment	Unpaid Principal Balance	Recorded Allowance	Average Recorded Investment	Interest Income Recognized
Impaired Loans with no Related Allowance Recorded:					
Real Estate Loans:					
Residential	\$ 341	\$ 341	\$ -	\$ 345	\$ -
Non-Residential	-	-	-	-	-
Commercial Loans	-	-	-	-	-
Construction and Land Development	115	115	-	109	-
Consumer and Credit Cards	1	1	-	1	-
	<u>\$ 457</u>	<u>\$ 457</u>	<u>\$ -</u>	<u>\$ 455</u>	<u>\$ -</u>
With an Allowance Recorded:					
Real Estate loans:					
Residential	\$ -	\$ -	\$ -	\$ -	\$ -
Non-Residential	-	-	-	-	-
Commercial Loans	-	-	-	-	-
Construction and Land Development	-	-	-	-	-
Consumer and Credit Cards	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Impaired Loans:					
Real Estate loans:					
Residential	\$ 341	\$ 341	\$ -	\$ 345	\$ -
Non-Residential	-	-	-	-	-
Commercial Loans	-	-	-	-	-
Construction and Land Development	115	115	-	109	-
Consumer and Credit Cards	1	1	-	1	-
	<u>\$ 457</u>	<u>\$ 457</u>	<u>\$ -</u>	<u>\$ 455</u>	<u>\$ -</u>

The fair value of impaired loans is measured at the fair value of the collateral for collateral-dependent loans. Impaired loans are level 2 assets measured on a non-recurring basis using appraisals from external parties of the collateral less any prior liens. In addition, repossessed assets are initially recorded at fair value less estimated costs to sell. The fair value of repossessed assets is based on property appraisals and an analysis of similar properties available. As such, repossessed assets are also level 2 assets measured on a nonrecurring basis.

Loans receivable on non-accrual status by loan class at December 31, 2015 and 2014 are as follows (in thousands):

2015

Real Estate Loans:	
Residential	\$ 362
Non-Residential	-
Commercial Loans	-
Construction and Land Development	341
Consumer and Credit Cards	-
	<u>\$ 703</u>

2014

Real Estate Loans:	
Residential	\$ 341
Non-Residential	-
Commercial Loans	-
Construction and Land Development	115
Consumer and Credit Cards	1
	<u>\$ 457</u>

The following tables summarize information relative to loan modifications determined to be Troubled Debt Restructurings as of December 31, 2015 and 2014 (dollars in thousands). At December 31, 2015, one of the troubled debt restructurings defaulted subsequent to the restructuring through the date the financial statements were available to be issued. None of the restructured loans were in default at December 31, 2014.

	<u>Number of Contracts</u>	<u>Pre-Modification Outstanding Recorded Investments</u>	<u>Post-Modification Outstanding Recorded Investments</u>
<u>2015</u>			
Real Estate Loans:			
Residential	4	\$ 379	\$ 372
Non-Residential	-	-	-
Commercial Loans	-	-	-
Construction and Land Development	-	-	-
Consumer and Credit Cards	-	-	-
	<u>4</u>	<u>\$ 379</u>	<u>\$ 372</u>

<u>2014</u>	<u>Number of Contracts</u>	<u>Pre-Modification Outstanding Recorded Investments</u>	<u>Post-Modification Outstanding Recorded Investments</u>
Real Estate Loans:			
Residential	3	\$ 235	\$ 235
Non-Residential	-	-	-
Commercial Loans	-	-	-
Construction and Land Development	-	-	-
Consumer and Credit Cards	-	-	-
Totals	<u>3</u>	<u>\$ 235</u>	<u>\$ 235</u>

The following provides information about the Bank's non-performing assets at December 31, 2015 and 2014 (dollars in thousands):

	<u>2015</u>	<u>2014</u>
Non-Accrual Loans	\$ 703	\$ 457
Loans Past Due 90 or More Days and Still Accruing Interest	-	-
Total Non-Performing Loans	<u>703</u>	<u>457</u>
Foreclosed Real Estate	-	98
Total Non-Performing Assets	<u>\$ 703</u>	<u>\$ 555</u>
Allowance for Loan Losses	<u>\$ 2,084</u>	<u>\$ 1,896</u>
Non-Performing Loans to Year-End Loans, Excluding Loans Held for Sale	<u>0.28%</u>	<u>0.20%</u>
Allowance for Loan Losses to Year-End Loans, Excluding Loans Held for Sale	<u>0.82%</u>	<u>0.83%</u>
Non-Performing Assets as a Percentage of: Loans and Foreclosed Real Estate	<u>0.28%</u>	<u>0.24%</u>
Total Assets	<u>0.19%</u>	<u>0.16%</u>
Ratio of Allowance for Loan Losses to Non-Performing Loans	<u>296.44%</u>	<u>414.88%</u>

Note 4 - Bank Premises and Equipment -

Bank premises and equipment at December 31, 2015 and 2014 are summarized below:

	<u>2015</u>	<u>2014</u>
Land	\$ 2,272,424	\$ 2,272,424
Buildings	7,647,707	7,567,067
Leasehold Improvements	3,291,439	3,284,869
Furniture, Fixtures and Equipment	5,543,922	5,167,156
	<u>18,755,492</u>	<u>18,291,516</u>
Less: Accumulated Depreciation	(8,313,433)	(7,697,060)
	<u>10,442,059</u>	<u>10,594,456</u>
Construction in Progress	71,655	72,180
	<u>\$ 10,513,714</u>	<u>\$ 10,666,636</u>

Depreciation and amortization amounted to \$616,371 and \$556,595 in 2015 and 2014, respectively.

Note 5 - Investments in Membership Stocks -

The Bank maintains investments in membership stocks of First National Bankers' Bank (FNBB) and the Federal Home Loan Bank (FHLB) of Dallas. The carrying amounts of these investments are stated at cost.

Note 6 - Other Investment -

The Bank has invested in Community Financial Insurance Center, L.L.C., a limited liability company organized to engage in the insurance agency business, including the acquisition of existing insurance agencies and such other related activities, but only to the extent such activities are permissible for banks, either directly or through their affiliates. The Bank's initial investment of \$400,000 amounted to approximately 2.5% of the limited liability company's contributed capital at inception. The Bank accounts for its investment in the company by the cost method. The carrying amount of the investment approximates the Bank's investment in the amount of underlying equity in the company's net assets.

Note 7 - Deposits -

Deposit account balances at December 31, 2015 and 2014 are summarized as follows:

	<u>2015</u>	<u>2014</u>
Non-Interest Bearing Demand	\$ 106,056,719	\$ 97,308,707
Official Checks and Money Orders	65,816	235,977
Interest Bearing Demand	65,161,593	62,464,465
Savings	117,037,206	108,095,223
Certificates of Deposit	37,897,340	40,381,457
	<u>\$ 326,218,674</u>	<u>\$ 308,485,829</u>

The aggregate amount of certificates of deposit with denominations in excess of \$100,000 was approximately \$14,715,000 and \$14,408,000 at December 31, 2015 and 2014, respectively. The Bank has no brokered deposits and there are no major concentrations of deposits.

Maturity data for all certificates of deposit as of December 31, 2015 is presented as follows (in thousands):

Three Months or Less	\$	12,018
Over Three Months Through Twelve Months		12,978
Over One Year Through Three Years		6,722
Over Three Years		6,179
	\$	<u>37,897</u>

Interest expense on certificates of deposit with balances over \$100,000 for the years ended December 31, 2015 and 2014 amounted to \$98,846 and \$127,480, respectively.

Note 8 - Line of Credit with FHLB of Dallas -

The Bank has an available line of credit with the FHLB with an additional borrowing capacity at December 31, 2015 of approximately \$119,000,000 which is secured by a blanket lien on the Bank's mortgage loans. The outstanding balance of those borrowings from the FHLB at December 31, 2015 and 2014 was \$-0-.

At December 31, 2015, the amount of FHLB stock required to be owned by the bank was approximately \$139,000. At December 31, 2015 and 2014, the bank owns \$156,500 and \$156,100, respectively of FHLB stock.

Note 9 - Income Taxes -

The provision (credit) for income taxes for the years ended December 31, 2015 and 2014 consists of the following:

	<u>2015</u>	<u>2014</u>
Current	\$ 937,038	\$ 653,380
Deferred	52,962	54,655
	<u>\$ 990,000</u>	<u>\$ 708,035</u>

The provision for federal income taxes differs from that computed by applying federal statutory rates to income before federal income tax expense, as indicated in the following analysis:

	<u>2015</u>	<u>2014</u>
Federal Statutory Income Tax at 34%	\$ 1,018,929	\$ 837,529
Nontaxable Income	(52,195)	(101,280)
Nondeductible Expenses	8,962	8,538
Increase in Cash Surrender Value of Life Insurance	(20,932)	(21,250)
Other	35,236	(15,502)
	<u>\$ 990,000</u>	<u>\$ 708,035</u>

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Bank's deferred tax assets and liabilities as of December 31, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Deferred Tax Assets:		
Allowance for Loan Losses	\$ 427,186	\$ 363,312
Deferred Compensation Payable	279,727	296,758
	<u>706,913</u>	<u>660,070</u>
Deferred Tax (Liabilities):		
Pension Costs	(803,740)	(707,710)
Depreciation	(1,124,451)	(1,120,675)
	<u>(1,928,191)</u>	<u>(1,828,385)</u>
Subtotal	(1,221,278)	(1,168,315)
Unrealized (Gains) Losses - Available for Sale Securities	(38,980)	84,611
Unrecognized Pension Plan (Gains) Losses	478,188	392,696
Net Deferred Tax Asset (Liability)	<u>\$ (782,070)</u>	<u>\$ (691,008)</u>

Note 10 - Noninterest Income -

The components of other noninterest income for the years ended December 31, 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
Insurance Commissions	\$ 339,922	\$ 292,343
Increase in Cash Surrender of Life Insurance	61,565	62,500
Gain (Loss) on Sale of Available for Sale Securities	(1,554)	38,470
Other Income	304,701	146,791
	<u>\$ 704,634</u>	<u>\$ 540,104</u>

Note 11 - Noninterest Expense -

The components of other noninterest expense for the years ended December 31, 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
Ad Valorem Taxes	\$ 324,000	\$ 380,000
Data Processing Services	287,728	293,338
Maintenance and Repairs	262,244	257,490
Directors' Fees	222,900	233,601
Telephone	203,264	205,716
Dues and Subscriptions	195,990	183,164
Postage	119,184	128,385
Software Maintenance	161,234	155,787
ATM Interchange Expense	139,540	144,631
Advertising	179,142	158,113
Insurance - Bank Other	134,558	110,237
Supplies	117,112	122,846
Professional Fees	192,639	129,191
FDIC Assessments	178,837	174,959
Other	1,287,246	1,107,164
	<u>\$ 4,005,618</u>	<u>\$ 3,784,622</u>

Note 12 - Employee Benefits -**Defined Benefit Plan**

The Bank has a defined benefit retirement plan that covers eligible employees that entered the plan prior to September 30, 2012. Prior to that date, eligible employees entered the plan when they attained the age of 21 and have 18 months of service. Effective September 30, 2012, the Bank

amended the plan to freeze benefit accruals and anyone who was not a participant in the plan as of that date will not be eligible to enter the plan. Participants are 100% vested upon entry into the plan. The defined benefit plan pays benefits to employees at retirement using formulas based on years of service and compensation rates near retirement. The Bank's funding policy is generally to make the maximum annual contributions required by applicable regulations. Contributions are intended to provide not only for benefits attributable to service to date but also for those expected to be earned in the future. The amount that the unrecognized net loss amount will be amortized from accumulated other comprehensive income into pension expense in 2016 is estimated to be \$66,000.

Accounting for defined benefit retirement plans is subject to the accounting guidance of FASB ASC 715, Compensation - Retirement Benefits.

At December 31, 2015 and 2014, the net periodic pension cost for each fiscal year was as follows:

	<u>2015</u>	<u>2014</u>
Service Cost	\$ -	\$ -
Interest Cost	187,492	187,170
Expected Return on Assets	(258,455)	(244,693)
Net Amortization Amounts (Gain) or Loss Recognized	<u>66,233</u>	<u>51,057</u>
Net Periodic Pension Cost (Credit)	<u>\$ (4,730)</u>	<u>\$ (6,466)</u>

At December 31, 2015 and 2014, the funded status of the plan was as follows:

	<u>2015</u>	<u>2014</u>
Fair Value of Plan Assets at December 31	\$ 5,614,150	\$ 5,242,142
Benefit Obligation at December 31	<u>(4,569,409)</u>	<u>(4,484,635)</u>
Funded Status	1,044,741	757,507
Unrecognized Net Loss	<u>1,449,793</u>	<u>1,406,435</u>
Prepaid Pension Cost	<u>\$ 2,494,534</u>	<u>\$ 2,163,942</u>
	<u>2015</u>	<u>2014</u>
Weighted Average Assumptions as of December 31:		
Discount Rate	4.14%	4.25%
Expected Return on Plan Assets	5.00%	5.00%
Rate of Compensation Increase	0.00%	0.00%

The plan's weighted-average asset allocations at December 31, by asset category, are as follows:

	<u>2015</u>	<u>2014</u>
Guaranteed Fixed Income Single Group Annuity Contract	<u>100%</u>	<u>100%</u>

The underlying portfolio backing this group annuity contract is a segment of the General Account of Metropolitan Life Insurance Company. The portfolio is primarily invested in bonds and mortgages and seeks to maintain the highest possible quality consistent with attractive long-term investment returns. Fair value of these type of investments are generally based on level 2 inputs.

There are no Bank securities in the plan assets.

The Bank's expected, estimated contribution to the plan in 2016 is \$-0-.

The following estimated future benefit payments are expected to be made over the following periods:

	<u>Amount</u>
2016	\$ 148,177
2017	151,851
2018	193,550
2019	212,572
2020	215,679
Thereafter	<u>1,167,515</u>
	<u>\$ 2,089,344</u>

The reconciliation of the fair value of plan assets for 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Fair Value of Plan Assets - Beginning	\$ 5,242,142	\$ 4,947,704
Actual Contributions	385,841	331,018
Actual Distributions	(215,022)	(226,482)
Expected Return on Assets	258,455	244,693
Gain or (Loss)	<u>(57,266)</u>	<u>(54,791)</u>
Fair Value of Plan Assets - Ending	<u>\$ 5,614,150</u>	<u>\$ 5,242,142</u>

The reconciliation of the projected benefit obligation (PBO) for 2015 and 2014 are as follows:

	2015	2014
PBO - Beginning	\$ 4,484,635	\$ 4,213,190
Interest Cost	187,492	187,170
Service Cost Including Interest	-	-
Actual Distributions	(215,022)	(226,482)
Liability (Gain) or Loss	112,304	310,757
PBO - Ending	\$ 4,569,409	\$ 4,484,635

The plan allows lump sum payments. The above estimated benefit payments represent amounts payable as participants reach normal retirement age during the specified years. The lump sums were based on the plan's actuarial assumptions and do not reflect the governmentally prescribed assumptions, which are subject to change each year, and often provide for a higher amount.

Defined Contribution Plan

The Bank offers a 401(k) Employee Savings Plan that covers employees working at least 1,000 hours a year, who are over 21 years of age and have six months of service, with entry on the first day of the following quarter. Employees are 100% vested in the funds they have contributed. The matching and discretionary funds contributed by the employer are partially vested after three years and fully vested after seven years of service. In 2015, participants may make contributions in the form of salary deferrals up to 15% of their compensation, up to a maximum of \$18,000, and, participants who have reached the age of 50 may make an additional \$5,500 "catch-up" contribution annually without regard to the above limitations. The Bank matches 50% of each employee's contributions, up to 4% of each employee's compensation, and there was no change in the percentage of the Bank's matching contributions for 2015 or 2014. The Bank's matching contribution for 2015 and 2014 amounted to \$72,700 and \$73,428, respectively.

Deferred Compensation Agreement

The Bank entered into a deferred compensation agreement covering one of its former officers. The total deferred compensation payable under the agreement is \$1,275,000, payable \$85,000 annually for fifteen years commencing upon the officer's retirement. In accordance with accounting principles generally accepted in the United States of America, the deferred compensation was accrued and charged to earnings as the related employee's services were rendered. The annual charge to earnings for 2015 and 2014 was approximately \$48,000 and \$48,000, respectively, and the amount of accrued deferred compensation at December 31, 2015 and 2014 was approximately \$822,700 and \$872,800, respectively. The agreement is unfunded and is payable from the general assets of the Bank.

Note 13 - Leases -

The Bank has long-term operating leases on certain buildings and land it occupies as branch offices in Metairie, Louisiana, which expire at various times through December 2057. Rent relating to these leases charged to expense was \$257,230 in 2015 and \$252,445 in 2014.

At December 31, 2015 the minimum rental commitments under these non-cancellable leases were as follows:

2016	\$ 232,716
2017	232,716
2018	194,081
2019	127,980
2020	127,980
Thereafter	<u>1,918,954</u>
	<u>\$ 2,834,427</u>

Note 14 - Financial Instruments with Off-Balance-Sheet Risk -

In the normal course of business, the bank has outstanding commitments and contingent liabilities, such as commitments to extend credit and standby letters of credit, which are not included in the accompanying financial statements. The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit and standby letters is represented by the contractual or notional amount of those instruments. The Bank uses the same credit policies in making such commitments as it does for instruments that are included in the Balance Sheet.

Financial instruments whose contract amount represents credit risk were as follows:

	<u>2015</u>	<u>2014</u>
Commitments to Extend Credit	<u>\$ 35,579,000</u>	<u>\$ 33,750,000</u>
Standby Letters of Credit	<u>\$ 424,000</u>	<u>\$ 449,000</u>

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

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Bank's policy for obtaining collateral, and the nature of such collateral, is essentially the same as that involved in making commitments to extend credit.

Note 15 - Significant Concentrations of Credit Risk -

As discussed previously, the Bank generates loans to individual and business customers within its immediate and surrounding geographic areas, and the majority of those loans, which are secured, are collateralized by area real estate and automobiles. Likewise, the Bank receives a majority of its deposits from substantially the same customers.

The Bank is required to maintain average cash reserve balances. The amount of these reserves at December 31, 2015 and 2014 was approximately \$1,593,000 and \$2,570,000, respectively. The Bank also had funds on deposit with the Federal Reserve Bank at December 31, 2015 and 2014 of approximately \$13,407,000 and \$8,419,000. Also included in cash and due from banks and federal funds sold are deposit balances in other financial institutions that may periodically exceed federally insured limits.

Note 16 - Regulatory Matters -

The Bank is subject to various regulatory capital requirements administered by its primary federal regulator, the Federal Deposit Insurance Corporation (FDIC). Failure to meet minimum regulatory 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 the regulatory capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines involving quantitative measures of the Bank's assets, liabilities and certain off-balance-sheet items as calculated under regulatory reporting requirements. The Bank's capital amounts and classification under the prompt corrective action guidelines are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios as of January 1, 2015, of Total capital, Tier 1 capital, Common Equity Tier 1 capital to risk-weighted assets (as defined in the regulations), and Leverage capital, which is Tier 1 capital to adjusted average total assets (as defined). Prior to January 1, 2015, minimum amounts and ratios of Total capital, Tier 1 capital, and Leverage capital were required. Management believes, as of December 31, 2015 and 2014, that the Bank meets all the capital adequacy requirements to which it is subject.

As of December 31, 2015 and 2014, the most recent notifications from the FDIC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To remain categorized as well capitalized, the Bank will have to maintain minimum Total capital, Common Equity Tier 1 capital, Tier 1 capital, and Leveraged capital ratios as disclosed in the table below. There are no conditions or events since the most recent notification that management believes have changed the Bank's prompt corrective action category. The Bank's actual and required capital amounts and ratios are as follows:

	Actual		Required for Capital Adequacy Purposes		Required to be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2015:						
Tier I Leverage Capital (to Average Assets)	\$37,332,634	10.19%	\$14,659,160	4.00%	\$18,323,950	5.00%
Tier I Capital (to Risk Weighted Assets)	\$37,332,634	16.58%	\$13,506,420	6.00%	\$18,008,560	8.00%
Common Equity Tier 1 Capital (to Risk Weighted Assets)	\$37,332,634	16.58%	\$10,129,185	4.50%	\$14,631,955	6.50%
Total Capital (to Risk Weighted Assets)	\$39,416,802	17.51%	\$18,008,560	8.00%	\$22,510,700	10.00%
As of December 31, 2014:						
Tier I Leverage Capital (to Average Assets)	\$37,267,150	10.53%	\$14,156,440	4.00%	\$17,695,550	5.00%
Tier I Capital (to Risk Weighted Assets)	\$37,267,150	18.20%	\$8,188,880	4.00%	\$12,283,320	6.00%
Total Capital (to Risk Weighted Assets)	\$39,163,454	19.13%	\$16,377,760	8.00%	\$20,472,200	10.00%

The Bank is subject to certain restrictions on the amount of dividends that it may pay without prior regulatory approval. In addition, dividends paid by the Bank would be prohibited if the effect thereof would cause the Bank's capital to be reduced below applicable minimum capital requirements.

Note 17 - Accumulated Other Comprehensive Income (Loss) -

The following is a summary of the changes in the balances of each component of accumulated other comprehensive income (loss) for the years ended December 31, 2014 and 2013:

	Unrealized Gains (Losses) Securities Available for Sale	Defined Benefit Pension Plan Unrecognized Gains (Losses)	Total Accumulated Other Comprehensive Income (Loss)
Balance, January 1, 2014	\$ (718,716)	\$ (1,208,970)	\$ (1,927,686)
Other Comprehensive Income (Loss) Before Reclassification Adjustments, Net of Tax	579,861	446,679	1,026,540
Reclassification Adjustments, Net of Tax	(25,390)	-	(25,390)
Total Other Comprehensive Income (Loss), Net of Tax	<u>554,471</u>	<u>446,679</u>	<u>1,001,150</u>
Balance, December 31, 2014	(164,245)	(762,291)	(926,536)
Other Comprehensive Income (Loss) Before Reclassification Adjustments, Net of Tax	238,888	(165,955)	72,933
Reclassification Adjustments, Net of Tax	1,026	-	1,026
Total Other Comprehensive Income (Loss), Net of Tax	<u>239,914</u>	<u>(165,955)</u>	<u>73,959</u>
Balance December 31, 2015	<u>\$ 75,669</u>	<u>\$ (928,246)</u>	<u>\$ (852,577)</u>

Note 18 - Disclosures About Fair Value of Financial Instruments -

FASB ASC 815, Financial Instruments, requires the disclosure of estimated fair value information about certain on and off balance sheet financial instruments where it is practicable to estimate those values. If quoted market prices are not available, which is true for many of the Bank's financial instruments, the Bank estimates fair value using present value or other valuation techniques. The assumptions used in applying these techniques, such as those concerning appropriate discount rates and estimates of future cash flows, require considerable judgment and significantly affect the resulting fair value estimates. In addition, no value estimate is assigned to future business opportunities from long-term customer relationships underlying certain financial instruments. Accordingly, the derived fair value of estimates may not indicate the amount the Bank could realize in a current settlement of the financial instruments. Reasonable comparability of fair value estimates between financial institutions may not be possible due to the wide range of permitted valuation techniques and numerous assumptions involved. The aggregate fair value amounts presented do not, and are not intended to, represent an aggregate measure of the underlying fair value of the Bank.

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

Cash and Interest Bearing Deposits with Other Banks - For those short-term instruments, the carrying amount is a reasonable estimate of fair value.

Securities - For securities, fair value equals quoted market price, if available. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities.

Loans - The fair value of loans is derived using the build-up approach. This approach views the discount rate as consisting of four components. The Treasury yield curve serves as a basis and is adjusted to be commensurate with the credit risk, overhead costs and optionality of such loans.

Cash Surrender Value of Life Insurance - The fair value is estimated to equal the cash equivalent available on redemption of the policies.

Deposits - The fair value of demand deposits, savings accounts and certain money market deposits is the amount payable on demand at the reporting date. The fair value of fixed maturity certificates of deposit is estimated using the rates currently offered for deposits of similar remaining maturities.

The estimated fair values of the bank's financial instruments are as follows as of December 31, 2015 and 2014:

	2015		2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets:				
Cash and Cash Equivalents	\$ 23,810,343	\$ 23,810,343	\$ 15,178,027	\$ 15,178,027
Interest Bearing Deposits with Other Banks	\$ 1,221,151	\$ 1,221,151	\$ 1,221,151	\$ 1,221,151
Securities and Other Investments	\$ 73,149,059	\$ 73,149,059	\$ 86,174,022	\$ 86,174,022
Mortgage Loans Available for Sale	\$ -	\$ -	\$ 546,000	\$ 546,000
Loans, Net of Allowance	\$251,465,371	\$ 253,435,000	\$ 227,879,966	\$ 228,468,000
Other Real Estate Owned	\$ -	\$ -	\$ 98,200	\$ 98,200
Cash Surrender Value of Life Insurance				
	\$ 2,769,997	\$ 2,769,997	\$ 2,992,099	\$ 2,992,099
Financial liabilities:				
Deposits	\$326,218,674	\$ 326,020,000	\$ 308,485,529	\$ 308,454,000

The carrying amounts in the preceding tables are included in the Balance Sheets under the applicable captions. The contract or notional amounts of the Bank's financial instruments with off-balance-sheet risk are disclosed in Note 14.