Board of Governors of the Federal Reserve System

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Annual Report of Holding Companies—FR Y-6

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

This Report is required by law: Section 5(c)(1)(A) of the Bank Holding Company Act (12 U.S.C. § 1844 (c)(1)(A)); Section 8(a) of the International Banking Act (12 U.S.C. § 3106(a)); Sections 11(a)(1), 25 and 25A of the Federal Reserve Act (12 U.S.C. §§ 248(a)(1), 602, and 611a); Section 211.13(c) of Regulation K (12 C.F.R. § 211.13(c)); and Section 225.5(b) of Regulation Y (12 C.F.R. § 225.5(b)) and section 10(c)(2)(H) of the Home Owners' Loan Act. Return to the appropriate Federal Reserve Bank the original and the number of copies specified.

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

NOTE: The *Annual Report of Holding Companies* must be signed by one director of the top-tier holding company. This individual should also be a senior official of the top-tier holding company. In the event that the top-tier holding company does not have an individual who is a senior official and is also a director, the chairman of the board must sign the report.

I, Ed Rumage
Name of the Holding Company Director and Official

President/CEO
Title of the Holding Company Director and Official

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

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

[signature]
Signature of Holding Company Director and Official

03/09/2016
Date of Signature

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

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

For Federal Reserve Bank Use Only

RSSD ID 1104503
C.I. ________

Date of Report (top-tier holding company's fiscal year-end):
December 31, 2015
Month / Day / Year

N/A
Reporter's Legal Entity Identifier (LEI) (20-Character LEI Code)

Reporter's Name, Street, and Mailing Address
Jacksboro National Bancshares, Inc.
Legal Title of Holding Company

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

City	State	Zip Code
Jacksboro	TX	76458

910 N. Main, Jacksboro, TX 76458
Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Name	Title
Craig Anderle	Chief Financial Officer

940-567-5551
Area Code / Phone Number / Extension

940-567-3592
Area Code / FAX Number

canderle@mybanktexas.com
E-mail Address

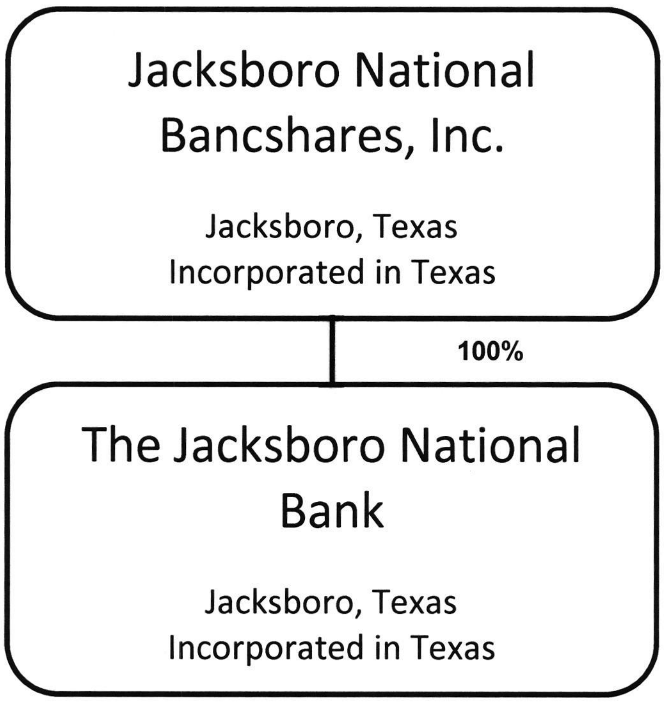
www.mybanktexas.com
Address (URL) for the Holding Company's web page

Does the reporter request confidential treatment for any portion of this submission?

- [ ] Yes Please identify the report items to which this request applies: ________
  - [ ] In accordance with the instructions on pages GEN-2 and 3, a letter justifying the request is being provided.
  - [ ] The information for which confidential treatment is sought is being submitted separately labeled "Confidential."
- [x] No

Jacksboro National Bancshares, Inc.
Jacksboro, Texas
December 31, 2015

Form FR Y-6
Report Item 2a. - Organizational Chart



Results: A list of branches for your depository institution: JACKSBORO NATIONAL BANK, THE (ID_RSSD: 924058).
This depository institution is held by JACKSBORO NATIONAL BANCSHARES, INC. (1104503) of JACKSBORO, TX.
The data are as of 12/31/2015. Data reflects information that was received and processed through 01/07/2016.

Reconciliation and Verification Steps

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

Actions

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

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

Submission Procedure

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

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

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

Data Action	Effective Date	Branch Service Type	Branch ID_RSSD*	Popular Name	Street Address	City	State	Zip Code	County	Country	FDIC UNINUM*	Office Number*	Head Office	Head Office ID_RSSD*	Comments
OK		Full Service (Head Office)	924058	JACKSBORO NATIONAL BANK, THE	910 NORTH MAIN STREET	JACKSBORO	TX	76458	JACK	UNITED STATES	2116	0	JACKSBORO NATIONAL BANK, THE	924058	
OK		Full Service	2665784	BOWIE BRANCH	213 WEST WISE STREET	BOWIE	TX	76230	MONTAGUE	UNITED STATES	260394	1	JACKSBORO NATIONAL BANK, THE	924058	

Jacksboro National Bancshares, Inc.
Form FR Y-6
December 31, 2015

Report Item 3: Security Holders

Current shareholders with ownership, control, or holdings of 5% or more with power to vote as of December 31, 2015.			Shareholders not listed on 1.a., 1.b., or 1.c. that had ownership, control, or holdings of 5% or more with power to vote during the fiscal year ending December 31, 2015.		
1.a. Name & Address (City and State/Country	1.b. Country of Citizenship or Incorporation	1.c. Number and Percentage of Each Class of Voting Voting Securities	2.a. Name & Address (City and State/Country	2.b. Country of Citizenship or Incorporation	2.c. Number and Percentage of Each Class of Voting Voting Securities
Voting Trust Agreement Edwin W. Rumage, Trustee Jacksboro, Texas (See attached list for Voting Trust Participants)	USA	9,796 shs - 66.29%	None		
Malinda R. Crumley Fort Worth, Texas	USA	750 shs - 5.08%			
Kay R. Murphey Fort Worth, Texas	USA	758 shs - 5.13%			
(Sisters)		1,508 shs - 10.20%			
Stella J. Matthews Medford, Oregon	USA	508 shs - 3.44%			
Clement C. McClure, III Gladstone, New Mexico	USA	354 shs - 2.40%			
Clay R. McClure Gladstone, New Mexico	USA	100 shs - .68%			
Matthew C. McClure Gladstone, New Mexico	USA	100 shs - .68%			
		1,062 shs - 7.19%*			
Monroe Henderson Jacksboro, Texas	USA	408 shs - 2.76%			

Curtis Henderson Dallas, Texas	USA	193 shs - 1.31%
Donna Henderson Craft Fort Worth, TX	USA	141 shs - .95%
		742 shs - 5.02%**

* - Stella J. Matthews and Clement C. McClure, III are siblings. Clay R. McClure and Matthew C. McClure are sons of Clement C. McClure, III.
** - Monroe Henderson is the father of Curtus Henderson and Donna Henderson Craft.

Jacksboro National Bancshares, Inc.
Form FR Y-6
December 31, 2015

Attachment to Report Item 3: Security Holders
Participants in the Voting Trust Agreement

Name	City, State, Country	Number of Shares in the Voting Trust (1)	Percent of Total Shares (1)
Bryan Bumpas	Jacksboro, TX, USA	110	0.74%
Margaret Sue Cherryhomes	Jacksboro, TX, USA	325	2.20%
Clint Creighton Craft Trust	Jacksboro, TX, USA	500	3.38%
Jay David Craft Trust	Jacksboro, TX, USA	297	2.01%
Jerry Craft	Jacksboro, TX, USA	1,003	6.79%
Davis Revocable Trust	San Antonio, TX, USA	114	0.77%
Jerry Graybill	Jacksboro, TX, USA	44	0.30%
Dayna Gunter	Fort Worth, TX, USA	250	1.69%
Sue Craft McMahan	Austin, TX, USA	103	0.70%
Sue Craft McMahan Trust	Austin, TX, USA	500	3.38%
Debbie Reaves	Jacksboro, TX, USA	101	0.68%
Blain Rumage	Jacksboro, TX, USA	248	1.68%
Edwin Rumage	Jacksboro, TX, USA	1,523	10.31%
Karen Rumage	Jacksboro, TX, USA	270	1.83%
Will Rumage	Jacksboro, TX, USA	247	1.67%
Sharon Stamper	Jacksboro, TX, USA	400	2.71%
Jennifer Stayton	Dallas, TX, USA	561	3.80%
Stephen Stamper	Jacksboro, TX, USA	1,687	11.42%
Willis G Stamper, Jr.	Jacksboro, TX, USA	1,513	10.24%
		9,796	66.29%

(1) - The number and percent of shares in the Voting Trust may not represent all of the shares each shareholder owns.

AMENDED AUG 31 2016

Jacksboro National Bancshares, Inc.
Form FR Y-6
December 31, 2015

Report Item 4: Insiders

1. - Name & Address (City, State/Country)
2. - Principal Occupation if other than with Bank Holding Company
3.a. - Title & Position with Bank Holding Company
3.b. - Title & Position with Subsidiaries (include names of subsidiaries)
3.c. - Title & Position with Other Businesses (include names of other businesses)
4.a. - Percentage of Voting Shares in Bank Holding Company
4.b. - Percentage of Voting Shares in Subsidiaries (include names of subsidiaries)
4.c. - List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)

1.	2.	3.a.	3.b.	3.c.	4.a. Owned	4.a. Power to Vote	4.b.	4.c.
Jerry Craft Jacksboro, Texas	Ranching and Oil & Gas Production	Director & Chairman	Jacksboro National Bank - Director & Chairman	Partner - Black Jax Oil Owner - Craft Ranches Partner - Craft Ranch, LLP Partner - Flying V, L.P.	6.79%	0.00%	0.00%	Black Jax Oil - 33 1/3% Craft Ranches - 100% Craft Ranch, LLP - 25% Flying V, L.P. - 33 1/3%
Family relationships of Jerry Craft:								
Clint Creighton Craft Trust - Son Jacksboro, Texas	Bail Bonds	N/A	N/A	Owner - Blackjack Bail Bonds Partner - Craft Ranches Partner - Flying V, L.P.	3.38%	0.00%	0.00%	Blackjack Bail Bonds - 100%
Jay David Craft Trust - Son Christiansted, Virgin Islands	Analyst	N/A	N/A	Partner - Craft Ranches Partner - Flying V, L.P.	2.01%	0.00%	0.00%	Craft Ranch, LLP - 25% Flying V, L.P. - 30%
Sue Craft McMahan - Daughter Austin, TX	Ranching/Homemaker	N/A	N/A	Sole Managing Partner - R&S^2 Trading, LLC Trustee - Jeremy Parmer McMahan Trust Trustee - Helen Mabrie McMahan Trust Partner - Craft Ranches Partner - Flying V, L.P.	0.70%	0.00%	0.00%	R&S^2 Trading, LLC - 100% Craft Ranch, LLP - 25%
Sue Craft McMahan Trust - See Sue Craft McMahan above Austin, TX		N/A	N/A		3.38%	0.00%	0.00%	
				Jerry Craft Family Totals:	16.26%	0.00%		
Willis G. Stamper, Jr. Jacksboro, Texas	Oil & Gas Production and Investments	Director & Vice Chairman	Jacksboro National Bank - Director & Vice Chairman	President - WGS Properties, Inc. President & Director - B & B Holdings, Inc. President - Stamper Brothers, LLC	10.24%	0.00%	0.00%	WGS Properties, Inc. - 100% B & B Holdings - 33.25% Stamper Brothers, LLC - 33 1/3%
Family relationships of Willis G. Stamper, Jr.								
Sharon Stamper - Sister-in-law Graham, TX	Retired	N/A	N/A	JCS Company - Owner	2.71%	0.00%	0.00%	Stamper Brothers, LLC - 33 1/3%
Jennifer Stamper Stayton - Daughter Richardson, TX	Teacher	N/A	N/A	None	3.80%	0.00%	0.00%	None
Stephen F Stamper - Brother Wichita Falls, TX	Oil & Gas Production	N/A	N/A	President & Owner - Stamper Operating Managing Partner & Owner - Stamper Holdings, LLC Presiden & Owner - Blocked L Properties, LLC	11.42%	0.00%	0.00%	Stamper Operating - 100% Stamper Holdings, LLC - 100% Blocked L Properties, LLC - 50%

				Managing Partner & Owner - SFS Mineral Properties, LLC Secretary/Treasurer - Stamper Brothers, LLC Secretary/Treasurer - B & B Holdings				SFS Mineral Properties, LLC - 100% Stamper Brothers, LLC - 33 1/3% B & B Holdings - 50%
				Willis G. Stamper, Jr. Family Totals:	28.17%	0.00%		
Margaret Sue Cherryhomes Jacksboro, Texas	Homemaker	Director & Secretary	Jacksboro National Bank - Director & Secretary	None	2.20%	0.00%	0.00%	None
Jerry Graybill Jacksboro, Texas	Fuel Distributor	Director	Jacksboro National Bank - Director	Partner - Grable Oil Co., L.P.	0.30%	0.00%	0.00%	
Edwin W. Rumage Jacksboro, Texas	Banker	Director & President/CEO	Jacksboro National Bank - Director and President/CEO	None	10.31%	66.29%	0.00%	None
<u>Family relationships of Edwin Rumage:</u>								
Karen Buckley Rumage - Wife Jacksboro, TX	Homemaker	N/A	N/A	None	1.83%	0.00%	0.00%	None
C. Blain Rumage - Son Jacksboro, TX	Banker	N/A	Jacksboro National Bank - VP/Loan Officer	Partner - North Creek Ranch, LTD	1.68%	0.00%	0.00%	North Creek Ranch, LTD - 49%
Will Rumage - Son Celina, TX	Construction	N/A	N/A	Partner - North Creek Ranch, LTD	1.67%	0.00%	0.00%	North Creek Ranch, LTD - 49%
Davis Revocable Trust, Danna Ritter, Trustee - Niece San Antonio, TX	Trustee	N/A	N/A	None	0.77%	0.00%	0.00%	None
				Edwin W. Rumage Family Totals:	16.26%	66.29%		
Bryan Bumpas Jacksboro, Texas	Banker	Director	Jacksboro National Bank - Director and Executive Vice President	N/A	1.42%	0.68%	0.00%	None
Craig Anderle Windthorst, Texas	Banker	Chief Financial Officer	Jacksboro National Bank - Chief Financial Officer	N/A	0.68%	0.68%	0.00%	None
Malinda Crumley Fort Worth, TX	Realtor	Principal Security Holder	None	None	5.08%	5.08%	0.00%	None
Kay Murphey Fort Worth, TX	Party Planner	Principal Security Holder	None	Owner - Debutante Services	5.13%	5.13%	0.00%	Debutante Services - 100%
Note: Ms. Crumley and Ms. Murphey are sisters.					10.20%	10.20%		

AMENDED
AUG 31 2016

JACKSBORO NATIONAL BANCSHARES, INC.

CONSOLIDATED FINANCIAL STATEMENTS

and

THE JACKSBORO NATIONAL BANK

YEARS ENDED DECEMBER 31, 2015 AND 2014

with

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

JACKSBORO NATIONAL BANK
MyBankTexas.com

February 5, 2016

Dear Shareholders:

Jacksboro National Bancshares, Inc. (the "Company") has experienced another record year in 2015. A record net income of $2,884,409 was a result of record loan growth. Loans increased $18,728,861, a 17.92% increase, to a year-end balance of $123,265,467. Residential real estate loans, including residential construction loans, increased over $11.7 million and agricultural real estate loans grew more than $6.3 million. Tangible capital increased almost $1.6 million to an all-time high of $23,489,646. Deposits have shown only a modest increase of approximately $3.4 million due to continued slow economic growth, especially in the oil and gas industry.

The growth in tangible capital is due to the earnings of the Company's subsidiary, The Jacksboro National Bank (the "Bank"). The Bank reported net income of $3,012,753. Capital distributions from the Bank to the Company totaled $1,289,561 during 2015. Of this amount, $684,833 was paid to shareholders as distributions and $604,728 was used to purchase 315 shares of Company stock from shareholders. The Bank's leverage ratio as of year-end 2015 was 9.26%, an increase of .36% from the prior year. The Bank's current capital position is compliant with the Basel III Capital guidelines, which will not be fully phased in until the year 2019. The Company expects to continue to grow capital to meet all known and anticipated future capital needs, including maintaining healthy regulatory capital ratios and providing a source of liquidity for shareholders who wish to liquidate some or all of their Company stock.

The growth in residential real estate loans is indicative of the success of our mortgage department in Wichita Falls. In less than two years after inception, our mortgage department became profitable. The significant rainfall in the spring and early summer of 2015 has helped to foster growth in the residential real estate market in and around Wichita Falls. The proficiency of our staff in the mortgage department has ensured the Company remains a competitive contender in their market. In addition to continuing to make deeper in-roads into the Wichita Falls market, our mortgage department provides the expertise to allow the Company to continue to serve the mortgage needs of our customers in the Jacksboro and Bowie locations as well.

We do not anticipate many changes in the economic or regulatory environments for 2016. The Company is positioned well to continue weathering the economic downturn and we continue to stay ahead of the ever-increasing regulatory burden. Many of our customers continue to be affected by the low oil and gas prices. We see the results of these difficulties in our loan portfolio. However, management identifies potential problems early and takes actions to protect the Company as well as take care of our customers, which can be a delicate balancing act during these economic swings. Regulators will continue to write legislation into regulations as the banking industry as a whole determines how best to continue to navigate the regulatory tidal wave. These obstacles provide an opportunity for our directors, officers, and employees to show we can continue to thrive even in the face of such adversity. We have a great team in place to ensure the success of our organization.

As always, I want to take this opportunity to express my sincere gratitude to our shareholders for trusting your investment in the Company to us. This privilege continues to be taken seriously and maximizing the value of your investment remains our top priority.

Sincerely,

Ed Rumage
President/CEO

Lukert, Mayers, Widner & Co., P.C.
Certified Public Accountants

623 Elm Street, Suite 405
P.O. Box 420
Graham, Texas 76450
940-549-3330
Fax: 940-549-3332

Kathryn M. Mayers
Michelle R. Widner
Mike Lukert, of Counsel

219 E. Main Street
P.O. Box 337
Olney, Texas 76374
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Independent Auditors' Report

The Board of Directors and Shareholders
Jacksboro National Bancshares, Inc.
Jacksboro, Texas

We have audited the accompanying consolidated financial statements of Jacksboro National Bancshares, Inc. and its subsidiary, which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, 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 consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Jacksboro National Bancshares, Inc. and its subsidiary as of December 31, 2015 and 2014, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying balance sheets of The Jacksboro National Bank as of December 31, 2015 and 2014, and the related statements of income, comprehensive income, shareholder's equity, and cash flows for the years then ended are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Lakert, Mayers, Widner & Co., P.C.

Graham, Texas
February 5, 2016

JACKSBORO NATIONAL BANCSHARES, INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2015 AND 2014

	2015	2014
ASSETS		
Cash and due from banks	$ 3,614,002	$ 4,404,114
Securities available for sale	119,439,732	132,079,566
Loans:		
Held for investment	122,081,127	103,782,246
Held for sale	1,184,340	754,360
	123,265,467	104,536,606
Less allowance for loan loss	(1,902,255)	(1,613,309)
Net loans	121,363,212	102,923,297
Property and equipment, net	7,248,217	7,528,167
Accrued interest receivable	1,569,784	1,437,762
Other assets	706,007	640,511
Total assets	$ 253,940,954	$ 249,013,417
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Demand deposits	$ 61,548,282	$ 60,459,750
Savings, NOW and money market deposits	121,402,100	123,194,436
Time deposits	40,238,912	36,278,457
Total deposits	223,189,294	219,932,643
Accrued interest payable	29,067	34,871
Bank advances	5,215,000	4,926,000
Other liabilities	47,353	42,286
Total liabilities	228,480,714	224,935,800
Commitments and contingencies (Note 1)		
Shareholders' equity:		
Capital stock, $1 par value, 1,000,000 shares authorized, 14,778 issued in 2015, and 15,093 issued in 2014	14,778	15,093
Paid-in capital	1,682,154	1,682,154
Retained earnings	22,113,608	20,518,445
Accumulated other comprehensive income	1,649,700	1,861,925
Total shareholders' equity	25,460,240	24,077,617
Total liabilities and shareholders' equity	$ 253,940,954	$ 249,013,417

The accompanying notes are an integral part of this statement.

JACKSBORO NATIONAL BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
Interest income:		
Interest and fees on loans	$ 6,461,663	$ 5,840,388
Interest on investment securities	2,765,031	2,768,021
Total interest income	9,226,694	8,608,409
Interest expense:		
Deposits	588,989	663,669
Other	15,164	1,154
Total interest expense	604,153	664,823
Net interest income	8,622,541	7,943,586
Provision for loan losses	(310,000)	(25,000)
Net interest income after provision for loan losses	8,312,541	7,918,586
Other income:		
Service charges on deposit accounts	585,327	581,318
Other service charges and fees	481,206	480,267
Net realized gain on securities	53,824	160,755
Gain (loss) on sale of property and equipment	27,000	(1,651)
Gain from sales of mortgage loans	838,646	592,285
Other income	145,267	198,710
Total other income	2,131,270	2,011,684
Other expense:		
Salaries and employee benefits	4,300,986	4,110,074
Property and equipment expense	1,180,678	1,110,272
Advertising and promotion expense	180,392	188,534
Computer service expense	687,104	622,793
Legal and professional fees	63,107	41,219
Stationary and printing expense	119,048	133,292
Consulting	150,497	149,861
Director fees	217,075	192,132
FDIC insurance premiums	131,127	120,406
Other expense	529,388	475,522
Total other expense	7,559,402	7,144,105
Income before income tax expense	2,884,409	2,786,165
Income tax expense	-	-
Net income	$ 2,884,409	$ 2,786,165

The accompanying notes are an integral part of this statement.

JACKSBORO NATIONAL BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
Net income	$ 2,884,409	$ 2,786,165
Other comprehensive income:		
Change in unrealized gain (loss) on securities available for sale	(127,240)	2,326,645
Adjustment for (gains) losses realized on securities available for sale and included in net income	(84,985)	(239,854)
Total other comprehensive income	(212,225)	2,086,791
Total comprehensive income	$ 2,672,184	$ 4,872,956

The accompanying notes are an integral part of this statement.

JACKSBORO NATIONAL BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Capital Stock	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance, December 31, 2013	$ 15,589	$ 1,682,154	$19,155,914	$ (224,866)	$20,628,791
Net income	-	-	2,786,165	-	2,786,165
Unrealized gain on securities available for sale	-	-	-	2,326,645	2,326,645
Reclassification adjustment for gain included in net income	-	-	-	(239,854)	(239,854)
Purchase of capital stock	(496)	-	(783,219)	-	(783,715)
Distributions ($41.75 per share)	-	-	(640,415)	-	(640,415)
Balance, December 31, 2014	15,093	1,682,154	20,518,445	1,861,925	24,077,617
Net income	-	-	2,884,409	-	2,884,409
Unrealized loss on securities available for sale	-	-	-	(127,240)	(127,240)
Reclassification adjustment for gain included in net income	-	-	-	(84,985)	(84,985)
Purchase of capital stock	(315)	-	(604,413)	-	(604,728)
Distributions ($45.75 per share)	-	-	(684,833)	-	(684,833)
Balance, December 31, 2015	$ 14,778	$ 1,682,154	$22,113,608	$ 1,649,700	$25,460,240

The accompanying notes are an integral part of this statement.

JACKSBORO NATIONAL BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
Cash flows from operating activities:		
Net income	$ 2,884,409	$ 2,786,165
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	425,593	399,917
(Gain) loss on disposal of property and equipment	(27,000)	1,651
(Gain) loss on sale of repossessed assets	(11,459)	(72,892)
Provision for loan losses	310,000	25,000
Net realized (gain) loss on securities	(53,824)	(160,755)
Premium amortization net of discount accretion on securities	1,747,610	1,631,587
Gain from sales of mortgage loans	(838,646)	(592,285)
Proceeds from sales of mortgage loans	27,284,880	21,832,800
Originations of mortgage loans for sale	(26,446,234)	(21,240,515)
(Increase) decrease in accrued interest receivable	(132,022)	(53,012)
(Increase) decrease in other assets	39,752	54,343
Increase (decrease) in accrued interest payable	(5,804)	(6,921)
Increase (decrease) in other liabilities	5,862	14,121
Total adjustments	2,298,708	1,833,039
Net cash provided by operating activities	5,183,117	4,619,204
Cash flows from investing activities:		
Principal reduction on mortgage-backed securities	17,753,908	14,953,884
Proceeds from maturities of available-for-sale securities	1,540,000	19,785,000
Proceeds from sales of available-for-sale securities	12,683,801	7,363,727
Purchase of available-for-sale securities	(21,243,887)	(53,519,340)
Purchase of mortgage loans	(5,660,093)	-
Net (increase) decrease in loans	(13,200,649)	(12,505,441)
Purchase of property and equipment	(118,643)	(2,121,037)
Proceeds from sales of property and equipment	-	5,100
Proceeds from sales of repossessed assets	16,243	774,037
Net cash used by investing activities	(8,229,320)	(25,264,070)
Cash flows from financing activities:		
Net increase (decrease) in demand deposits	1,088,532	9,120,746
Net increase (decrease) in savings, NOW and money market deposits	(1,792,335)	17,139,519
Net increase (decrease) in time deposits	3,960,455	(3,991,960)
Net increase (decrease) in short term borrowings	289,000	926,000
Purchase of capital stock	(604,728)	(783,715)
Distributions	(684,833)	(640,415)
Net cash provided by financing activities	2,256,091	21,770,175
Net increase (decrease) in cash and due from banks	(790,112)	1,125,309
Cash and due from banks, beginning of year	4,404,114	3,278,805
Cash and due from banks, end of year	$ 3,614,002	$ 4,404,114

The accompanying notes are an integral part of this statement.

1. **Summary of significant accounting policies**

The accounting policies of Jacksboro National Bancshares, Inc. (the Company) and subsidiary conform to accounting principles generally accepted in the United States of America and to general practices within the banking industry. The Company was incorporated for the purpose of becoming a bank holding company. Its subsidiary, The Jacksboro National Bank (the Bank), provides full banking services. The Bank generates commercial, agricultural, mortgage and consumer loans and receives deposits from customers primarily in Jack and Montague counties and in the north central part of Texas.

Date of management's review of subsequent events - Management has evaluated subsequent events through February 5, 2016, the date which the financial statements were available to be issued.

Consolidation and ownership - The financial statements of Jacksboro National Bancshares, Inc. include the accounts of the Company and the accounts of its subsidiary, The Jacksboro National Bank. The Bank is wholly owned by the Company. All material intercompany transactions and balances have been eliminated.

Restrictions on cash and due from banks - Under regulations promulgated by the Federal Reserve Board, the Bank is required to maintain reserve balances on hand or with the Federal Reserve Bank. The amounts of those reserve balances as of December 31, 2015 and 2014 were $0.

Investment securities - Management determines the appropriate classification of debt securities at the time of purchase. Debt securities are classified as available for sale or held to maturity. Securities available for sale are those securities which the Company may decide to sell prior to their maturity in response to change in interest rates, liquidity needs, or for other purposes. Securities available for sale are reported at fair value. The net unrealized gain or loss on securities available for sale is reported as accumulated other comprehensive income, a separate component of shareholders' equity, until realized. Securities held to maturity are securities that the Company has the positive intent and ability to hold to maturity. Held-to-maturity securities are reported at amortized cost.

Amortized cost of debt securities 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 securities, computed by the interest method. Realized gains (losses) on securities are included in other income and, when applicable, are reported as a reclassification adjustment in accumulated other comprehensive income. Gains and losses on the sale of securities are recorded on the trade date and are determined using 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 related write-downs are included in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial conditions and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

Federal Home Loan Bank stock - Federal Home Loan Bank (FHLB) stock is a required investment for institutions that are members of the Federal Home Loan Bank system. The required investment in the common stock is based on a predetermined formula and was $331,500 at December 31, 2015.

FHLB stock is carried at cost on the balance sheets in securities available for sale and totaled $640,500 and $290,900 at December 31, 2015 and 2014, respectively. FHLB stock is held as collateral to secure FHLB advances.

Loans - The Bank grants commercial, agricultural, consumer and residential loans to customers primarily in Jack and Montague Counties and in the north central part of Texas. Although the Bank has a diversified loan portfolio, its debtors' ability to honor their contracts is substantially dependent upon the general economic conditions of the region. Loans are reported at their outstanding principal balance adjusted for any charge-offs and the allowance for loan losses. Loans held for sale are carried at the lower of cost or market. Interest on loans is recognized over the term of the loan and is accrued on the unpaid principal balance.

Allowance for loan losses - The allowance consists of specific and general components. The specific component relates to loans that are classified as either doubtful, substandard or special mention. The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. The Company performs periodic and systematic detailed reviews of its lending portfolios to identify credit risks and assess the overall collectibility of those portfolios. The allowance on certain homogenous loan portfolios is based on aggregated portfolio segment evaluations. Management's periodic evaluation of the adequacy of the allowance is based on the Bank's past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, and current economic conditions. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available.

The Company's residential real estate and real estate portfolios are comprised primarily of homogenous loans secured by residential and commercial real estate, respectively. The amount of losses incurred in the homogenous loan pools is estimated based upon how many of the loans will default and the loss in the event of default. The Company estimates how many of the homogenous loans will default based on the individual loans' attributes aggregated into pools of homogenous loans with similar attributes. The attributes that are most significant to the probability of default and are used to estimate default include the loan-to-value, borrower credit score, months since origination, geography, and present collection status. The estimate is based on the Company's historical experience with the loan portfolio. The estimate is adjusted to reflect an assessment of environmental factors that are not reflected in the historical data, such as changes in real estate values, local and national economies, underwriting standards and the regulatory environment.

The allowance on the remaining portfolio segments (agriculture, commercial and consumer) is calculated using loss rates delineated by risk rating and product type. Factors considered when assessing loss rates include the value of the underlying collateral, the industry of the obligor, the obligor's liquidity and other financial and qualitative factors. These factors are updated regularly for changes in economic and business conditions. Included in the analysis of these loan portfolios are reserves which are maintained to cover uncertainties that affect the Company's estimate of probable losses including economic uncertainty and large single defaults.

Nonperfoming loans are reviewed in accordance with applicable accounting guidance on impaired loans and troubled debt restructurings (TDRs). If necessary, a specific allowance is established for these loans if they are deemed to be impaired. A loan is considered impaired when, based on current information and events, it is probable the scheduled payments of principal or interest will be uncollectible when due, according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis by the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral for collateral-dependent loans.

For such loans that are also classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers non-classified loans and is based on historical loss experience adjusted for qualitative factors. An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Company does not separately identify individual consumer and residential loans for impairment disclosures, unless such loans are subject of a restructuring agreement.

The outstanding balance of residential real estate and real estate secured loans that is in excess of the estimated property value, less estimated costs to sell, is charged off no later than the end of the month in which the account becomes 180 days past due. The estimated property value, less costs to sell is determined utilizing appraisals or broker opinions of the fair value of the collateral.

The outstanding balance of loans within the remaining loan segments (agriculture, commercial and consumer) are charged off no later than the end of the month in which the account becomes 120 days past due. For secured loans, accounts are written down to the collateral value. The fair value of the collateral is estimated by management based on current financial information, inspections and appraisals. For unsecured loans, the outstanding balance is written off.

Loans within all portfolio segments are generally placed on nonaccrual status and classified as nonperforming at 90 days past due. Accrued interest receivable is reversed when a loan is placed on nonaccrual status. Interest collections on nonaccrual loans for which the ultimate collectibility of principal is uncertain are applied as principal reductions; otherwise, such collections are credited to interest income when received. These loans may be restored to accrual status when all principal and interest is current and full repayment of the remaining contractual principal and interest is expected, or when the loan otherwise becomes well-secured and is in the process of collection.

Loans whose contractual terms have been modified in a TDR and are current at the time of the restructuring remain on accrual status if there is demonstrated performance prior to the restructuring and repayment in full under the restructured terms is expected. Otherwise, the loans are placed on nonaccrual status and reported as nonperforming until there is sustained repayment performance for a reasonable period, generally six months. TDRs that are on accrual status are reported as perfoming TDRs through the end of the calendar year in which the restructuring occurred or the year in which the loans are returned to accrual status. In addition, if accruing TDRs bear less than a market rate of interest at the time of modification, they are reported as performing TDRs throughout the remaining lives of the loans.

A troubled debt restructured loan is a loan which the Company, for reasons related to a borrower's financial difficulties, grants a concession to the borrower that the Company would not otherwise consider. The loan terms which have been modified or restructured due to a borrower's financial difficulty include, but are not limited to, a reduction in the stated interest rate; an extension of the maturity at an interest rate below current market; a reduction in the face amount of the debt; a reduction in the accrued interest; or re-aging, extensions, deferrals, renewals and rewrites. A troubled debt restructured loan would generally be considered impaired.

Mortgage loan sales - The Bank has a program to originate mortgage loans for sale, complying with the specific requirements of the investors purchasing the loan. Investors review the underlying documentation prior to completing their purchase. Individual loans that fail to meet the specified criteria would not be purchased. If exceptions cannot be corrected, the Bank would retain the loan in its portfolio. The Bank does not retain the right to service the sold loans. Additionally, the loans are sold to the investors with limited recourse. Management has determined underwriting standards and collateral values of sold loans minimizes any contingent liability.

Loan proceeds from sales of mortgage loans were $27,284,880 and $21,832,800 for December 31, 2015 and 2014, respectively. Gains on sales of mortgages are recognized when the investor has funded the purchase. The gain is based on the loan origination fees paid by the borrower and service release premiums paid by the investor, net of any purchase premium or discount. Gains realized during 2015 and 2014 were $838,646 and $592,285, respectively.

The Bank had a program where the servicing rights were retained by the Bank. Servicing rights, which were acquired through origination and were retained after the underlying mortgage loans were transferred through sale, were to be separately recognized in other assets in accordance with accounting principles generally accepted in the United States of America. The servicing assets, net of the cost to service the assets, are to be amortized into service charges over the period of the estimated net servicing income on the underlying mortgage loans. Management has determined the servicing asset or liability to be recognized is immaterial and therefore, has not recorded any potential asset or liability as of December 31, 2015 or 2014.

Loan origination fees and costs - Fees and costs associated with originating loans are recognized in income generally in the period in which fees were received and/or costs were incurred. In accordance with accounting principles generally accepted in the United States of America, such fees and costs generally are deferred and recognized over the life of the loan as an adjustment of the yield. For the two years presented in the statements of income, management believes not deferring such fees and costs and amortizing them over the life of the related loans does not materially affect the Company's financial position or results of operations.

Property and equipment - Land is carried at cost. Buildings and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Gains and losses on sales and retirements are reflected in current operations. Major improvements and costs are capitalized. Costs incurred for maintenance, repairs and minor improvements are expensed as incurred. Depreciation expense for the years ended December 31, 2015 and 2014 was $425,593 and $399,917, respectively.

Other assets - Goodwill, which represents the excess of the acquisition cost of purchased assets over the fair value of the net assets at the date of acquisition and the costs associated with the purchase, are not being amortized but instead tested for impairment in accordance with authoritative guidance. Impairment testing is performed annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. In making such determination, the Company evaluates the performance, on an undiscounted basis, of the underlying businesses that gave rise to such amount. In case of impairment, the recorded costs would be written down to fair value on a discounted basis. There was no impairment recorded for the years ended December 31, 2015 or 2014.

Real estate properties acquired through, or in lieu of, foreclosure are initially recorded at fair value less estimated selling cost at the date of foreclosure. All write-downs based on the assets' fair value at the date of acquisition are charged to the allowance for loan losses. After foreclosure, valuations are periodically performed by management and the real estate is carried at the lower of the new cost basis or fair value minus estimated costs to sell. Any subsequent write-downs are charged against other expenses. Cost of significant property improvements are capitalized, whereas costs relating to holding property are expensed. The typical holding period for such properties is less than one year.

Pension plan - The Bank has a 401-K deferred compensation plan available to all eligible employees. The Bank will match 100% of the first 5% of employee contributions. In addition, a minimum of 3% of annual employee earnings is contributed for all participants employed at year-end. The Bank made a discretionary contribution of 17% for December 31, 2015 and 2014. Total contributions during 2015 and 2014 amounted to $469,454 and $455,942, respectively, which is included in salaries and employee benefits expense.

Advertising and promotion expense - Advertising and promotion costs are expensed as incurred. Total advertising and promotion expense for the years ended December 31, 2015 and 2014 was $180,392 and $188,534, respectively.

Income taxes - The Company and its subsidiary have elected S corporation status, under the provisions of the Internal Revenue Code and, as such, will no longer be liable for federal income taxes. Earnings and losses are included in the personal income tax returns of the shareholders and taxed depending on their personal tax structure. The Company is subject to the State of Texas tax on taxable margin. The margin tax was immaterial for the years ended December 31, 2015 and 2014. The tax is current and does not have a deferred tax component. The Company is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2012 or Texas state tax examinations by tax authorities for years before 2011.

Comprehensive income - Comprehensive income, as presented in the accompanying statements of comprehensive income, is defined as the change in equity during the period from transactions and other events from non-owner sources. Comprehensive income is the total of net income and accumulated other comprehensive income, which for the Company is comprised entirely of unrealized gains and losses on securities available for sale.

Off-balance-sheet financial instruments - In the ordinary course of business, the Bank has entered into off-balance-sheet financial instruments consisting of commitments on lines of credit and standby letters of credit. Such financial instruments are recorded in the financial statements when they are funded. Guarantees that are not derivative contracts are to be recorded on the Company's consolidated statement of financial condition at their fair value at inception, in accordance with authoritative guidance. For the two years presented in the consolidated balance sheets, management believes not recording the liability related to guarantees does not materially affect the Company's financial position or results of operations.

Cash and cash equivalents - For purpose of presentation in the statements of cash flows, cash and cash equivalents are defined as those amounts included in the balance sheet caption "Cash and due from banks". All highly liquid investments with an initial maturity of less than ninety days are considered to be cash equivalents.

Significant group concentrations of credit risk - Most of the Bank's activities are with customers located within Jack, Montague, and Wichita counties and in the north central part of Texas. Notes 2 and 3 discuss the types of securities the Bank invests in and the types of lending the Bank engages in. The Bank does not have any significant concentrations to any one industry or customer.

The majority of cash and cash equivalents of the Company are maintained with major financial institutions in the United States. As such, interest bearing, non-transaction account deposits with these financial institutions may exceed the amount of insurance provided on such deposits. Management believes that its risk of loss associated with such balances is minimal due to the financial strength of the correspondent banks and counterparty financial institutions. The Company has not experienced any losses in such accounts. In monitoring this risk, the Company periodically evaluates the stability of the financial institutions with which they have deposits. The Company had in excess of $100,000 deposited with three financial institutions in due-from-bank balances and federal funds. Deposits totaled $2,630,298 at December 31, 2015 in these institutions.

Legal contingencies - Various legal claims arise from time to time in the normal course of business which, in the opinion of management, will have no material effect on the Company's consolidated financial statements.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for losses on loans and the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans.

Fair values of financial instruments - FASB issued authoritative guidance requiring disclosure of fair value information about financial instruments, whether or not recognized in the consolidated balance sheets. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instruments. The aggregate fair value amounts presented do not represent the underlying value of the Company. The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Cash and due from banks: The carrying amounts of cash and due from banks approximate those assets' fair values.

Investment securities: Fair values for investment securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. Fair value of The Independent BankersBank, Federal Home Loan Bank and Federal Reserve Bank stock is based on the price at which it may be resold to the issuer.

Loans: For variable-rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying amounts. The fair values for other loans are estimated using discounted cash flow analyses, based on interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. Loan fair value estimates include judgments regarding future expected loss experience and risk characteristics. Fair values for impaired loans are estimated using discounted cash flow analyses or underlying collateral values. Fair values are adjusted for credit risk based on assessment of risk identified with specific loans, and risk adjustments on the remaining portfolio based on credit loss experience.

Assumptions regarding credit risk are judgmentally determined using specific borrower information, internal credit quality analysis, and historical information on segmented loan categories for non-specific borrowers.

Loans held for sale: Fair values for mortgage loans held for sale were valued based on the contractual values upon which the loans may be sold to a third party, and approximate their carrying value.

Deposits: The fair values disclosed for demand deposits are, by definition, equal to the amount payable on demand at the reporting date (carrying amount). The fair values for time deposits are estimated using a discounted cash flow calculation that applies interest rates currently being offered to a schedule of aggregated contractual maturities on such time deposits.

Accrued interest: The carrying amounts of accrued interest approximate their fair values.

Bank advances: The carrying amounts of advances from banks approximate their fair values.

Off-balance-sheet instruments: Fair values for off-balance-sheet lending commitments are based on fees currently charged to enter into similar agreements, considering the difference between current levels of interest rates and the committed rates and the counterparties' credit standing.

Segment reporting - FASB ASC 280, *Segment Reporting*, encourages nonpublic entities to report selected information about operating segments in its financial reports issued to its shareholders. Based on the analysis performed by the Company, management has determined the Company only has one operating segment, which is banking. Management uses consolidated results to make operating and strategic decisions, and therefore, is not required to disclose any additional segment information.

Reclassification - Certain reclassifications have been made to the 2014 financial statements to conform to the 2015 financial statement presentation.

Recently issued authoritative accounting guidance - In January 2014, FASB issued ASU No. 2014-04, *Receivables-Troubled Debt Restructurings by Creditors (Subtopic 310-40): Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans Upon Foreclosure*. The amendments clarify that an in substance repossession or foreclosure occurs, and a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon either (1) the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure or (2) the borrower conveying all interest in the residential real estate to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. Additionally, the amendments require interim and annual disclosure of both (1) the amount of foreclosed residential real estate property held by the creditor and (2) the recorded investment in consumer mortgage loans collateralized by residential real estate that are in the process of foreclosure according to local requirements of the applicable jurisdiction. ASU No. 2014-04 is effective for annual periods beginning after December 15, 2014, and interim periods within annual periods beginning after December 15, 2015. Adoption of ASU No. 2014-04 is not expected to have a significant impact on the Company's consolidated financial statements.

In May 2014, FASB issued ASU No. 2014-09 *Revenue from Contracts with Customers (Topic 606)*. The new standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In doing so, companies will need to use more judgment and make more estimates than under existing guidance. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. The new guidance will be effective for annual reporting periods ending after December 15, 2017; however, earlier implementation is allowed (within certain parameters). The Company has no plans to adopt the new guidance early and the guidance is not expected to have a significant impact to the Company's consolidated financial statements.

In June 2014, FASB issued ASU No. 2014-11 *Transfers and Servicing (Topic 860)*. This guidance requires that repurchase-to-maturity transactions be accounted for as secured borrowings consistent with the accounting for other repurchase agreements. In addition, ASU 2014-11 requires separate accounting for repurchase financings, which entails the transfer of a financial asset executed contemporaneously with a repurchase agreement with the same counterparty. ASU 2014-11 requires entities to disclose certain information about transfers accounted for as sales in transactions that are economically similar to repurchase agreements. In addition, it requires disclosures related to collateral, remaining contractual tenor and of the potential risks associated with repurchase agreements, securities lending transactions and repurchase-to-maturity transactions. ASU No. 2014-11 is effective for the Company on January 1, 2015 and is not expected to have a significant impact on the Company's financial statements.

In August 2014, FASB issued ASU No. 2014-14 *Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure*. FASB amended its authoritative guidance related to foreclosed home loans with government backed guarantees. The amendment requires lenders to measure the unpaid principal and interest they expect to recover through the loan guarantee. The loan should be removed from the lender's asset total and added to the balance sheet as a new receivable. The amendments will become effective for annual reporting periods ending after December 15, 2015 and is not expected to have a significant impact on the Company's consolidated financial statements.

In 2015, FASB eliminated from U.S. GAAP the concept of extraordinary items, which, among other things, required an entity to show the item separately in the income statement, net of tax, after income from continuing operations. The new guidance is effective for the Company beginning January 1, 2016, though early adoption is permitted, and is not expected to have a significant impact of the Company's financial statements.

2. Investment securities

Securities have been classified in the balance sheets according to management's intent. The amortized cost and estimated market values of securities as shown in the consolidated financial statements at December 31, 2015 and 2014 are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Available-for-sale securities:				
2015				
U. S. Government agencies	$ -	$ -	$ -	$ -
Mortgage-backed securities	74,556,894	187,008	522,280	74,221,622
Obligations of state and political subdivisions	42,534,638	1,990,624	5,652	44,519,610
Other	698,500	-	-	698,500
	$ 117,790,032	$ 2,177,632	$ 527,932	$ 119,439,732
2014				
U. S. Government agencies	$ -	$ -	$ -	$ -
Mortgage-backed securities	86,247,601	397,229	351,164	86,293,666
Obligations of state and political subdivisions	43,621,140	1,865,450	49,590	45,437,000
Other	348,900	-	-	348,900
	$ 130,217,641	$ 2,262,679	$ 400,754	$ 132,079,566

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. Other securities include Federal Home Loan Bank, The Independent BankersBank and Federal Reserve Bank stock for which there is no readily determinable fair value or on which there are contractual restrictions on the sale or transfer of the stock. These stocks are carried at cost and evaluated for declines in value.

Securities at amortized cost of $43,849,276 and $41,836,569 at December 31, 2015 and 2014, respectively, were pledged to secure public deposits and for other purposes required or permitted by law. Estimated market values of pledged securities were $45,734,767 and $43,564,695 at December 31, 2015 and 2014, respectively.

The amortized cost and estimated market value of securities at December 31, 2015, by contractual maturity, are shown below.

	Available for Sale	
	Amortized Cost	Estimated Market Value
Due in one year or less	$ 889,101	$ 905,605
Due one to five years	6,482,256	6,677,777
Due five to ten years	31,316,661	32,819,472
Due after ten years	3,846,620	4,116,756
	42,534,638	44,519,610
Securities with no stated maturity	698,500	698,500
Mortgage-backed securities	74,556,894	74,221,622
	$ 117,790,032	$ 119,439,732

Amortized cost of mortgage-backed securities, by contractual maturity, includes $512,696 due within one year, $69,769,075 due from one to five years, $4,275,123 due from five to ten years and $0 due over ten years. Estimated market values of mortgage-backed securities, by contractual maturity, include $516,880 due within one year, $69,462,535 due from one to five years, $4,242,207 due from five to ten years and $0 due over ten years. The average life may differ from contractual maturity due to principal prepayments.

Proceeds from sales of available-for-sale securities during 2015 were $12,683,801. Gross gains of $99,558 and gross losses of $45,734 were realized on sales. Proceeds from sales of available-for-sale securities during 2014 were $7,363,727. Gross gains of $175,219 and gross losses of $14,463 were realized on sales.

Information pertaining to securities with gross unrealized losses at December 31, 2015 and 2014, aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows:

	Less Than 12 Months		12 Months or Greater	
	Gross Unrealized Losses	Estimated Market Value	Gross Unrealized Losses	Estimated Market Value
Available-for-sale securities				
2015				
Mortgage-backed securities	$ 293,812	$ 35,197,632	$ 228,468	$ 16,566,350
Obligations of state and political subdivisions	5,652	2,360,342	-	-
	$ 299,464	$ 37,557,974	$ 228,468	$ 16,566,350
Available-for-sale securities				
2014				
Mortgage-backed securities	$ 351,164	$ 53,203,112	$ -	$ -
Obligations of state and political subdivisions	49,590	6,448,577	-	-
	$ 400,754	$ 59,651,689	$ -	$ -

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently 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 Company 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, the 54 debt securities with unrealized losses have depreciated less than 0.98% from the Company's amortized cost basis. These securities are guaranteed by either the U.S. Government, U.S. government agencies, or municipalities. These unrealized losses relate 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 management 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. In addition, the Company holds mortgage related securities which are backed by GNMA, FNMA or FHLMC or are collateralized by securities backed by these agencies.

3. Loans

Loans at December 31, 2015 and 2014 are comprised of the following:

	2015	2014
Residential real estate	$ 36,496,885	$ 24,706,669
Agriculture	34,869,408	25,969,568
Real estate	21,450,751	21,549,399
Commercial	24,394,904	26,257,386
Consumer	6,053,519	6,053,584
Total loans	123,265,467	104,536,606
Allowance for loan losses	(1,902,255)	(1,613,309)
Loans, net	$ 121,363,212	$ 102,923,297

Included in residential real estate loans above are loans held for sale of $1,184,340 and $754,360 at December 31, 2015 and 2014, respectively, in which the carrying amounts approximate market. Overdrawn demand deposits reclassified as loans totaled $22,927 and $35,351 at December 31, 2015 and 2014, respectively.

The following table sets forth information regarding the activity in the allowance for loan losses for the year ended December 31, 2015:

	Residential Real Estate	Agriculture	Real Estate	Commercial	Consumer	Total
Allowance for loan losses						
Beginning balance	$ 338,430	$ 352,672	$ 375,740	$ 454,457	$ 92,010	$ 1,613,309
Provision	227,249	80,115	(18,380)	(788)	21,804	310,000
Recoveries	-	2,000	-	2,790	12,512	17,302
Charge-offs	-	-	(795)	-	(37,561)	(38,356)
Ending balance	$ 565,679	$ 434,787	$ 356,565	$ 456,459	$ 88,765	$ 1,902,255
Ending balance allocated to loans individually evaluated for impairment	$ 129,673	$ 1,619	$ 31,915	$ 170,333	$ 7,260	$ 340,800
Ending balance allocated to loans collectively evaluated for impairment	$ 436,006	$ 433,168	$ 324,650	$ 286,126	$ 81,505	$ 1,561,455
Loans receivable						
Ending balance allocated to loans individually evaluated for impairment	$ 906,780	$ 116,740	$ 351,786	$ 1,369,136	$ 117,660	$ 2,862,102
Ending balance allocated to loans collectively evaluated for impairment	35,590,105	34,752,668	21,098,965	23,025,768	5,935,859	120,403,365
Ending balance	$ 36,496,885	$ 34,869,408	$ 21,450,751	$ 24,394,904	$ 6,053,519	$123,265,467

The following table sets forth information regarding the activity in the allowance for loan losses for the year ended December 31, 2014:

	Residential Real Estate	Agriculture	Real Estate	Commercial	Consumer	Total
Allowance for loan losses						
Beginning balance	$ 299,958	$ 387,409	$ 188,578	$ 471,677	$ 98,163	$ 1,445,785
Provision	64,203	(42,135)	187,162	(193,861)	9,631	25,000
Recoveries	-	7,398	-	177,426	10,592	195,416
Charge-offs	(25,731)	-	-	(785)	(26,376)	(52,892)
Ending balance	$ 338,430	$ 352,672	$ 375,740	$ 454,457	$ 92,010	$ 1,613,309
Ending balance allocated to loans individually evaluated for impairment	$ 37,792	$ 13,201	$ 12,142	$ 88,742	$ 3,768	$ 155,645
Ending balance allocated to loans collectively evaluated for impairment	$ 326,965	$ 339,471	$ 337,271	$ 365,715	$ 88,242	$ 1,457,664
Loans receivable						
Ending balance allocated to loans individually evaluated for impairment	$ 301,830	$ 102,021	$ 128,801	$ 916,407	$ 41,862	$ 1,490,921
Ending balance allocated to loans collectively evaluated for impairment	24,404,839	25,867,547	21,420,598	25,340,979	6,011,722	103,045,685
Ending balance	$ 24,706,669	$ 25,969,568	$ 21,549,399	$ 26,257,386	$ 6,053,584	$104,536,606

The company monitors credit quality within its portfolio segments based on primary credit quality indicators. From a credit risk standpoint, the Company classifies its loans in one of the following categories: pass, special mention, substandard, doubtful or loss. Loans classified as other than pass pose an elevated risk and may have a high probability of default or total loss.

The classifications of loans reflect a judgment about the risks of default and loss associated with the loan. The Company reviews the rating on credits monthly. Ratings are adjusted to reflect the degree of risk and loss that is felt to be inherent in each credit as of each monthly reporting period. The methodology is structured so that specific allocations are increased in accordance with deterioration in credit quality (and a corresponding increase in risk and loss).

Credits rated special mention show clear signs of financial weaknesses or deterioration in credit worthiness; however, such concerns are not so pronounced that the Company generally expects to experience significant loss within the short-term. Such credits typically maintain the ability to perform within standard credit terms and credit exposure is not as prominent as credits rated more harshly.

Credits rated substandard are those in which the normal repayment of principal and interest may be, or has been, jeopardized by reason of adverse trends or developments of a financial, managerial, economic or political nature, or important weaknesses exist in collateral. A protracted workout on these credits is a distinct possibility. Prompt corrective action is therefore required to strengthen the Company's position, and/or to reduce exposure and to assure that adequate remedial measures are taken by the borrower. Credit exposure becomes more likely in such credits and a serious evaluation of the secondary support to the credit is performed.

Credits rated doubtful are those in which full collection of principal appears highly questionable, and which some degree of loss is anticipated, even though the ultimate amount of loss may not yet be certain and/or other factors exist which could affect collection of debt. Based upon available information, positive action by the Company is required to avert or minimize loss. Credits rated doubtful are generally also placed on nonaccrual.

Credits rated loss are those that are considered uncollectible and of such little value that their continuance as bankable assets is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather that it is not practical or desirable to defer writing off this basically worthless asset even though partial recovery may be affected in the future.

Pass rated refers to loans that are not considered criticized. In addition to this primary credit quality indicator, the Company uses other credit quality indicators for certain types of loans.

The following table sets forth information regarding the internal classification of the loan portfolio:

	Pass	Special Mention	Substandard	Doubtful	Loss	Total
December 31, 2015						
Residential real estate	$ 35,590,105	$ 39,621	$ 867,159	$ -	$ -	$ 36,496,885
Agriculture	34,752,668	94,346	22,394	-	-	34,869,408
Real estate	21,098,965	-	351,786	-	-	21,450,751
Commercial	23,025,768	197,410	1,171,726	-	-	24,394,904
Consumer	5,935,859	30,816	86,844	-	-	6,053,519
	$120,403,365	$ 362,193	$ 2,499,909	$ -	$ -	$123,265,467
December 31, 2014						
Residential real estate	$ 24,404,839	$ 42,436	$ 259,394	$ -	$ -	$ 24,706,669
Agriculture	25,867,547	5,581	96,440	-	-	25,969,568
Real estate	21,420,598	-	128,801	-	-	21,549,399
Commercial	25,340,979	-	916,407	-	-	26,257,386
Consumer	6,011,722	11,568	30,294	-	-	6,053,584
	$103,045,685	$ 59,585	$ 1,431,336	$ -	$ -	$104,536,606

The following table sets forth information regarding the credit risk profile based on payment activity:

	December 31, 2015			December 31, 2014		
	Performing	Non-Performing	Total	Performing	Non-Performing	Total
Residential real estate	$ 35,891,764	$ 605,121	$ 36,496,885	$ 24,516,793	$ 189,876	$ 24,706,669
Agriculture	34,869,408	-	34,869,408	25,969,568	-	25,969,568
Real estate	21,098,965	351,786	21,450,751	21,422,059	127,340	21,549,399
Commercial	23,560,626	834,278	24,394,904	26,210,566	46,820	26,257,386
Consumer	5,992,045	61,474	6,053,519	6,045,932	7,652	6,053,584
	$121,412,808	$ 1,852,659	$123,265,467	$104,164,918	$ 371,688	$104,536,606

The following table sets forth information regarding the delinquencies within the loan portfolio:

	30-89 Days Past Due	90 Days and Greater	Total Past Due	Current	Total Loans	Recorded Investment >90 Days Still Accruing
December 31, 2015						
Residential real estate	$ 326,914	$ 271,971	$ 598,885	$ 35,898,000	$ 36,496,885	$ 103,143
Agriculture	9,747	56,558	66,305	34,803,103	34,869,408	56,558
Real estate	-	-	-	21,450,751	21,450,751	-
Commercial	233,232	239,091	472,323	23,922,581	24,394,904	-
Consumer	66,433	54,853	121,286	5,932,233	6,053,519	-
	$ 636,326	$ 622,473	$ 1,258,799	$122,006,668	$123,265,467	$ 159,701
December 31, 2014						
Residential real estate	$ 310,408	$ -	$ 310,408	$ 24,396,261	$ 24,706,669	$ -
Agriculture	187,311	-	187,311	25,782,257	25,969,568	-
Real estate	-	-	-	21,549,399	21,549,399	-
Commercial	280,705	111,076	391,781	25,865,605	26,257,386	111,076
Consumer	8,903	-	8,903	6,044,681	6,053,584	-
	$ 787,327	$ 111,076	$ 898,403	$103,638,203	$104,536,606	$ 111,076

The following table sets forth information regarding the nonaccrual status within the loan portfolio:

	2015	2014
Residential real estate	$ 605,121	$ 189,876
Agriculture	-	-
Real estate	351,786	127,340
Commercial	834,278	46,820
Consumer	61,474	7,652
	$ 1,852,659	$ 371,688

The following is a summary of cash receipts on these loans and how they were applied:

	2015	2014
Cash receipts applied to reduce principal balance	$ 441,165	$ 104,974
Cash receipts recognized as income	1,186	8,330
Total cash receipts	$ 442,351	$ 113,304

If interest on all impaired and nonaccrual loans had been recognized at the original interest rates, interest income would have increased approximately $128,137 and $49,591 in 2015 and 2014, respectively. The Bank has no commitments to loan additional funds to the borrowers of impaired or nonaccrual loans.

The following table sets forth information regarding impaired loans:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With a related allowance:					
December 31, 2015					
Residential real estate	$ 605,121	$ 658,762	$ 85,057	$ 347,633	$ -
Agriculture	-	-	-	-	-
Real estate	351,786	364,735	5,319	345,947	-
Commercial	834,278	866,201	110,075	670,815	-
Consumer	61,474	62,572	857	14,436	1,186
	$ 1,852,659	$ 1,952,270	$ 201,308	$ 1,378,831	$ 1,186
December 31, 2014					
Residential real estate	$ 189,876	$ 201,010	$ 14,734	$ 317,609	$ 4,901
Agriculture	-	-	-	616	638
Real estate	127,340	392,309	12,008	143,590	-
Commercial	46,820	49,314	4,041	12,125	39
Consumer	7,652	7,966	689	5,300	2,752
	$ 371,688	$ 650,599	$ 31,472	$ 479,240	$ 8,330

At December 31, 2015 and 2014, the Company did not have any impaired loans without a related allowance. Loans modified as troubled debt restructurings within the previous twelve months ended December 31, 2015 were insignificant to the Company. There were no loans modified as troubled debt restructurings within the year ended December 31, 2014.

4. **Servicing**

Loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balances of mortgage loans serviced for others were $958,221 and $1,038,127 at December 31, 2015 and 2014, respectively.

5. **Property and equipment**

Major classifications of these are summarized as follows:

	2015	2014
Land	$ 874,550	$ 874,550
Buildings	6,440,092	6,429,289
Equipment	2,214,392	2,152,471
	9,529,034	9,456,310
Accumulated depreciation and amortization	(2,280,817)	(1,928,143)
	$ 7,248,217	$ 7,528,167

The Company purchased land in late 2012 for construction of a new bank facility. The existing bank facility and majority of the furnishings were sold in November 2012. The company executed a month-to-month lease agreement with the purchaser to occupy the building until the new facility was complete. The construction was completed in early 2014 and the cost of construction was booked into buildings.

6. Time deposits

The aggregate amount of time deposits in amounts of $100,000 or more was $26,553,829 and $21,378,936 at December 31, 2015 and 2014, respectively. Interest expense on these time deposits totaled $136,382 for 2015 and $162,664 for 2014. At December 31, 2015 scheduled maturities of time deposits are as follows:

2016	$ 36,255,263
2017	1,872,316
2018	712,098
2019	773,184
2020 and thereafter	626,051
	$ 40,238,912

7. Bank advances

At December 31, 2015 and 2014 the Bank had an unsecured line of credit, at an interest rate of 1.25% and 1%, respectively, with The Independent BankersBank in the amount of $5,000,000. There were no advances on this line of credit.

The Company has a secured line of credit with the FHLB in the amount of $52,499,395 at December 31, 2015 and $43,502,392 at December 31, 2014, which is secured by FHLB stock, deposit accounts with the FHLB, and a blanket lien on its outstanding loan portfolio. At December 31, 2015 and 2014, the Company had $5,215,000 and $4,926,000 respectively, in advances under this agreement, at an interest rate of 0.31% and 0.18%, respectively. This advance matured January 4, 2016.

The Company has a line of credit secured by 30,000 shares of Bank stock, at an interest rate of 4.5%, with Community National Bank & Trust of Texas in the amount of $3,000,000 at December 31, 2015, maturing March 24, 2016. There were no advances on this line of credit.

8. Dividend restrictions

Payments of dividends by the Bank are subject to the Office of the Comptroller of the Currency (OCC) regulations. The OCC must approve the declaration of any dividends generally in excess of the sum of profits for the year and retained net profits for the preceding two years. The Bank normally restricts dividends to a lesser amount.

9. Lease commitments

The Company leases various equipment under noncancelable operating lease agreements expiring at various times until December 2019. Rental expense for the operating leases for the years ended December 31, 2015 and 2014 was $66,228 and $72,473, respectively. Approximate future minimum lease payments, excluding applicable sales taxes, are as follows:

2016	$ 48,824
2017	9,466
2018	6,672
2019	3,336
2020 and thereafter	-
	$ 68,298

10. Stock bonus plan

The Company has a stock bonus plan for the benefit of eligible employees of the Bank. The plan is intended to advance the interests of the Company and its shareholders by encouraging and enabling selected officers and employees of the Bank to acquire and retain a proprietary interest in the Company by ownership of its stock. The Company established a bonus share reserve of 500 shares of the common stock of the Company, to be used for the grants. The Board of Directors shall, at its sole discretion, determine the grants of the shares to employees who have met various eligibility requirements. The shares granted are held by the Company, in the recipient's name for three years, the restricted period. During the restricted period, the recipients have all rights of a shareholder, including the right to vote and to receive distributions. The plan provides for various restrictions and forfeiture upon termination of employment during the restricted period.

The grant is taxable as ordinary income to the recipient when the restricted period ends and becomes deductible by the Company when the recipient recognizes income. The restricted period for 2012 and 2011 ended in 2015 and 2014, and the Company deducted $128,344 and $63,342 in payroll expense related to the grants in December 2015 and 2014, respectively. All reserved shares have been issued and there was no stock granted in 2015 or 2014.

11. Accumulated other comprehensive income

The changes in the accumulated balances for each component of other comprehensive income for December 31, 2015 and 2014 follow:

	Securities Available For Sale	Accumulated Other Comprehensive Income
Balance, December 31, 2013	$ (224,866)	$ (224,866)
Other comprehensive income before reclassifications	2,326,645	2,326,645
Amounts reclassified from accumulated other comprehensive income	(239,854)	(239,854)
Balance, December 31, 2014	1,861,925	1,861,925
Other comprehensive income before reclassifications	(127,240)	(127,240)
Amounts reclassified from accumulated other comprehensive income	(84,985)	(84,985)
Balance, December 31, 2015	$ 1,649,700	$ 1,649,700

12. Income taxes

The provision for income taxes consists of current tax expense of $0 for the years ended December 31, 2015 and 2014, respectively.

13. 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 under the prompt correction action guidelines are also subject to qualitative judgments by the regulators about components, risk weighting, and other factors. Prompt corrective action provisions are not applicable to bank holding companies. Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of total and Tier I capital to risk-weighted assets, and of Tier I capital to average assets. Management believes, as of December 31, 2015 and 2014 that the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2015, the most recent notification from the Office of the Comptroller of the Currency 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 total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the following table. There are no conditions or events since that notification which management believes would change the institution's category. The Bank's actual capital amounts and ratios and minimum amounts and ratios as calculated under regulatory accounting practices are presented in the table below.

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2015						
Total Capital to Risk Weighted Assets	$ 25,244,311	18.18%	$11,101,605	8.00%	$13,877,006	10.00%
Tier I Capital to Risk Weighted Assets	23,487,616	16.93	5,550,802	4.00	8,326,203	6.00
Tier I Capital to Average Assets	23,487,616	9.26	10,149,479	4.00	12,686,849	5.00
As of December 31, 2014						
Total Capital to Risk Weighted Assets	$ 23,377,734	18.02%	$10,379,321	8.00%	$12,974,151	10.00%
Tier I Capital to Risk Weighted Assets	21,764,425	16.78	5,189,661	4.00	7,784,491	6.00
Tier I Capital to Average Assets	21,764,425	8.90	9,779,705	4.00	12,224,631	5.00

14. Cash flow information

Supplemental cash flow information is as follows:

	2015	2014
Cash paid during the years for:		
Interest	$ 609,957	$ 671,745
Income taxes	-	-
Noncash investing and financing activities follow:		
Change in unrealized security values	$ (212,225)	$ 2,086,791
Other assets acquired through foreclosure	110,827	118,500
Value of compensation booked due to grant recognition	128,344	63,342
Book value of equipment traded-in on other assets	-	15,251

15. Financial instruments with off-balance sheet risk

The Bank 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 include commitments on lines of credit and standby letters of credit. The instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the financial statements. The Bank's exposure to credit loss is represented by the contractual amount of those instruments. The Bank was not required to perform on any financial guarantees and did not incur any losses on its commitments in 2015 or 2014.

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. 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 uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments. 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 of the borrower. Collateral held varies but may include accounts receivable, inventory, property and equipment, and income producing commercial properties. The distribution of commitments to extend credit approximates the distribution of loans outstanding.

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements. Essentially all letters of credit issued have expiration dates within one year. 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 of obtaining collateral, and the nature of such collateral, is essentially the same as that involved in making commitments to extend credit.

The Bank primarily serves customers located in Jack, Montague, and Wichita counties and the surrounding areas. As such, the Bank's loans, commitments and standby letters of credit have been granted to customers in that area. Concentration of credit by type of loan is presented in Note 3.

The total amount of financial instruments with off-balance-sheet risk as of December 31, 2015, is as follows:

	Contract Amount
Standby letters of credit	$ 2,286,019
Commitments on lines of credit	14,765,402

Standby letters of credit are generally issued at variable rates. Commitments on lines of credit are generally issued at fixed and variable rates. At December 31, 2015, commitments at fixed rates were $3,460,200 and variable rates were $11,305,202.

16. Fair value measurement

Authoritative guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. The price in the principal (or most advantageous) market used to measure the fair value of the asset or liability shall not be adjusted for transaction costs.

An orderly transaction is 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 and liabilities; it is not a forced transaction. Market participants are buyers and sellers in the principal market that are (i) independent, (ii) knowledgeable, (iii) able to transact and (iv) willing to transact.

Authoritative guidance requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. The income approach uses valuation techniques to convert future amounts, such as cash flows or earnings, to a single present amount on a discounted basis. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (replacement costs). Valuation techniques should be consistently applied.

Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, authoritative guidance establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

The fair value hierarchy is as follows:

Level 1 inputs utilize quoted prices in active markets for identical assets or liabilities.

Level 2 inputs utilize observable inputs other than quoted prices in active markets for identical assets and liabilities.

Level 3 inputs are unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability.

A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

In general, fair value is based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. While management believes the Company's valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Securities available for sale – Securities classified as available for sale are reported at fair value utilizing Level 1 and Level 2 inputs. For these securities, the Company obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, credit information and the bond's term and conditions, among other things.

At December 31, 2015 and 2014 the Company had no financial liabilities measured at fair value on a recurring basis.

Fair value of assets measured on a recurring basis at December 31, 2015 and 2014 are as follows:

	Fair Value	Level 1	Level 2	Level 3
Securities available for sale:				
2015				
U. S. Government agencies	$ -	$ -	$ -	$ -
Mortgage-backed securities	74,221,622	-	74,221,622	-
Obligations of state an political subdivisions	44,519,610	-	44,519,610	-
Other	698,500	-	698,500	-
	$ 119,439,732	$ -	$ 119,439,732	$ -
Securities available for sale:				
2014				
U. S. Government agencies	$ -	$ -	$ -	$ -
Mortgage-backed securities	86,293,666	-	86,293,666	-
Obligations of state and political subdivisions	45,437,000	-	45,437,000	-
Other	348,900	-	348,900	-
	$ 132,079,566	$ -	$ 132,079,566	$ -

Certain financial assets and financial liabilities are measured at fair value on a nonrecurring basis, that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). Financial assets and financial liabilities measured at fair value on a nonrecurring basis include the following at December 31, 2015 and 2014:

Loans held for sale - Loans held for sale are reported at the lower of cost or fair value. In determining whether the fair value of loans held for sale is less than cost when quoted market prices are not available, the Company considers investor commitments/contracts. These loans are considered level 2 of the fair value hierarchy. At December 31, 2015 and 2014, the loans held for sale were recorded at cost of $1,184,310 and $754,360, respectively, as fair value approximated cost.

Impaired loans - Impaired loans are reported at the fair value of the underlying collateral if repayment is expected solely from the collateral. Collateral values are estimated using Level 2 or Level 3 inputs based on third party or internally developed appraisals. At December 31, 2015 and 2014, impaired loans were not significant to the Company.

Real estate owned - These assets are reported at estimated fair value, less estimated selling costs. Fair value is based on third party or internally developed appraisals considering the assumptions in the valuation and are considered Level 2 or Level 3 inputs. At December 31, 2015 and 2014 real estate owned was not significant to the Company.

The Company did not change the methodology used to determine fair value for any financial instruments during the years ended December 31, 2015 or 2014. Accordingly, for any given class of financial instruments, the Company did not have any transfers between Level 1, Level 2, or Level 3 during the years ended December 31, 2015 or 2014.

The estimated fair value amounts of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, considerable judgment is required to interpret data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

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

	Level	Carrying Amount	Fair Value
Financial assets:			
Cash and due from banks	1	$ 3,614,002	$ 3,614,002
Securities available for sale	2	119,439,732	119,439,732
Loans held for investment	2	122,081,127	121,661,255
Loans held for sale	2	1,184,340	1,184,340
Accrued interest receivable	2	1,569,784	1,569,784
Financial liabilities:			
Deposits	2	223,189,294	223,204,297
Bank advances	2	5,215,000	5,215,000
Accrued interest payable	2	29,067	29,067

There is no material difference between the notional amount and the estimated fair value of off-balance sheet unfunded loan commitments which are generally priced at market at the time of funding. Letters of credit have an estimated fair value based on fees currently charged for similar arrangements. Fees related to the unexpired term of the letters of credit are not significant.

16. Related-party transactions

The Bank paid director and committee fees of $217,075 and $192,132 in 2015 and 2014, respectively.

The Bank held deposits of approximately $10,191,782 and $10,925,107 for related parties at December 31, 2015 and 2014, respectively.

The aggregate amount of loans owed to the Bank by directors, officers, and employees amounted to approximately $1,556,611 and $1,571,732 at December 31, 2015 and 2014, respectively. During 2015, new loans to such related parties amounted to $1,122,066 and repayments and deletions amounted to $1,137,187. In addition, there was approximately $41,016 of undisbursed loan commitments and $15,000 in standby letters of credit at December 31, 2015 to related parties. All of the transactions entered into between the Bank and these parties were made on substantially the same terms and conditions as those prevailing at the time for comparable transactions with other parties.

17. Payable to former stockholders

The Company recorded a payable to former stockholders for all the common stock to be surrendered pursuant to the merger agreements which facilitated a Subchapter S election by the Company by reducing the number of holders of common stock. Accordingly, a liability was reflected on the Company's financial statements of which $5,851 and $8,660 was outstanding at December 31, 2015 and 2014, respectively. The Company has been unable to locate the former stockholders and has moved the money to an account, during 2013, to be escheated to the state after meeting the required holding period. During 2015, $2,809 was escheated to the state.

SUPPLEMENTARY INFORMATION

THE JACKSBORO NATIONAL BANK
BALANCE SHEETS
DECEMBER 31, 2015 AND 2014

	2015	2014
ASSETS		
Cash and due from banks	$ 3,614,002	$ 4,404,114
Securities available for sale	119,439,732	132,079,566
Loans:		
Held for investment	122,081,127	103,782,246
Held for sale	1,184,340	754,360
	123,265,467	104,536,606
Less allowance for loan loss	(1,902,255)	(1,613,309)
Net loans	121,363,212	102,923,297
Property and equipment, net	7,248,217	7,528,167
Accrued interest receivable	1,569,784	1,437,762
Other assets	706,007	512,167
Total assets	$ 253,940,954	$ 248,885,073
LIABILITIES AND SHAREHOLDER'S EQUITY		
Liabilities:		
Demand deposits	$ 61,550,312	$ 60,461,780
Savings, NOW and money market deposits	121,402,100	123,194,436
Time deposits	40,238,912	36,278,457
Total deposits	223,191,324	219,934,673
Accrued interest payable	29,067	34,871
Bank advances	5,215,000	4,926,000
Other liabilities	47,353	42,286
Total liabilities	228,482,744	224,937,830
Shareholder's equity:		
Capital stock, $10.00 par value, 30,000 shares authorized, issued and outstanding	300,000	300,000
Paid-in capital	800,000	800,000
Retained earnings	22,708,510	20,985,318
Accumulated other comprehensive income	1,649,700	1,861,925
Total shareholder's equity	25,458,210	23,947,243
Total liabilities and shareholder's equity	$ 253,940,954	$ 248,885,073

THE JACKSBORO NATIONAL BANK
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
Interest income:		
Interest and fees on loans	$ 6,461,663	$ 5,840,388
Interest on investment securities	2,765,031	2,768,021
Total interest income	9,226,694	8,608,409
Interest expense:		
Deposits	588,989	663,669
Other	15,164	1,154
Total interest expense	604,153	664,823
Net interest income	8,622,541	7,943,586
Provision for loan losses	(310,000)	(25,000)
Net interest income after provision for loan losses	8,312,541	7,918,586
Other income:		
Service charges on deposit accounts	585,327	581,318
Other service charges and fees	481,206	480,267
Net realized gain on securities	53,824	160,755
Gain (loss) on sale of property and equipment	27,000	(1,651)
Gain from sales of mortgage loans	838,646	592,285
Other income	145,267	198,710
Total other income	2,131,270	2,011,684
Other expense:		
Salaries and employee benefits	4,172,642	4,046,732
Property and equipment expense	1,180,678	1,110,272
Advertising and promotion expense	180,392	188,534
Computer service expense	687,104	622,793
Legal and professional fees	63,107	41,219
Stationary and printing expense	119,048	133,292
Consulting	150,497	149,861
Director fees	217,075	192,132
FDIC insurance premiums	131,127	120,406
Other expense	529,388	475,522
Total other expense	7,431,058	7,080,763
Income before income tax expense	3,012,753	2,849,507
Income tax expense	-	-
Net income	$ 3,012,753	$ 2,849,507

THE JACKSBORO NATIONAL BANK
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
Net income	$ 3,012,753	$ 2,849,507
Other comprehensive income:		
Change in unrealized gain (loss) on securities available for sale	(127,240)	2,326,645
Adjustment for (gains) losses realized on securities available for sale and included in net income	(84,985)	(239,854)
Total other comprehensive income	(212,225)	2,086,791
Total comprehensive income	$ 2,800,528	$ 4,936,298

THE JACKSBORO NATIONAL BANK
STATEMENTS OF SHAREHOLDER'S EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Capital Stock	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance, December 31, 2013	$ 300,000	$ 800,000	$19,559,942	$ (224,866)	$20,435,076
Net income	-	-	2,849,507	-	2,849,507
Unrealized gain on securities available for sale	-	-	-	2,326,645	2,326,645
Reclassification adjustment for gain included in net income	-	-	-	(239,854)	(239,854)
Distributions to shareholder	-	-	(1,424,131)	-	(1,424,131)
Balance, December 31, 2014	300,000	800,000	20,985,318	1,861,925	23,947,243
Net income	-	-	3,012,753	-	3,012,753
Unrealized loss on securities available for sale	-	-	-	(127,240)	(127,240)
Reclassification adjustment for gain included in net income	-	-	-	(84,985)	(84,985)
Distributions to shareholder	-	-	(1,289,561)	-	(1,289,561)
Balance, December 31, 2015	$ 300,000	$ 800,000	$22,708,510	$ 1,649,700	$25,458,210

THE JACKSBORO NATIONAL BANK
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
Cash flows from operating activities:		
Net income	$ 3,012,753	$ 2,849,507
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	425,593	399,917
(Gain) loss on disposal of property and equipment	(27,000)	1,651
(Gain) loss on sale of repossessed assets	(11,459)	(72,892)
Provision for loan losses	310,000	25,000
Net realized (gain) loss on securities	(53,824)	(160,755)
Premium amortization net of discount accretion on securities	1,747,610	1,631,587
Gain from sales of mortgage loans	(838,646)	(592,285)
Proceeds from sales of mortgage loans	27,284,880	21,832,800
Originations of mortgage loans for sale	(26,446,234)	(21,240,515)
(Increase) decrease in accrued interest receivable	(132,022)	(53,012)
(Increase) decrease in other assets	(88,592)	(8,998)
Increase (decrease) in accrued interest payable	(5,804)	(6,921)
Increase (decrease) in other liabilities	5,861	14,122
Total adjustments	2,170,363	1,769,699
Net cash provided by operating activities	5,183,116	4,619,206
Cash flows from investing activities:		
Principal reduction on mortgage-backed securities	17,753,908	14,953,884
Proceeds from maturities of available-for-sale securities	1,540,000	19,785,000
Proceeds from sales of available-for-sale securities	12,683,801	7,363,727
Purchase of available-for-sale securities	(21,243,887)	(53,519,340)
Purchase of mortgage loans	(5,660,093)	-
Net (increase) decrease in loans	(13,200,649)	(12,505,441)
Purchase of property and equipment	(118,643)	(2,121,037)
Proceeds from sales of property and equipment	-	5,100
Proceeds from sales of repossessed assets	16,243	774,037
Net cash used by investing activities	(8,229,320)	(25,264,070)
Cash flows from financing activities:		
Net increase (decrease) in demand deposits	1,088,533	9,120,745
Net increase (decrease) in savings, NOW and money market deposits	(1,792,335)	17,139,519
Net increase (decrease) in time deposits	3,960,455	(3,991,960)
Net increase (decrease) in short term borrowings	289,000	926,000
Distributions	(1,289,561)	(1,424,131)
Net cash provided by financing activities	2,256,092	21,770,173
Net increase (decrease) in cash and due from banks	(790,112)	1,125,309
Cash and due from banks, beginning of year	4,404,114	3,278,805
Cash and due from banks, end of year	$ 3,614,002	$ 4,404,114

THE JACKSBORO NATIONAL BANK
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

		2015		2014
Supplemental disclosures of cash flow information:				
Cash paid during the years for:				
Interest	$	609,957	$	671,745
Income taxes		-		-
Supplemental schedule of noncash investing and financing activities:				
Change in unrealized security values	$	(212,225)	$	2,086,791
Other assets acquired through foreclosure		110,827		1,185,000
Book value of equipment traded-in on other assets		-		15,251