

Board of Governors of the Federal Reserve System



Annual Report of Holding Companies—FR Y-6

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

This Report is required by law: Section 5(c)(1)(A) of the Bank Holding Company Act (12 U.S.C. § 1844 (c)(1)(A)); 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, Sam H. Burris Jr

Name of the Holding Company Director and Official

Chief Executive Officer

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

8-26-2016

Date of Signature

For holding companies *not* registered with the SEC—

Indicate status of Annual Report to Shareholders:

- 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
C.I.

3018958

Date of Report (top-tier holding company's fiscal year-end):

December 31, 2015

Month / Day / Year

none

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

Reporter's Name, Street, and Mailing Address

First National Bancshares of Huntsville, Inc.

Legal Title of Holding Company

P. O. Box 659

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

Huntsville

TX

77342-0659

City

State

Zip Code

1300 11th Street, Huntsville, TX 77340

Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

John M. Dowell

Chief Financial Officer

Name

Title

936-294-8039

Area Code / Phone Number / Extension

936-295-3907

Area Code / FAX Number

mdowell@fnbhuntsvilletx.com

E-mail Address

none

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:

Report Items 3,4

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."

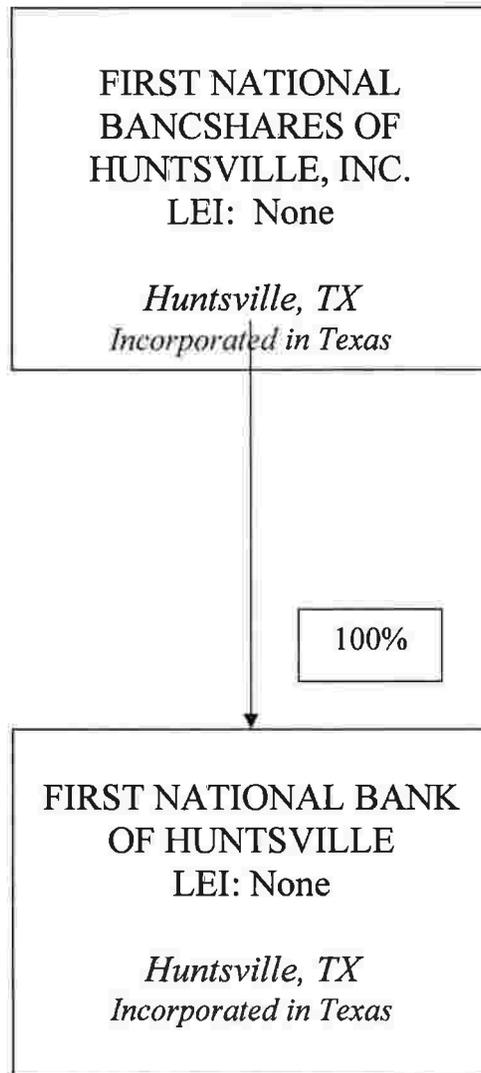
No

Form FR Y-6

First National Bancshares of Huntsville, Inc.
Huntsville, Texas
Fiscal Year Ending December 31, 2015

Report Item

2a: Organizational Chart



Results: A list of branches for your depository institution - FIRST NATIONAL BANK OF HUNTSVILLE (ID: RSSD: 583352). This depository institution is held by FIRST NATIONAL BANKSHARES OF HUNTSVILLE, INC (00185658) of HUNTSVILLE, 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 data 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 Procedures

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)	583352	FIRST NATIONAL BANK OF HUNTSVILLE	1300 11TH STREET	HUNTSVILLE	TX	77340	WALKER	UNITED STATES	UNITED STATES	2113	0	FIRST NATIONAL BANK OF HUNTSVILLE		583352	
OK		Full Service	4716345	BRADDOCK COUNTY BANK	4282 BRADDOCK ROAD	BRYAN	TX	77802	BRADDOCK	UNITED STATES	UNITED STATES	Not Required	Not Required	FIRST NATIONAL BANK OF HUNTSVILLE		583352	
OK		Full Service	900956	CROCKETT BRANCH	617 EAST HOUSTON AVENUE	CROCKETT	TX	75835-218	HOUSTON	UNITED STATES	UNITED STATES	5378	4	FIRST NATIONAL BANK OF HUNTSVILLE		583352	
OK		Full Service	3802399	ROBERTSON COUNTY BANK BRANCH	1041 WEST DECHERD STREET	FRANKLIN	TX	77856	ROBERTSON	UNITED STATES	UNITED STATES	479718	4	FIRST NATIONAL BANK OF HUNTSVILLE		583352	
OK		Full Service	477554	MADISONVILLE BRANCH	333 NORTH MAY STREET	MADISONVILLE	TX	77864	MADISON	UNITED STATES	UNITED STATES	35284	3	FIRST NATIONAL BANK OF HUNTSVILLE		583352	

Report Item 3

Current Shareholders with ownership, control or holdings of 5% or more			
(1)(a)	(1)(b)	(1)(c)	
NAME & ADDRESS	COUNTRY OF CITIZENSHIP OR INCORPORATION		NUMBER AND PERCENTAGE OF BHC VOTING SHARES ⁽¹⁾
Joseph P. Smyth New York City, NY	USA		117,837 - 15.38% Common Stock ⁽³⁾
Ferne S. Frosch Huntsville, TX	USA		85,110 - 11.11% Common Stock ⁽⁴⁾
Janet Smyth New York City, NY	USA		39,000 - 5.1% Common Stock
Shareholders not listed in (3)(1)(a) through (3)(1)(c) that had ownership, control or holdings of 5% or more with power to vote during the fiscal year ending 12/31/14			
(2)(a)	(2)(b)	(2)(c)	
NAME & ADDRESS	COUNTRY OF CITIZENSHIP OR INCORPORATION		NUMBER & PERCENTAGE OF EACH CLASS OF VOTING SECURITIES

None

(1) Except as otherwise noted, all shares are held by the individual(s) indicated with sole power to vote and dispose of such shares. All percentages are based upon 768,120 shares issued of Texas BHC Stock (766,102 outstanding).

(3)(4) Footnotes can be found in the confidential volume.

(1) NAME & ADDRESS	(2) PRINCIPAL OCCUPATION IF OTHER THAN BHC	(3)(a) TITLE WITH BHC	(3)(b) TITLE WITH SUBSIDIARIES	(3)(c) TITLE WITH OTHER BUSINESS & NAME	(4)(a) PERCENTAGE OF BHC VOTING SHARES ⁽¹⁾	(4)(b) PERCENTAGE OF VOTING SHARES IN SUBSIDIARIES	(4)(c) NAMES OF OTHER COMPANIES WITH 25% OR MORE VOTING STOCK
SAM H. BURRIS, JR. Huntsville, TX	Banker	Chairman & CEO and Director	Chairman & CEO of First National Bank of Huntsville	responsive	2.374%	N/A	responsive
JAMES R. COLEMAN Huntsville, TX	Banker	President & COO and Director	President and COO of First National Bank of Huntsville	data	0.9691%	N/A	data
JOHN HICKS Franklin, TX	Retired Banker	Director	N/A	may	0.0979%	N/A	may
JERRY L. PIPES Crockett, TX	Banker	Director	N/A	be	0.3524%	N/A	be
JERRY WEST Madisonville, TX	Banker	Director	N/A	found	0.0718%	N/A	found
G. VERNON AKER San Antonio, TX	Investor	Director	N/A	in	4.4383% ⁽²⁾	N/A	in
FRED HENSON Madisonville, TX	Business Owner - Automobile Dealerships	Director	N/A	the	0.14358%	N/A	the
KARON N. MURFF Huntsville, TX	CPA	Director	N/A	confidential	0.0098%	N/A	confidential
DAVID PRIER Huntsville, TX	Medical Doctor	Director	N/A	volume	0.0587%	N/A	volume
WALTER M. WOODWARD Huntsville, TX	Museum Curator	Director	N/A		0.2656%	N/A	
J. BYRON SANDEL Huntsville, TX	Business Owner Oil & Gas	Director	N/A		0.4935%	N/A	
OTIS OLIPHANT Huntsville, TX	Business Owner Landscaping	Director	N/A		0.0326%	N/A	
JOHN M. DOWELL Huntsville, TX	Banker	Treasurer	Senior Vice President and Comptroller of First National Bank of Huntsville		0.0000%	N/A	
JOSEPH SMYTH New York, NY	Investor	N/A	N/A		15.38%	N/A	
FERNE S. FROSCH Huntsville, TX	Investor	N/A	N/A		11.07%	N/A	

AMENDED
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A N N U A L
R E P O R T



FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC.

April 15, 2016

To Our Stockholders,

It is my pleasure to report to you concerning the status of your company for the year ended December 31, 2015.

There was a favorable shift in the makeup of our balance sheet from 2014 to 2015. Loans increased and investment securities decreased.

Net income increased from 2014 to 2015, primarily as a result of the shift noted above. Earnings per share and book value per share increased.

In 2015, First National Bank of Huntsville celebrated 125 Years of banking in Walker County. As Huntsville's only locally owned community bank, we are very proud to be a part of the rich history of the community we serve. We are honored to once again to be voted "Best Bank 2015" by the readers of The Huntsville Item.

There was a change in the membership of your board of directors in 2015. Mr. Wayne E. Northcutt retired from service in May 2015. Mr. Northcutt was originally elected to our board in November 1998. Mr. Northcutt served with integrity, honor, and distinction. It is with deep respect and appreciation that this annual report is dedicated to Mr. Northcutt in honor of sixteen and a half years of loyal service to the company and its stockholders.

Dr. Karon N. Murff was elected as an advisory board member in October 2015. Dr. Murff owns and manages Karon N. Murff CPA, LLC, a forensic accounting firm, focusing on financial and digital crime investigation. She has a background in consulting, investigation, forensics, expert witness testimony and auditing in the financial industry, governmental agency and corporate environments. Dr. Murff received her BBA in finance, MBA in accounting, and PhD in criminal justice from Sam Houston State University. She is currently a member of the Texas State Board of Public Accountancy, American Institute of Certified Public Accountants, Association of Fraud Examiners, and the Institute of Internal Auditors. Dr. Murff has been proposed for election as a full board member at our annual meeting of shareholders on May 16, 2016.

Competition remains intense and we continue to be deluged with new regulations, but we believe significant opportunity exists for financial institutions such as ours that are focused on the needs of their customers, good banking practices, and additional avenues for revenue growth. We deeply appreciate your continued patronage and support.

Sincerely,



Sam H. Burris, Jr.
Chairman of the Board
Chief Executive Officer





*L-R Front Row: Jerry Pipes, John Hicks, Jerry West, Karon Murff, Fred Henson & Vernon Aker
L-R Back Row: Byron Sandel, Sam H. Burris, Jr., Mac Woodward, David Prier, Otis Oliphant & Jim Coleman*

Thank you
for helping us celebrate
125 years of the best
banking in town! We
are humbled to be
part of a wonderful
community, serving
customers with the
same spirit and drive
that have been the
hallmark of our bank
for so many years. We
appreciate your business.



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FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The purpose of this discussion is to focus on information about the financial condition and results of operations of the Company, which is not otherwise apparent from the consolidated financial statements and selected financial data presented elsewhere herein.

Financial Condition

Cash and due from banks, including interest-bearing account balances and time accounts, decreased by approximately \$19.6 million or 60 percent from year end 2014 to 2015. Investment securities decreased by approximately \$8.2 million or 3.75 percent from the same time period.

Total Loans increased by approximately \$23.5 million from year end 2014. This increase can be attributed primarily to real estate loans, both residential and multi-family, as well as business loans. The allowance for loan losses increased approximately \$279,411 or 8.15 percent in 2015 when compared to 2014. Management conducts an ongoing analysis of the allowance for loan and lease losses. As of December 31, 2015, the allowance was considered adequate.

The Company's total deposits decreased by \$6.2 million or 1.52 percent from 2014 to 2015. Non-interest bearing deposits decreased by \$3.4 million or 2.9 percent from year end 2014. Interest bearing deposits decreased by \$2.8 million or 1 percent for the same period.

Total equity capital increased by approximately \$1.9 million or 3.9 percent. Consolidated earnings for 2015 added \$3.61 million to capital. A December 31, 2015 payment of approximately \$1,149,000 in cash dividends to the Holding Company's shareholders and a change in value of the Company's available-for-sale investment securities made up the other adjustments to capital. The unrealized gain decreased by \$564,049. In keeping with generally accepted accounting principles, the Company is required to adjust capital for the unrealized gain or loss on the securities classified as available-for-sale, net of income tax effect. (See Note 3 for additional discussion.) Book value per share as of December 31, 2015, net of accumulated other comprehensive income, was \$64.73, an increase of 5.23 percent.

The Company's total assets decreased by approximately \$3.3 million or .73 percent. Return on Average Assets increased from .78 percent in 2014 to .84 percent in 2015.

Results of Operations

Interest income increased from 2014 to 2015 by \$937,198 or 7.85 percent due to a significant increase in loan volume. Interest from investment securities increased by \$200,004 or 8.13 percent. However, short-term investment interest decreased from 2014 to 2015 by \$21,352. Interest income from loans increased by \$596,731 or 6.53 percent.

Due to the lower rate environment, interest expense on interest bearing deposits decreased by \$73,627 or 7.19 percent from the prior year.

Net interest income increased by \$1,008,825 or 9.24 percent at year end 2015 from the prior year end.

A \$299,963 provision was made to the allowance for credit losses in 2015. Management reviews and evaluates the adequacy of the Company's Allowance for Loan and Lease Losses and any resulting provision to the reserve on an ongoing basis.

Total other income decreased by \$12,916 or .40 percent in 2015 versus 2014. Service fee income increased by \$19,708 or .81 percent bank wide. Fiduciary fee income increased by \$11,301 or 2.42 percent and other income decreased by \$43,925 or 12.25 percent.

Non-interest expense increased by \$490,297 or 5.14 percent in 2015 as compared to 2014. Salaries and other employee benefits increased by \$159,835 or 3.06 percent in 2015. Occupancy expense decreased by \$4,287 or .58 percent from 2014 to 2015. Equipment expense increased by \$57,571 or 7.03 percent when compared to 2014. Professional fees, Stationary and Supplies, and Data Processing Expenses increased by \$141,143 or 10.08 percent. FDIC premiums increased by \$35,000 from 2014. Various expenses necessary in bank operations listed as "Other" expenses increased by \$101,026 or 8.85 percent in 2015.

Income from operations (excluding the federal income tax expenses, which are discussed in Note 10) increased by \$607,612 or 14.41 percent in 2015, when compared to 2014. The Company recognized federal income tax expense of \$1,206,034 in 2015 versus \$1,022,464 in 2014.

The Company completed 2015 with net income of approximately \$3.61 million, an increase of 13.28 percent from the previous year. As a result, earnings per share increased from \$4.17 in 2014 to \$4.72 in 2015.

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

**FIRST NATIONAL BANCSHARES OF
HUNTSVILLE, INC. AND SUBSIDIARY**
Huntsville, Texas

December 31, 2015 and 2014

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INDEPENDENT AUDITORS' REPORT

Board of Directors
First National Bancshares of
Huntsville, Inc. and Subsidiary
Huntsville, Texas

We have audited the accompanying consolidated financial statements of First National Bancshares of Huntsville, Inc. and Subsidiary (the "Company"), which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and related consolidated statements of income, comprehensive income, changes in stockholders' 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion the consolidated financial statements referred to above present fairly in all material respects, the consolidated financial position of First National Bancshares of Huntsville, Inc. and Subsidiary as of December 31, 2015 and 2014, and the consolidated 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.


CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas
April 14, 2016

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
December 31, 2015 and 2014

	2015	2014
ASSETS		
Cash and Due from Banks - Demand:		
Noninterest-bearing	\$ 12 906 416	\$ 27 373 266
Interest-bearing	1 236	3 160 545
Due from banks - Time	-	2 000 000
Investment Securities:		
Available for sale, at fair value	211 315 023	219 556 007
Loans, less allowance for loan losses	215 304 995	192 060 685
Federal Reserve Bank stock, at cost	277 295	277 295
Federal Home Loan Bank stock, at cost	708 700	174 000
Texas Independent Bank stock, at cost	96 440	96 440
Bank premises and equipment, net	5 664 380	4 821 747
Goodwill	5 108 175	5 108 175
Cash value life insurance	2 489 563	2 419 050
Accrued interest receivable	1 518 421	1 493 167
Other assets	311 725	526 461
TOTAL ASSETS	\$ 455 702 369	\$ 459 066 838
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Noninterest-bearing	\$ 115 561 372	\$ 118 970 034
Interest-bearing	286 767 549	289 581 692
TOTAL DEPOSITS	402 328 921	408 551 726
Other borrowings	1 141 000	-
Accrued interest payable	65 288	77 483
Other liabilities and accrued expenses	1 509 351	1 683 485
TOTAL LIABILITIES	405 044 560	410 312 694
Stockholders' Equity:		
Common stock; \$2 par value, 3,000,000 shares authorized; 768,120 shares issued; 766,102 shares outstanding	1 536 240	1 536 240
Capital surplus	18 830 668	18 830 668
Retained earnings	29 292 766	26 825 052
Treasury stock; 2,018 shares at cost	(69 758)	(69 758)
Accumulated other comprehensive income, net of tax	1 067 893	1 631 942
TOTAL STOCKHOLDERS' EQUITY	50 657 809	48 754 144
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 455 702 369	\$ 459 066 838

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

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
For the Years Ended December 31, 2015 and 2014

	2015	2014
Interest Income:		
Loans, including fees	\$ 10 188 352	\$ 9 429 800
Investment securities	2 660 527	2 460 528
Deposits in banks	28 899	50 252
TOTAL INTEREST INCOME	12 877 778	11 940 580
Interest Expense:		
Deposits	944 828	1 023 936
Other	5 545	64
TOTAL INTEREST EXPENSE	950 373	1 024 000
NET INTEREST INCOME	11 927 405	10 916 580
Provision for loan losses	299 963	399 963
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	11 627 442	10 516 617
Other Income:		
Service fees	2 439 510	2 419 802
Fiduciary fees	477 402	466 101
Other	305 189	349 114
TOTAL OTHER INCOME	3 222 101	3 235 017
Other Expenses:		
Salaries and other employee benefits	5 383 122	5 223 287
Occupancy expenses, net	735 757	740 035
Equipment expense	876 726	819 155
Data processing expense	790 391	705 520
Professional fees	448 444	380 287
Postage, stationery, and supplies	303 051	314 936
FDIC insurance	246 000	211 000
Other	1 243 151	1 142 125
TOTAL OTHER EXPENSES	10 026 642	9 536 345
INCOME BEFORE FEDERAL INCOME TAXES	4 822 901	4 215 289
Federal income taxes	1 206 034	1 022 464
NET INCOME	\$ 3 616 867	\$ 3 192 825
NET INCOME PER WEIGHTED AVERAGE COMMON SHARE	\$ 4.72	\$ 4.17
WEIGHTED AVERAGE SHARES OUTSTANDING	\$ 766 102	\$ 766 102

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

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2015 and 2014

	2015	2014
Net income	\$ 3 616 867	\$ 3 192 825
Other Comprehensive Income, Net of Tax:		
Change in net unrealized gains (losses) on securities available for sale, net income taxes (benefit) of \$(290,571) in 2015 and \$(226,513) in 2014	(564 049)	(439 703)
OTHER COMPREHENSIVE INCOME (LOSS)	(564 049)	(439 703)
COMPREHENSIVE INCOME	\$ 3 052 818	\$ 2 753 122

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

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the Years Ended December 31, 2015 and 2014

	COMMON STOCK			RETAINED EARNINGS	TREASURY STOCK	ACCUMULATED OTHER COMPREHENSIVE INCOME		TOTAL
	SHARES	PAR VALUE	SURPLUS					
Balance December 31, 2013	768,120	\$ 1,536,240	\$ 18,830,668	\$ 24,589,855	\$ (69,758)	\$ 2,071,645	\$ -	\$ 46,958,650
Net income	-	-	-	\$ 182,825	-	-	-	3,192,825
Other comprehensive income (loss)	-	-	-	-	-	(439,703)	-	(439,703)
Dividends paid	-	-	-	(957,628)	-	-	-	(957,628)
Balance, December 31, 2014	768,120	1,536,240	18,830,668	26,825,052	(69,758)	1,631,942	-	48,754,144
Net income	-	-	-	3,616,867	-	-	-	3,616,867
Other comprehensive income (loss)	-	-	-	-	-	(564,049)	-	(564,049)
Dividends paid	-	-	-	(1,149,153)	-	-	-	(1,149,153)
Balance, December 31, 2015	768,120	\$ 1,536,240	\$ 18,830,668	\$ 29,292,766	\$ (69,758)	\$ 1,067,893	\$ -	\$ 50,657,809

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

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2015 and 2014

	2015	2014
Operating Activities:		
Net income	\$ 3 616 867	\$ 3 192 825
Adjustments to Reconcile Net Income to Net Cash		
Provided by Operating Activities:		
Provision for loan losses	299 963	399 963
Provision for depreciation and amortization	419 588	420 352
Principal proceeds from sales of loans held for sale	12 657 361	6 438 178
Originations of loans held for sale	(12 365 064)	(6 292 786)
Net realized gains on sale of loans held for sale	(292 297)	(145 392)
Net loss from sales of premises and equipment	452	404
Net gain on sale of other real estate	-	(21 654)
Amortization (accretion) of investments, net	546 398	977 301
Federal Home Loan Bank stock dividends	(1 200)	(800)
Earnings on cash value of life insurance, net	(70 513)	(60 488)
Decrease (increase) in accrued interest receivable and other operating assets	189 482	435 535
Increase (decrease) in accrued interest payable and other operating liabilities, net of increase in deferred taxes related to securities available-for-sale	104 242	(130 268)
NET CASH PROVIDED BY OPERATING ACTIVITIES	5 105 279	5 213 170
Investing Activities:		
Net change in due from banks - Time	2 000 000	2 000 000
Purchases of available for sale investment securities	(50 117 364)	(86 337 005)
Proceeds from maturities, sales, and principal pay downs of available for sale investment securities	56 957 330	61 042 256
(Increase) decrease in loans, net	(23 575 980)	(7 809 220)
Payments received on previously charged-off loans	31 707	20 036
Purchases of Federal Home Loan Bank stock	(914 100)	(150 600)
Proceeds from redemption of Federal Home Loan Bank stock	380 600	389 200
Purchases of premises and equipment	(1 262 673)	(243 799)
Proceeds from sale of other real estate	-	26 301
NET CASH USED BY INVESTING ACTIVITIES	(16 500 480)	(31 062 831)
Financing Activities:		
Increase (decrease) in deposits, net	(6 222 805)	33 646 420
Increase in other borrowings	1 141 000	-
Dividends paid to stockholders	(1 149 153)	(957 628)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(6 230 958)	32 688 792
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(17 626 159)	6 839 131
Cash and cash equivalents at beginning of year	30 533 811	23 694 680
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 12 907 652	\$ 30 533 811
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Year for:		
Interest	\$ 938 178	\$ 1 032 419
Income taxes	\$ 1 175 000	\$ 1 055 000
Supplemental Schedule of Noncash Investing and Financing Activities:		
(Increase) decrease in unrealized gains on securities available for sale	\$ 854 620	\$ 666 216
Increase (decrease) in deferred taxes on securities available for sale	\$ (290 571)	\$ (226 513)

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

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations:

First National Bancshares of Huntsville, Inc. (the "Company") is a bank holding company headquartered in Huntsville, Texas. It owns 100% of its subsidiary First National Bank of Huntsville (the "Bank"). The Bank is located in Huntsville, Texas, and provides retail commercial banking as well as trust services. The Bank operates branch offices in Walker County, Houston County, Madison County, Brazos County, and Robertson County, Texas.

Summary of Significant Accounting and Reporting Policies:

The accounting and reporting policies of the Company and the Bank conform to generally accepted accounting principles and practices within the banking industry in the United States of America. The following is a description of the more significant of those policies.

Principles of Consolidation:

The consolidated financial statements and related notes include the accounts of the Company and the Bank. All significant intercompany accounts and transactions have been eliminated.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The determination of the adequacy of the allowance for loan losses is based on estimates that are particularly susceptible to significant changes in the economic environment and market conditions. In connection with the determination of the estimated losses on loans, management obtains independent appraisals for significant collateral.

The Bank's loans are generally secured by collateral. Although the loan portfolio is diversified, its debtors' ability to honor their contracts is heavily dependent upon economic conditions in the service area.

While management uses available information to recognize losses on loans, further reductions in the carrying amounts of loans may be necessary based on changes in the economic conditions in the service area. In addition, the regulatory agencies, as an integral part of their examination process, periodically review the adequacy of the allowance for loan losses. These agencies may require the Bank to recognize additional losses based on their judgments about information available to them at the time of their examination. Because of these factors, it is reasonably possible that the allowance for loan losses may change in the near term; however, the amount of the possible change cannot be estimated.

Investment Securities:

Securities classified as held-to-maturity are those debt securities the Bank has both the intent and ability to hold to maturity regardless of changes in market conditions, liquidity needs or changes in general economic conditions. These securities are carried at cost, adjusted for amortization of premium and accretion of discount, computed using the interest method, over their contractual lives. At December 31, 2015 and 2014, the Bank had no investment securities categorized as held to maturity.

Securities classified as available-for-sale are those debt securities that the Banks intend to hold for an indefinite period of time but not necessarily to maturity. Any decision to sell a security classified as available-for-sale would be based on various factors, including significant movement in interest rates, changes in the maturity mix of the Banks' assets and liabilities, liquidity needs, regulatory capital considerations, and other similar factors. These securities are carried at estimated fair value based on information provided by a third party pricing service with any unrealized gains or losses excluded from net income and reported in accumulated other comprehensive income (loss), which is reported as comprehensive income and as a separate component of stockholders' equity, net of the related deferred tax effect.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Securities held as trading assets are carried at fair value. At December 31, 2015 and 2014, the Bank had no investment securities categorized as trading.

Dividend and interest income, including amortization of premium and accretion of discount arising at acquisition, from all categories of investment securities are included in interest income in the consolidated statements of income.

Gains and losses realized on sales of investment securities, determined using the adjusted cost basis of the specific securities sold, are included in noninterest income in the consolidated statements of income. Additionally, declines in the estimated fair value of individual investment securities below their cost that are other-than-temporary are reflected as realized losses in the statements of income. Factors affecting the determination of whether an other-than-temporary impairment has occurred include a downgrading of the security by a rating agency, a significant deterioration in the financial condition of the issuer, or that management would not have the intent and ability to hold a security for a period of time sufficient to allow for any anticipated recovery in fair value.

Federal Reserve Bank Stock, Federal Home Loan Bank Stock and Texas Independent Bank Stock:

Investments in stock of the Federal Reserve Bank, Federal Home Loan Bank, and Texas Independent Bank are required as a condition of membership. The investments are carried at cost due to their restrictive nature and no ready market exists for these types of investments.

Loans:

Loans held for investment are stated at the amount of unpaid principal, reduced by an allowance for loan losses.

Loans held for sale are stated at lower of carrying value or fair value. The specific identification method of accounting is used to compute gains or losses on sales of loans.

Interest on loans is calculated by using the simple interest method on daily balances of the principal amount outstanding.

Loan origination and commitment fees are recognized as income when received. Direct loan origination costs are expensed when paid. Professional accounting standards require the net effect of loan origination and commitment fees and certain direct loan origination costs to be deferred and recognized over the life of the related loan as an adjustment of yield. The application of professional accounting standards would not have a material effect on the consolidated financial position or results of operations.

Included in the loans category are loans, which have been categorized by management as nonaccrual because collection of interest is doubtful. After a loan is placed on nonaccrual status, all interest previously accrued but not collected is reversed against current period interest income. Subsequent collections of interest payments on nonaccrual loans are recognized as interest income unless ultimate collectability of the loan is in doubt. Cash collections on loans where ultimate collectability remains in doubt are applied as reductions of the loan principal balance and no interest income is recognized until the principal balance has been collected.

Allowance for Loan Losses:

The allowance for loan losses reflects management's judgment of probable loan losses inherent in the portfolio at the balance sheet date. The Bank uses a disciplined process and methodology to establish the allowance for loan losses each quarter. To determine the total allowance for loan losses, management estimates the reserves needed for each segment of the portfolio, including loans analyzed individually and loans analyzed on a pooled basis. The allowance for loan losses consists of amounts applicable to: (i) the real estate portfolio; (ii) the consumer portfolio, and (iii) the commercial portfolio. The classes within portfolio segments are further explained in Note 4. Under this accounting guidance, the allowance is presented by portfolio segment.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 allowance is based on two basic principles of accounting: (i) FASB ASC 450, *Contingencies*, which requires that losses be accrued when they are probable of occurring and estimable and (ii) FASB ASC 310, *Receivables*, which requires that losses on impaired loans be accrued based on the differences between the loan balance and either the value of collateral, if such loans are considered to be collateral dependent and in the process of collection, or the present value of future cash flows, or the loan's value as observable in the secondary market. A loan is considered impaired when, based on current information and events, the Bank has concerns about the ability to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and 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.

The Bank's allowance for loan losses has three basic components: the specific allowance, the formula allowance and the pooled allowance. Each of these components is determined based upon estimates that can and do change when the actual events occur. As a result of the uncertainties inherent in the estimation process, management's estimate of loan losses and the related allowance could change in the near term.

The specific allowance component is used to individually establish an allowance for loans identified for impairment testing. When impairment is identified, a specific reserve may be established based on the Bank's calculation of the estimated loss embedded in the individual loan. Impairment testing includes consideration of the borrower's overall financial condition, resources and payment record, support available from financial guarantors and the fair market value of collateral. These factors are combined to estimate the probability and severity of inherent losses.

The formula allowance component is used for estimating the loss on internally risk rated loans exclusive of those identified as impaired. The loans meeting the Bank's internal criteria for classification, such as special mention, substandard, doubtful and loss, as well as specifically identified impaired loans, are segregated from performing loans within the portfolio. These internally classified loans are then grouped by loan type (commercial, commercial real estate, commercial construction, residential real estate, residential construction or installment). Each loan type is assigned an allowance factor based on management's estimate of the associated risk, complexity and size of the individual loans within the particular loan category. Classified loans are assigned a higher allowance factor than non-classified loans due to management's concerns regarding collectability or management's knowledge of particular elements surrounding the borrower. Allowance factors increase with the worsening of the internal risk rating.

The pooled formula component is used to estimate the losses inherent in the pools of non-classified loans. These loans are then also segregated by loan type and allowance factors are assigned by management based on delinquencies, loss history, trends in volume and terms of loans, effects of changes in lending policy, the experience and depth of management, national and local economic trends, concentrations of credit, results of the loan review system and the effect of external factors (i.e. competition and regulatory requirements).

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Allowance factors and overall size of the allowance may change from period to period based on management's assessment of the above-described factors and the relative weights given to each factor. In addition, the Bank's regulatory agency, the OCC periodically reviews the allowance for loan losses. The agency may require the Bank to make additions to the allowance for loan losses based on its judgments of collectability based on information available to it at the time of their examination.

Loans are placed into a nonaccruing status and classified as nonperforming when the principal or interest has been in default for a period of 90 days or more unless the obligation is well secured and in the process of collection. A debt is "well secured" if it is secured by (i) pledges of real or personal property, including securities, that have a realizable value sufficient to discharge the debt, (including accrued interest), in full, or (ii) the guarantee of a financially responsible party. A debt is "in the process of collection" if collection on the debt is proceeding in due course either through legal action, including judgment enforcement procedure, or, in appropriate circumstances, through collection efforts not involving legal action which are reasonably expected to result in repayment of the debt or in its restoration to a current status.

Loans classified as substandard or worse are considered for impairment testing. A substandard loan shows signs of continuing negative financial trends and unprofitability and therefore, is inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. The borrower on such loans typically exhibits one or more of the following characteristics: financial ratios and profitability margins are well below industry average; a negative cash flow position exists; debt service capacity is insufficient to service the debt and an improvement in the cash flow position is unlikely within the next twelve months; secondary and tertiary means of debt repayment are weak. Loans classified as substandard are characterized by the probability that the Bank will not collect amounts due according to the contractual terms or sustain some loss if the deficiencies are not corrected.

Loss potential, while existing with respect to the aggregate amount of substandard (or worse) loans, does not have to exist in any individual assets classified as substandard. Such credits are also evaluated for nonaccrual status.

Impaired loans include loans that have been classified as substandard or worse. However, certain loans have been paying as agreed and have remained current, with some financial issues related to cash flow that have caused some concern as to the ability of the borrower to perform in accordance with the current loan terms but not to such an extent as to require the loan be put into a nonaccruing status. Cash receipts on impaired loans are recorded as interest income is received, unless the loan is in a nonaccrual status.

Bank Premises and Equipment:

Land is stated at cost. Other premises and equipment are stated at cost less accumulated depreciation. Depreciation expense is computed on the straight-line method over the estimated useful lives of the assets. Maintenance and repairs that do not extend the life of bank premises and equipment are charged to expense.

Other Real Estate:

The Bank records real estate acquired by foreclosure at fair value, less estimated costs to sell, at the time of foreclosure. Adjustments are made to reflect declines in value, subsequent to acquisition, if any, below the recorded amounts. Required developmental costs associated with foreclosed property under construction are capitalized and considered in determining the fair value of the property. Operating expenses of such properties, net of related income, and gains and losses on their disposition are included in the statements of income.

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The Bank did not have physical possession of any foreclosed residential real estate as of December 31, 2015 and 2014. During the years presented, there were no investments in consumer mortgage loans secured by residential real estate properties where formal foreclosure procedures were in process at year end.

Goodwill:

The Bank conducts an annual impairment test for goodwill based on the fair value of the applicable reporting unit. If the reporting unit's fair value is greater than its carrying amount, goodwill is not impaired and no loss is recognized. If the implied fair value of a reporting unit's goodwill is less than the recorded amount, goodwill is considered impaired and the Bank must recognize a loss. Management conducted an assessment in March 2016 and 2015, and concluded that there was no significant impairment for the years 2015 or 2014.

Income Taxes:

Certain income and expense items are accounted for in different time periods for financial reporting purposes than for income tax purposes. Appropriate provisions are made for deferred taxes in recognition of these temporary differences.

Deferred income taxes are accounted for by applying statutory tax rates in effect at the balance sheet date to differences between the book basis and the tax basis of assets and liabilities. The resulting deferred tax assets and liabilities are adjusted to reflect changes in enacted tax laws or rates.

Realization of net deferred tax assets is dependent on generating sufficient future taxable income. Although realization is not assured, management believes it is more likely than not that all of the net deferred tax assets will be realized. The amount of the net deferred tax asset considered realizable, however, could be reduced in the short term if estimates of future taxable income are reduced.

Net Income per Common Share:

Net income per common share is calculated by dividing the net income by the weighted average number of common shares outstanding.

Cash and Cash Equivalents:

For the purpose of presentation in the Statement of Cash Flows, cash and cash equivalents are defined as those amounts included as noninterest-bearing and interest-bearing under the balance sheet caption "Cash and Due from Banks - Demand".

Uncertain Tax Positions:

FASB Codification Section 740 *Income Taxes* requires recognition, measurement and disclosure of uncertain tax positions. The Company currently accounts for uncertain tax positions based on the estimated likelihood of assessment and has determined that there are no tax positions requiring an accrual based on current standards of accounting. The Company is generally no longer subject to Federal tax examinations for years before 2012.

Advertising:

Advertising costs are expensed when incurred.

Income from Fiduciary Activities:

Trust fees are recorded on the accrual basis.

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Comprehensive Income:

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the equity section of the balance sheet, such items, along with net income, are components of comprehensive income.

Reclassifications:

Certain reclassifications have been made to the prior period's financial statements in order to conform to the classifications used for the current year.

Subsequent Events:

Management has evaluated subsequent events through April 14, 2016, the date the financial statements were available to be issued.

NOTE 2 - CASH AND DUE FROM BANKS - DEMAND

Included in "Cash and Due from Banks - Demand" is an interest-bearing account with the Federal Home Loan Bank. This account had an approximate balance of \$1,200 and \$3,161,000 at December 31, 2015 and 2014, respectively.

NOTE 3 - INVESTMENT SECURITIES

At December 31, 2015 and 2014, the investment securities as shown in the balance sheet were comprised of securities classified as available for sale. Investment securities classified as available for sale are carried at fair value.

The amortized cost and related fair values of investment securities are as follows:

	DECEMBER 31, 2015			
	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
<u>AVAILABLE FOR SALE:</u>				
U.S. government bonds	\$ 133 238 274	\$ 50 464	\$ (98 074)	\$ 133 190 664
Obligations of U.S. government agencies	24 553 603	-	(59 137)	24 494 466
Municipal securities	50 826 932	1 693 592	(1 101)	52 519 423
Mortgage-backed securities and collateralized mortgage obligations	1 078 194	32 318	(42)	1 110 470
	\$ 209 697 003	\$ 1 776 374	\$ (158 354)	\$ 211 315 023

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 3 - INVESTMENT SECURITIES - CONTINUED

AVAILABLE FOR SALE:	DECEMBER 31, 2014			
	AMORTIZED	GROSS	GROSS	FAIR VALUE
	COST	UNREALIZED GAINS	UNREALIZED LOSSES	
U.S. government bonds	\$ 144 319 519	\$ 226 631	\$ (32 634)	\$ 144 513 516
Obligations of U.S. government agencies	22 055 871	34 292	-	22 090 163
Municipal securities	49 362 556	2 205 111	(81)	51 567 586
Mortgage-backed securities and collateralized mortgage obligations	1 345 421	39 749	(428)	1 384 742
	\$ 217 083 367	\$ 2 505 783	\$ (33 143)	\$ 219 556 007

The amortized cost and fair values of investment securities available for sale at December 31, 2015, by expected maturity are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	SECURITIES AVAILABLE FOR SALE	
	AMORTIZED	FAIR
	COST	VALUE
Due in one year or less	\$ 72 194 405	\$ 72 214 845
Due after one year but less than five years	119 874 009	120 587 429
Due after five years but less than ten years	12 550 395	13 305 097
Due after ten years	4 000 000	4 097 182
Mortgage-backed securities and collateralized mortgage obligations	1 078 194	1 110 470
	\$ 209 697 003	\$ 211 315 023

There were no sales of investment securities in 2015 or 2014.

FASB Codification Section 320 *Investments* requires the assessment of other-than-temporary impairment regarding debt and equity securities. 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:

DECEMBER 31, 2015:	LESS THAN 12		12 MONTHS OR MORE		TOTAL	
	FAIR VALUE	UNREALIZED LOSS	FAIR VALUE	UNREALIZED LOSS	FAIR VALUE	UNREALIZED LOSS
	U.S. government bonds	\$ 71 318 047	\$ (98 074)	\$ -	\$ -	\$ 71 318 047
U.S. agency bonds	24 494 465	(59 137)	-	-	24 494 465	(59 137)
Municipal securities	628 994	(1 101)	-	-	628 994	(1 101)
Mortgage-backed securities and collateralized mortgage obligations	-	-	13 790	(42)	13 790	(42)
	\$ 96 441 506	\$ (158 312)	\$ 13 790	\$ (42)	\$ 96 455 296	\$ (158 354)

DECEMBER 31, 2014:	LESS THAN 12		12 MONTHS OR MORE		TOTAL	
	FAIR VALUE	UNREALIZED LOSS	FAIR VALUE	UNREALIZED LOSS	FAIR VALUE	UNREALIZED LOSS
	U.S. government bonds	\$ 26 875 859	\$ 32 634	\$ -	\$ -	\$ 26 875 859
U.S. agency bonds	-	-	-	-	-	-
Municipal securities	34 989	81	-	-	34 989	81
Mortgage-backed securities and collateralized mortgage obligations	11 692	26	58 911	402	70 603	428
	\$ 26 922 540	\$ 32 741	\$ 58 911	\$ 402	\$ 26 981 451	\$ 33 143

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 3 - INVESTMENT SECURITIES - CONTINUED

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

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.

Investment securities with an amortized cost of approximately \$87,942,000 and \$92,000,000 and a fair value of approximately \$88,051,000 and \$92,417,000 at December 31, 2015 and 2014, respectively, were pledged to secure public deposits, other borrowings, and for other purposes required or permitted by law.

NOTE 4 - LOANS

Outstanding Loans:

The table below presents total outstanding loans at December 31, 2015 and 2014 and an aging analysis at December 31, 2015 and 2014:

	DECEMBER 31, 2015				
	30-89 DAYS PAST DUE	90 DAYS OR MORE PAST DUE	TOTAL PAST DUE 30 DAYS OR MORE	TOTAL CURRENT OR LESS THAN 30 DAYS PAST DUE	TOTAL OUT- STANDING
Real Estate:					
Commercial construction/land development	\$ -	\$ -	\$ -	\$ 5 242 925	\$ 5 242 925
1-4 family construction	-	-	-	12 090 988	12 090 988
Farmland	-	-	-	5 818 513	5 818 513
1-4 family 1 st lien	49 932	-	49 932	87 390 944	87 440 876
1-4 family 2 nd lien	20 388	-	20 388	326 767	347 155
Multi-family	-	-	-	4 932 982	4 932 982
Owner occupied non-farm non residential	-	-	-	15 628 207	15 628 207
Non-owner occupied non-farm non-residential	-	-	-	23 451 328	23 451 328
TOTAL REAL ESTATE	70 320	-	70 320	154 882 654	154 952 974
Consumer:					
Automobile	9 058	-	9 058	7 617 597	7 626 655
Other consumer	90 324	-	90 324	17 631 933	17 722 257
Overdrafts	-	-	-	166 542	166 542
TOTAL CONSUMER	99 382	-	99 382	25 416 072	25 515 454
Commercial:					
Agricultural production	-	-	-	3 386 276	3 386 276
Commercial/industrial	-	-	-	35 157 694	35 157 694
TOTAL COMMERCIAL	-	-	-	38 543 970	38 543 970
TOTAL LOANS	\$ 169 702	\$ -	\$ 169 702	\$ 218 842 695	\$ 219 012 398
Percentage of outstanding	0.08%	0.00%	0.08%	99.92%	100.00%

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 4 - LOANS - CONTINUED

	DECEMBER 31, 2014				
	30-89 DAYS PAST DUE	90 DAYS OR MORE PAST DUE	TOTAL PAST DUE 30 DAYS OR MORE	TOTAL CURRENT OR LESS THAN 30 DAYS PAST DUE	TOTAL OUT- STANDING
Real Estate:					
Commercial construction/land development	\$ -	\$ -	\$ -	\$ 3 747 001	\$ 3 747 001
1-4 family construction	-	-	-	8 302 638	8 302 638
Farmland	-	-	-	6 781 674	6 781 674
1-4 family 1 st lien	158 396	-	158 396	76 863 864	77 022 260
1-4 family 2 nd lien	-	-	-	305 472	305 472
Multi-family	-	-	-	5 677 333	5 677 333
Owner occupied non-farm non residential	62 521	-	62 521	12 014 801	12 077 322
Non-owner occupied non-farm non-residential	-	-	-	22 031 038	22 031 038
TOTAL REAL ESTATE	<u>220 917</u>	<u>-</u>	<u>220 917</u>	<u>135 723 821</u>	<u>135 944 738</u>
Consumer:					
Automobile	-	-	-	7 430 184	7 430 184
Other consumer	80 630	-	80 630	17 228 242	17 308 872
Overdrafts	-	-	-	172 607	172 607
TOTAL CONSUMER	<u>80 630</u>	<u>-</u>	<u>80 630</u>	<u>24 831 033</u>	<u>24 911 663</u>
Commercial:					
Agricultural production	-	-	-	3 167 229	3 167 229
Commercial/industrial	-	-	-	31 465 044	31 465 044
TOTAL COMMERCIAL	<u>-</u>	<u>-</u>	<u>-</u>	<u>34 632 273</u>	<u>34 632 273</u>
TOTAL LOANS	<u>\$ 301 547</u>	<u>\$ -</u>	<u>\$ 301 547</u>	<u>\$ 195 187 127</u>	<u>\$ 195 488 674</u>
Percentage of outstanding	<u>0.15%</u>	<u>0.00%</u>	<u>0.15%</u>	<u>99.85%</u>	<u>100.00%</u>

Nonaccrual Loans:

The table below includes the Bank's nonaccrual loans, including nonperforming trouble debt restructures, and loans past due 90 days or more at December 31, 2015 and 2014:

	DECEMBER 31,			
	2015		2014	
	NONACCRUAL LOANS AND LEASES	ACCRUING PAST DUE 90 DAYS OR MORE	NONACCRUAL LOANS AND LEASES	ACCRUING PAST DUE 90 DAYS OR MORE
Real Estate:				
1-4 family secured	\$ -	\$ -	\$ -	\$ -
Non-farm non residential	-	-	-	-
TOTAL REAL ESTATE	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Consumer:				
Other consumer	-	-	2 348	-
Automobile	-	-	-	-
TOTAL CONSUMER	<u>-</u>	<u>-</u>	<u>2 348</u>	<u>-</u>
Commercial:				
Commercial/industrial	9 250	-	29 028	-
TOTAL COMMERCIAL	<u>9 250</u>	<u>-</u>	<u>29 028</u>	<u>-</u>
TOTAL LOANS	<u>\$ 9 250</u>	<u>\$ -</u>	<u>\$ 31 376</u>	<u>\$ -</u>

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 4 - LOANS - CONTINUED

Credit Quality Indicators:

The Bank monitors credit quality within its three segments based on primary credit quality indicators. The Bank loans are evaluated using the pass rated or reservable criticized as the primary credit quality indicator. The term reservable criticized refers to those loans that are internally classified or listed by the Bank as substandard, doubtful, or loss. These assets pose an elevated risk and may have a high probability of default or total loss. Pass rated refers to all loans not considered reservable criticized.

	RISK RATING			
	DECEMBER 31,			
	2015		2014	
	PASS	RESERVABLE CRITICIZED	PASS	RESERVABLE CRITICIZED
Real Estate:				
Commercial construction/ land development	\$ 5 242 925	\$ -	\$ 3 747 001	\$ -
1-4 family construction	12 090 988	-	8 302 638	-
Farmland	5 818 513	-	6 781 674	-
1-4 family 1 st lien	86 800 060	640 816	76 537 942	484 318
1-4 family 2 nd lien	347 155	-	305 472	-
Multi-family	4 920 524	12 458	5 677 333	-
Owner occupied non-farm non residential	15 570 867	57 340	12 014 801	62 521
Non-owner occupied non-farm non-residential	23 451 328	-	22 031 038	-
TOTAL REAL ESTATE	<u>154 242 360</u>	<u>710 614</u>	<u>135 397 899</u>	<u>546 839</u>
Consumer:				
Other consumer	17 572 769	149 488	17 253 345	55 527
Automobiles	7 626 655	-	7 352 752	77 432
Overdrafts	166 542	-	172 607	-
TOTAL CONSUMER	<u>25 365 966</u>	<u>149 488</u>	<u>24 778 704</u>	<u>132 959</u>
Commercial:				
Agricultural production	3 386 276	-	3 167 229	-
Commercial/industrial	35 065 589	92 105	29 032 310	2 432 734
TOTAL COMMERCIAL	<u>38 451 865</u>	<u>92 105</u>	<u>32 199 539</u>	<u>2 432 734</u>
TOTAL LOANS	<u>\$ 218 060 191</u>	<u>\$ 952 207</u>	<u>\$ 192 376 142</u>	<u>\$ 3 112 532</u>

Impaired Loans and Trouble Debt Restructurings:

A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan. During 2015 and 2014, the Bank had no significant troubled debt restructures.

	DECEMBER 31, 2015				
	UNPAID PRINCIPAL BALANCE	CARRYING VALUE	RELATED ALLOWANCE	AVERAGE CARRYING AMOUNT	INTEREST INCOME RECOGNIZED
Impaired Loans with an Allowance Recorded:					
Real estate	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial	\$ 74 169	\$ 44 169	\$ 30 000	\$ 43 500	\$ 4 417
Consumer	\$ -	\$ -	\$ -	\$ -	\$ -

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 4 - LOANS - CONTINUED

	DECEMBER 31, 2014				
	UNPAID PRINCIPAL BALANCE	CARRYING VALUE	RELATED ALLOWANCE	AVERAGE CARRYING AMOUNT	INTEREST INCOME RECOGNIZED
Impaired Loans with an Allowance Recorded:					
Real estate	\$ 134 346	\$ 114 194	\$ 20 152	\$ 124 270	\$ 5 281
Commercial	\$ 343 772	\$ 313 772	\$ 30 000	\$ 328 772	\$ 17 261
Consumer	\$ 118 135	\$ 73 693	\$ 44 442	\$ 95 914	\$ 4 316

Allowance for Credit Losses:

The table below summarizes the changes in the allowance for credit losses for 2015 and 2014:

	DECEMBER 31, 2015			
	COMMERCIAL	REAL ESTATE	CONSUMER	TOTAL
Allowance for loan and lease losses January 1	\$ 1 469 563	\$ 628 548	\$ 1 329 880	\$ 3 427 991
Loans and leases charged off	(29 607)	-	(22 651)	(52 258)
Recoveries of loans and leases previously charged off	20 867	-	10 840	31 708
NET CHARGE OFFS	(8 740)	-	(11 811)	(20 550)
Provision for loan and lease losses	119 985	119 985	59 993	299 963
ALLOWANCE FOR LOAN AND LEASE LOSSES DECEMBER 31	\$ 1 580 808	\$ 748 533	\$ 1 378 062	\$ 3 707 403

	DECEMBER 31, 2014			
	COMMERCIAL	REAL ESTATE	CONSUMER	TOTAL
Allowance for loan and lease losses January 1	\$ 1 390 268	\$ 468 563	\$ 1 254 835	\$ 3 113 666
Loans and leases charged off	(92 845)	-	(12 829)	(105 674)
Recoveries of loans and leases previously charged off	12 155	-	7 881	20 036
NET CHARGE OFFS	(80 690)	-	(4 948)	(85 638)
Provision for loan and lease losses	159 985	159 985	79 993	399 963
ALLOWANCE FOR LOAN AND LEASE LOSSES DECEMBER 31	\$ 1 469 563	\$ 628 548	\$ 1 329 880	\$ 3 427 991

The table below represents the allowance and the carrying value of outstanding loans and leases by portfolio segment at December 31, 2015 and 2014.

	DECEMBER 31, 2015			
	COMMERCIAL	REAL ESTATE	CONSUMER AND OVERDRAFT	TOTAL
Collectively Evaluated for Impairment:				
Allowance for loans and lease losses	\$ 30 000	\$ -	\$ -	\$ 30 000
Principal balance	\$ 44 169	\$ -	\$ -	\$ 44 169
Allowance as a percentage of principal balance	67.92%	0.00%	0.00%	67.92%
Total:				
Allowance for loans and lease losses	\$ 1 580 808	\$ 748 533	\$ 1 378 062	\$ 3 707 403
Carrying value	\$ 38 543 970	\$ 154 952 974	\$ 25 515 454	\$ 219 012 398
Allowance as a percentage of carrying value	4.10%	0.48%	5.40%	1.69%

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 4 - LOANS - CONTINUED

	DECEMBER 31, 2014			
	COMMERCIAL	REAL ESTATE	CONSUMER AND OVERDRAFT	TOTAL
Collectively Evaluated for Impairment:				
Allowance for loans and lease losses	\$ 30 000	\$ 20 152	\$ 44 442	\$ 94 594
Principal balance	\$ 313 772	\$ 114 194	\$ 73 693	\$ 501 659
Allowance as a percentage of principal balance	9.56%	17.65%	60.31%	18.86%
Total:				
Allowance for loans and lease losses	\$ 1 469 563	\$ 628 548	\$ 1 329 880	\$ 3 427 991
Carrying value	\$ 34 632 273	\$ 135 944 738	\$ 24 911 663	\$ 195 488 674
Allowance as a percentage of carrying value	4.24%	0.46%	5.34%	1.75%

Approximate loan maturities, excluding nonaccrual loans, of the loan portfolio are as follows:

	DECEMBER 31,	
	2015	2014
Within one year	\$ 43 564 000	\$ 40 250 000
After one through five years	97 148 000	89 604 000
After five years	78 290 000	65 604 000
TOTAL	\$ 219 002 000	\$ 195 458 000

The Bank had mortgage loans held for sale of approximately \$392,000 and \$-0- at December 31, 2015 and 2014, respectively. During 2015 and 2014, the Bank originated and sold approximately \$12,365,000 and \$6,293,000, respectively, of mortgage loans. The Bank receives a service release premium when the loan is sold; these premiums approximated \$292,000 in 2015 and \$145,000 in 2014, and are included in interest income from loans including fees in the accompanying consolidated statements of income.

The Bank had approximately \$5,994,000 and \$7,159,000 of student loans at December 31, 2015 and 2014, respectively. Of these amounts, approximately \$5,994,000 and \$7,159,000 were held for sale at December 31, 2015 and 2014, respectively. Student loans are routinely sold to loan servicing organizations at a contractually pre-determined price (which is usually the loan carrying value plus a percentage) when the student borrower leaves school and the loan goes into repayment status. The Bank accounts for amounts received from sales in excess of carrying value as fee income; for 2015 and 2014, respectively, the Bank realized fee income from sales of student loans of approximately \$4,000 and \$3,000. The fee income is included in interest income from loans, including fees on the accompanying consolidated statements of income.

As of December 31, 2015 and 2014, loans outstanding to directors, officers, and their affiliates were approximately \$3,952,000 and \$4,475,000, respectively. In the opinion of management, all transactions entered into between the Bank and such related parties, in the ordinary course of business, have been and are made on the same terms and conditions as similar transactions with unaffiliated persons.

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 5 - BANK PREMISES AND EQUIPMENT

Bank premises and equipment are summarized as follows:

	DECEMBER 31,		USEFUL LIVES IN YEARS
	2015	2014	
Land	\$ 1 321 168	\$ 1 321 168	N/A
Buildings and improvements	8 211 394	8 036 536	5 - 40
Furniture, equipment and autos	5 832 098	5 276 252	3 - 15
Leasehold improvements	244 121	237 551	3 - 20
Application software	968 870	946 760	3
Work in process	509 073	1 305	N/A
	<u>17 077 724</u>	<u>15 819 572</u>	
Less accumulated depreciation	<u>(11 413 344)</u>	<u>(10 997 825)</u>	
	<u>\$ 5 664 380</u>	<u>\$ 4 821 747</u>	

Depreciation and amortization expense was \$419,588 in 2015 and \$420,352 in 2014.

The Bank is under an operating lease for one of its Huntsville branch facilities. The lease term is five years and it expires April 2019. Lease expense is payable monthly, and total lease expense approximated \$53,000 in 2015 and \$53,000 in 2014. Annual lease expense for each of the next 5 years will approximate \$45,000.

In January 2014, the Bank entered into an operating lease in College Station, Texas for its Brazos County branch. The lease term is two years and it expires January 31, 2016. The lease was renewed in 2016 for another two year term, expiring on January 31, 2018. Lease expense is payable monthly and total lease expense for 2015 approximated \$48,000. Annual lease expense will approximate \$54,000 in 2016 and \$54,000 in 2017.

The Bank also leases various items of office equipment such as postage machine, copiers, etc. as well as sign space. Aggregate lease expense approximates \$40,000 per year under these agreements and is expected to approximate \$40,000 annually for the next five years.

NOTE 6 - DEPOSITS

Included in interest-bearing deposits are time deposits. These time deposits and their approximate remaining maturities are as follows:

	DECEMBER 31,	
	2015	2014
Three months or less	\$ 25 827 000	\$ 26 581 000
Over three months through twelve months	38 893 000	44 391 000
Over one year through three years	21 923 000	22 187 000
Over three years	9 456 000	7 360 000
	<u>\$ 96 099 000</u>	<u>\$ 100 519 000</u>

Time deposits in amounts of \$100,000 or more approximated \$44,820,000 and \$46,076,000 at December 31, 2015 and 2014, respectively.

Certificated deposits and other time deposits issued in denominations that meet or exceed the FDIC insurance limit of \$250,000 or more totaled approximately \$6,894,000 and \$6,851,000 at December 31, 2015 and 2014, respectively, and are included in interest-bearing deposits in the consolidated balance sheet.

The aggregate amount of deposits owed by the Bank to directors, officers, principal stockholders and their related entities approximated \$2,239,000 and \$2,730,000 at December 31, 2015 and 2014, respectively.

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 7 - OTHER BORROWINGS AND LINES OF CREDIT

The Bank is a member of the Federal Home Loan Bank (FHLB). As a member, the Bank has a line of credit through the FHLB. Under this line of credit the Bank may borrow up to approximately \$159,370,000 on a secured basis. The Bank had \$1,141,000 and \$0 drawn against this line as of December 31, 2015 and 2014, respectively.

NOTE 8 - DEFERRED COMPENSATION

Supplementary Executive Retirement Agreements

As part of the acquisition of The National Bank of Madisonville (TNB) in 2004, the Bank assumed the Supplementary Retirement Agreements and the life insurance policies that TNB had with certain officers of that institution. There are four Agreements and they are accounted for as deferred compensation pursuant to FASB Codification Section 710 *Compensation*. The life insurance policies are an integral part of the Agreements and they are actuarially designed to provide earnings to offset the annual expenses associated with the Agreements. The benefits payable under the Agreements are determined by an indexed formula that is based on the earnings of the respective life insurance policies. Under two of the Agreements, benefits are payable upon retirement with a portion of the benefits being paid over 10 years and the other portion being paid over the remaining life of the officer. The other two Agreements pay a set dollar amount over the remaining life of the officer. The life insurance on each officer is being provided by an Endorsement Split Dollar Plan whereby the Bank endorses 100% of the net-at-risk life insurance portion for payment to the designated beneficiary of the respective officer. The policies and their entire surrender values are owned by the Bank.

The estimated costs of funding the Agreements are being accrued over the respective officers' period of service from inception of the Agreement to retirement. Two of the Agreements were entered into in 1996 and the other two in 2003. In 1996, \$575,000 of premiums were paid to fund the life insurance policies for the first two Agreements, and \$850,000 was paid to fund the life insurance policy on the third and fourth Agreements and revise the Agreements in 2003. Payments are being made under three of the Agreements.

These agreements are not "qualified plans" under the Internal Revenue Code of 1986 and, therefore, tax deductions are allowed only when benefits are paid. Deferred taxes are recognized on the accrued income and expenses of the Agreement and are included with other liabilities and accrued expenses in the accompanying financial statements. Should the insurance contracts be surrendered prior to maturity, (death of the insured), the proceeds representing taxable earnings would be currently taxable.

The Bank accrued approximately \$(2,000) and \$48,000 of benefit expense and recognized approximately \$65,000 and \$66,000 of income, net of insurance costs, on the life insurance policies in 2015 and 2014, respectively. The liability for benefits was approximately \$693,000 and \$741,000 at December 31, 2015 and 2014, respectively, and is included in other liabilities on the accompanying consolidated balance sheet. The cash surrender value of the life insurance policies was approximately \$2,489,000 and \$2,419,000 at December 31, 2015 and 2014, respectively.

NOTE 9 - EMPLOYEE BENEFIT PLANS

The Bank has a 401(k) plan covering substantially all employees. The Bank matches 100% of each employee's contribution up to 5% of the employee's salary. Matching contributions were approximately \$149,000 and \$138,000 for 2015 and 2014, respectively.

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 10 - INCOME TAXES

At December 31, 2015 and 2014 the Bank had a net deferred tax asset (liability) of approximately \$(97,000) and \$(277,000), respectively, which is included in other liabilities and accrued expenses on the accompanying consolidated balance sheet. Significant deferred tax assets and liabilities were as follows:

	DECEMBER 31,	
	2015	2014
Deferred Tax Assets (Liabilities):		
Unrealized (gain) loss on available-for-sale investment securities	\$ (550 000)	\$ (841 000)
Deferred compensation	236 000	252 000
Depreciable assets	(249 000)	19 000
Allowance for loan losses	767 000	672 000
Cash surrender value of life insurance	(371 000)	(347 000)
FHLB dividends	-	(25 000)
Other	70 000	(7 000)
	\$ (97 000)	\$ (277 000)

The approximate provision for federal income taxes from operations for the year ended consists of the following:

	DECEMBER 31,	
	2015	2014
Current tax expense	\$ 1 386 000	\$ 1 112 000
Deferred tax expense (benefit)	(180 000)	(90 000)
	\$ 1 206 000	\$ 1 022 000

The approximate provision for federal income taxes differs from the amount computed by applying the federal income tax statutory rate of 34% on operations as follows:

	YEAR ENDED DECEMBER 31,	
	2015	2014
Taxes calculated at statutory rate	\$ 1 640 000	\$ 1 433 000
Tax-exempt interest income	(439 000)	(416 000)
Other	5 000	5 000
FEDERAL INCOME TAX EXPENSE	\$ 1 206 000	\$ 1 022 000

NOTE 11 - RENTAL INCOME

The Bank receives rental income from various operating leases for office space on its premises. Income from these leases approximated \$341,000 and \$341,000 in 2015 and 2014, respectively. Rental income for each of the next five years is expected to approximate \$330,000 - \$350,000. Rental income is included with occupancy expenses on the accompanying consolidated statements of income.

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 12 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

The Bank is a party to various financial instruments with off-balance-sheet risk in the normal course of business to meet the financial needs of its customers and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit and standby letters of credit. Such instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the balance sheets. The contract amounts of these instruments reflect the extent of the Bank's involvement in particular classes of financial instruments. The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual notional amount of the instruments. The Bank uses the same credit policies in making these commitments and conditional obligations as it does for on-balance-sheet instruments.

The following is a summary of the various financial instruments entered into by the Bank as of December 31, 2015 and 2014:

	2015	2014
Financial Instruments Whose Approximate Contract Amounts Represent Credit Risk:		
Commitments to extend credit	\$ 36 762 000	\$ 40 466 000
Standby letters of credit	\$ 880 000	\$ 346 000

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being fully drawn upon, the total commitment amounts disclosed above do not necessarily represent future cash requirements.

The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if considered necessary by the Bank upon extension of credit, is based on management's credit evaluation of the customer. Collateral held varies, but largely consists of real estate, deposits, equipment, and inventory.

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to its customers. Some letters of credit are unsecured; however, most are secured by financial instruments, deposits, equipment, and real estate.

NOTE 13 - CONCENTRATION OF CREDIT RISK

The Bank grants agribusiness, commercial, consumer and residential loans to customers primarily located in Walker County, Madison County, Houston County, Leon County, Trinity County, Brazos County and Robertson County, Texas. The Bank also owns debt securities issued by local governments of these counties, including the counties. The economy of these counties is primarily characterized by agriculture and state government. Although the Bank has a diversified loan portfolio, its debtors' ability to honor their contracts is primarily dependent upon the economy of these areas.

The Company periodically carries certain assets with other financial institutions which are subject to credit risk by the amount such assets exceed Federal deposit insurance limits. From time to time, the Bank is also due amounts in excess of FDIC insurance limits for checks and transit items. Management monitors the financial stability of correspondent banks and considers amounts advanced in excess of FDIC insurance limits to present no significant additional risk to the Bank.

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 14 - CAPITAL AND REGULATORY MATTERS

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Any institution that fails to meet its minimum capital requirements is subject to actions by regulators that could have a direct material effect on its financial statements. Under the capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines based on its assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification under the regulatory framework for prompt corrective action are also subject to qualitative judgments by the regulators about the components, risk weightings, and other factors.

To meet the capital adequacy requirements, the Bank must maintain minimum capital amounts and ratios as defined in the regulations. Management believes, as of December 31, 2015 and 2014, that the Bank met all capital adequacy requirements to which it was subject.

As of December 31, 2015, the most recent notification from 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, common equity Tier I (2015) and Tier I leverage ratios as set forth in the table. There have been no conditions or events since that notification that management believes have changed the Bank's category.

The following is a summary of the Bank's capital ratios at December 31, 2015 and 2014:

	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)	\$ 47 166 000	21.94%	\$ 17 198 000	> 8.0%	\$ 21 498 000	> 10.0%
Tier I Capital (to Risk Weighted Assets)	\$ 44 466 000	20.68%	\$ 8 601 000	> 4.0%	\$ 12 901 000	> 6.0%
Tier I Capital (to Average Assets)	\$ 44 466 000	9.91%	\$ 17 948 000	> 4.0%	\$ 22 435 000	> 5.0%
Common Equity Tier I Capital (to Risk Weighted Assets)	\$ 44 466 000	20.68%	\$ 9 676 000	> 4.5%	\$ 13 976 000	> 6.5%
As of December 31, 2014:						
Total Capital (to Risk Weighted Assets)	\$ 44 456 000	22.73%	\$ 15 647 000	> 8%	\$ 20 901 000	> 10.0%
Tier I Capital (to Risk Weighted Assets)	\$ 41 999 000	21.47%	\$ 7 825 000	> 4%	\$ 11 737 000	> 6.0%
Tier I Capital (to Average Assets)	\$ 41 999 000	9.73%	\$ 17 266 000	> 4%	\$ 21 582 000	> 5.0%

The Bank is subject to regulatory limitations on the amount of dividends it may pay. At December 31, 2015, approximately \$8,238,000 was available for payment of dividends without obtaining prior regulatory approval. This amount available is reduced subsequent to December 31, 2015 to approximately \$7,088,000 since it is based on the current year to date earnings retained plus the previous two years retained income.

NOTE 15 - DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

Professional accounting standards require disclosure of fair value information about financial instruments, whether or not recognized in the statement of financial condition.

FASB ASC 820, *Fair Value Measurements and Disclosures*, clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Under this guidance, fair value measurements are not adjusted for transaction costs. This guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under this guidance are described below:

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

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 15 - DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS - CONTINUED

- Level 2 Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or comparable assets or liabilities which use observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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

Professional accounting standards exclude certain financial instruments and all non-financial instruments from disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying consolidated value of First National Bancshares of Huntsville, Inc.

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

Cash and Due From Banks (Demand and Time) - For these short-term instruments, the carrying amount is a reasonable estimate of fair value (Level 1).

Investment Securities - Fair values for investment securities are based on quoted market prices, where available (Level 1). If quoted market prices are not available, fair values are based on discounted cash flow analysis based on observable inputs (Level 2). The carrying amount of accrued interest approximates its fair value.

Loans - Fair values for loans are estimated using discounted cash flow analysis, 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, prepayment and risk characteristics. The carrying amount of accrued interest receivable approximates its fair value (Level 2).

Federal Reserve Bank Stock - No ready market exists for Federal Reserve Bank stock. It is a required investment to be a member of the Federal Reserve System. The stock can be redeemed at its cost should the requirement be reduced. Therefore, cost is used as fair value for this purpose (Level 1).

Federal Home Loan Bank Stock - No ready market exists for Federal Home Loan Bank stock. It is a required investment to be a member of the Federal Home Loan Bank system. The stock can be redeemed at its cost should the requirement be reduced. Therefore, cost is used as fair value for this purpose (Level 1).

TIB Stock - No ready market exists for TIB stock. It is a required investment to be a member. The stock can be redeemed at its cost should the requirement be reduced. Therefore, cost is used as fair value for this purpose (Level 1).

Deposits - The fair values for noninterest-bearing and interest-bearing demand and savings accounts are, by definition, equal to the amount payable on demand at the reporting date (that is, their carrying amounts). The fair values for certificates of deposit are estimated using a discounted cash flow calculation based on rates currently being offered on certificates with terms approximating the remaining term of the certificates in the portfolio. The carrying amount of accrued interest payable approximates fair value (Level 2).

Off-Balance-Sheet Financial Instruments - Fair values for commitments to extend credit and letters of credit are estimated based upon rates currently in effect at the balance sheet date (Level 1).

Cash Surrender Value of Life Insurance - No ready market exists. It is redeemable at the amount of its face to the insurance company. Carrying amount is a reasonable estimate of fair value (Level 1).

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 15 - DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS - CONTINUED

The approximate carrying amounts and estimated fair values of the Bank's financial instruments at December 31, 2015 and 2014 were as follows:

	DECEMBER 31, 2015		DECEMBER 31, 2014	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Financial Assets:				
Cash and due from banks	\$ 12 908 000	\$ 12 908 000	\$ 30 534 000	\$ 30 534 000
Due from Bank - Time	-	-	2 000 000	2 000 000
Available for sale securities	211 315 000	211 315 000	219 556 000	219 556 000
Loans	219 012 000	220 525 000	195 489 000	199 627 000
Less allowance for loan losses	(3 707 000)	(3 707 000)	(3 428 000)	(3 428 000)
Federal Reserve Bank stock	277 000	277 000	277 000	277 000
Federal Home Loan Bank stock	709 000	709 000	174 000	174 000
TIB Stock	96 000	96 000	96 000	96 000
Cash surrender value life insurance	2 490 000	2 490 000	2 419 000	2 419 000
Accrued interest receivable	1 518 000	1 518 000	1 493 000	1 493 000
TOTAL	<u>\$ 444 618 000</u>	<u>\$ 446 131 000</u>	<u>\$ 448 610 000</u>	<u>\$ 452 748 000</u>
Financial Liabilities:				
Deposits	\$ 402 329 000	\$ 398 386 000	\$ 408 552 000	\$ 408 382 000
Other borrowings	1 141 000	1 141 000	-	-
Accrued interest payable	65 000	65 000	77 000	77 000
TOTAL	<u>\$ 403 535 000</u>	<u>\$ 399 592 000</u>	<u>\$ 408 629 000</u>	<u>\$ 408 459 000</u>
Off-Balance Sheet:				
Commitments to extend credit	\$ 37 642 000	\$ 37 642 000	\$ 40 812 000	\$ 40 812 000

Fair values of assets and liabilities presented on the consolidated balance sheets measured on a recurring basis at December 31, 2015 and 2014 are as follows:

	2015			
	FIRST NATIONAL BANK HUNTSVILLE			
	FAIR VALUE	LEVEL 1	LEVEL 2	LEVEL 3
U. S. government bonds	\$ 133 190 664	\$ 133 190 664	\$ -	\$ -
Obligations of U.S. government agencies	24 494 466	-	24 494 466	-
Municipal securities	52 519 423	-	52 519 423	-
Mortgage-backed securities and collateralized mortgage obligations	1 110 470	-	1 110 470	-
	<u>\$ 211 315 023</u>	<u>\$ 133 190 664</u>	<u>\$ 78 124 359</u>	<u>\$ -</u>
	2014			
	FIRST NATIONAL BANK HUNTSVILLE			
	FAIR VALUE	LEVEL 1	LEVEL 2	LEVEL 3
U. S. government bonds	\$ 144 513 516	\$ 144 513 516	\$ -	\$ -
Obligations of U.S. government agencies	22 090 163	-	22 090 163	-
Municipal securities	51 567 586	-	51 567 586	-
Mortgage-backed securities and collateralized mortgage obligations	1 384 742	-	1 384 742	-
	<u>\$ 219 556 007</u>	<u>\$ 144 513 516</u>	<u>\$ 75 042 491</u>	<u>\$ -</u>

Fair values of available for sale securities are based on quoted market values (Level 1) and discounted cash flow analysis based on observable inputs, which includes market quotes for similar instruments, current market yields and offering sheets (Level 2).

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 15 - DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS - CONTINUED

Each major category of assets and liabilities presented on the consolidated balance sheets measured at fair value on a nonrecurring basis during the period are presented as follows:

	FAIR VALUE MEASUREMENTS USING				TOTAL GAINS (LOSSES)
	FAIR VALUE	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	
Goodwill	\$ 5 108 175	\$ -	\$ 5 108 175	\$ -	\$ -

Fair value of goodwill is determined on a nonrecurring basis in order to determine if any impairment existed at December 31, 2015 or 2014. In order to estimate the fair value, the Bank uses observable inputs such as values of similar entities (goodwill) and published selling prices for other entities.

The fair value estimates presented herein are based on pertinent information available to management as of December 31, 2015 and 2014. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been significantly revalued for purposes of these financial statements since that date, and, therefore, current estimates of fair value may differ significantly from the amounts presented herein.

NOTE 16 - TRUST ASSETS

Trust assets and other property (except cash deposits), held by the Bank in agency or other fiduciary capacities for its customers, are not included in the financial statements since they are not assets of the Bank. Market value of the trust assets at December 31, 2015 and 2014, respectively, was approximately \$127,000,000 and \$140,000,000.

INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

Board of Directors
First National Bancshares
of Huntsville, Inc. and Subsidiary

We have audited the financial statements of First National Bancshares of Huntsville, Inc. and Subsidiary as of and for the years ended December 31, 2015 and 2014, and our report thereon dated April 14, 2016, which expressed an unmodified opinion on those financial statements, appears on page 3. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The following Consolidating Balance Sheets and Consolidating Statements of Income are presented for purposes of additional analysis and are not a required part of the basic 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 basic financial statements taken as a whole.


CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas
April 14, 2016

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC.
CONSOLIDATING BALANCE SHEET
December 31, 2015

	FIRST NATIONAL BANK OF HUNTSVILLE	FIRST NATIONAL BANCSHARES OF HUNTSVILLE	ELIMINATIONS	CONSOLIDATED 2015
ASSETS				
Cash and Due from Banks - Demand:				
Noninterest-bearing	\$ 12 906 416	\$ 33 561	\$ (33 561)	\$ 12 906 416
Interest-bearing	1 236	-	-	1 236
Due from banks - Time	-	-	-	-
Investment Securities:				
Available for sale, at fair value	211 315 023	-	-	211 315 023
Investment in subsidiary	-	50 642 557	(50 642 557)	-
Loans, net of allowance	215 304 995	-	-	215 304 995
Federal Reserve Bank stock, at cost	277 295	-	-	277 295
Federal Home Loan Bank stock, at cost	708 700	-	-	708 700
Texas Independent Bank stock, at cost	96 440	-	-	96 440
Bank premises and equipment, net	5 664 380	-	-	5 664 380
Goodwill	5 108 175	-	-	5 108 175
Cash value life insurance	2 489 563	-	-	2 489 563
Accrued interest receivable	1 518 421	-	-	1 518 421
Other assets	311 725	-	-	311 725
TOTAL ASSETS	\$ 455 702 369	\$ 50 676 118	\$ (50 676 118)	\$ 455 702 369
LIABILITIES AND STOCKHOLDERS' EQUITY				
Deposits:				
Noninterest-bearing	\$ 115 594 933	\$ -	\$ (33 561)	\$ 115 561 372
Interest-bearing	286 767 549	-	-	286 767 549
TOTAL DEPOSITS	402 362 482	-	(33 561)	402 328 921
Other borrowings	1 141 000	-	-	1 141 000
Accrued interest payable	65 288	-	-	65 288
Other liabilities and accrued expenses	1 491 042	18 309	-	1 509 351
TOTAL LIABILITIES	405 059 812	18 309	(33 561)	405 044 560
Stockholders' Equity:				
Common stock	1 486 078	1 536 240	(1 486 078)	1 536 240
Capital surplus	7 792 364	18 830 668	(7 792 364)	18 830 668
Retained earnings	40 296 222	29 292 766	(40 296 222)	29 292 766
Treasury stock	-	(69 758)	-	(69 758)
Accumulated other comprehensive income	1 067 893	1 067 893	(1 067 893)	1 067 893
TOTAL STOCKHOLDERS' EQUITY	50 642 557	50 657 809	(50 642 557)	50 657 809
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 455 702 369	\$ 50 676 118	\$ (50 676 118)	\$ 455 702 369

See independent auditors' report on additional information.

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC.
CONSOLIDATING STATEMENT OF INCOME
For the Year Ended December 31, 2015

	FIRST NATIONAL BANK OF HUNTSVILLE	FIRST NATIONAL BANCSHARES OF HUNTSVILLE	ELIMINATIONS	CONSOLIDATED 2015
Interest Income:				
Loans, including fees	\$ 10 188 352	\$ -	\$ -	\$ 10 188 352
Investment securities	2 660 527	-	-	2 660 527
Deposits in banks	28 899	-	-	28 899
TOTAL INTEREST INCOME	12 877 778	-	-	12 877 778
Interest Expense:				
Deposits	944 828	-	-	944 828
Other	5 545	-	-	5 545
TOTAL INTEREST EXPENSE	950 373	-	-	950 373
NET INTEREST INCOME	11 927 405	-	-	11 927 405
Provision for loan losses	299 963	-	-	299 963
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	11 627 442	-	-	11 627 442
Other Income:				
Service fees	2 439 510	-	-	2 439 510
Fiduciary fees	477 402	-	-	477 402
Other	305 189	-	-	305 189
Equity in earnings of subsidiary	-	3 616 867	(3 616 867)	-
TOTAL OTHER INCOME	3 222 101	3 616 867	(3 616 867)	3 222 101
Other Expenses:				
Salaries and other employee benefits	5 383 122	-	-	5 383 122
Occupancy expenses, net	735 757	-	-	735 757
Equipment expense	876 726	-	-	876 726
Data processing expense	790 391	-	-	790 391
Professional fees	448 444	-	-	448 444
Postage, stationery, and supplies	303 051	-	-	303 051
FDIC insurance	246 000	-	-	246 000
Other	1 243 151	-	-	1 243 151
TOTAL OTHER EXPENSES	10 026 642	-	-	10 026 642
Income before Federal income taxes	4 822 901	3 616 867	(3 616 867)	4 822 901
Federal income taxes	1 206 034	-	-	1 206 034
NET INCOME	\$ 3 616 867	\$ 3 616 867	\$ (3 616 867)	\$ 3 616 867

See independent auditors' report on additional information.

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC.
CONSOLIDATING BALANCE SHEET
December 31, 2014

	FIRST NATIONAL BANK OF HUNTSVILLE	FIRST NATIONAL BANCSHARES OF HUNTSVILLE	ELIMINATIONS	CONSOLIDATED 2014
ASSETS				
Cash and Due from Banks - Demand:				
Noninterest-bearing	\$ 27 373 266	\$ 33 562	\$ (33 562)	\$ 27 373 266
Interest-bearing	3 160 545	-	-	3 160 545
Due from banks - Time	2 000 000	-	-	2 000 000
Investment Securities:				
Available for sale, at fair value	219 556 007	-	-	219 556 007
Investment in subsidiary	-	48 738 891	(48 738 891)	-
Loans, net of allowance	192 060 685	-	-	192 060 685
Federal Reserve Bank stock, at cost	277 295	-	-	277 295
Federal Home Loan Bank stock, at cost	174 000	-	-	174 000
Texas Independent Bank stock, at cost	96 440	-	-	96 440
Bank premises and equipment, net	4 821 747	-	-	4 821 747
Goodwill	5 108 175	-	-	5 108 175
Cash value life insurance	2 419 050	-	-	2 419 050
Accrued interest receivable	1 493 167	-	-	1 493 167
Other assets	526 461	-	-	526 461
TOTAL ASSETS	\$ 459 066 838	\$ 48 772 453	\$ (48 772 453)	\$ 459 066 838
LIABILITIES AND STOCKHOLDERS' EQUITY				
Deposits:				
Noninterest-bearing	\$ 119 003 596	\$ -	\$ (33 562)	\$ 118 970 034
Interest-bearing	289 581 692	-	-	289 581 692
TOTAL DEPOSITS	408 585 288	-	(33 562)	408 551 726
Accrued interest payable	77 483	-	-	77 483
Other liabilities and accrued expenses	1 665 176	18 309	-	1 683 485
TOTAL LIABILITIES	410 327 947	18 309	(33 562)	410 312 694
Stockholders' Equity:				
Common stock	1 486 078	1 536 240	(1 486 078)	1 536 240
Capital surplus	7 792 364	18 830 668	(7 792 364)	18 830 668
Retained earnings	37 828 507	26 825 052	(37 828 507)	26 825 052
Treasury stock	-	(69 758)	-	(69 758)
Accumulated other comprehensive income	1 631 942	1 631 942	(1 631 942)	1 631 942
TOTAL STOCKHOLDERS' EQUITY	48 738 891	48 754 144	(48 738 891)	48 754 144
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 459 066 838	\$ 48 772 453	\$ (48 772 453)	\$ 459 066 838

See independent auditors' report on additional information.

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC.
CONSOLIDATING STATEMENT OF INCOME
For the Year Ended December 31, 2014

	FIRST NATIONAL BANK OF HUNTSVILLE	FIRST NATIONAL BANCSHARES OF HUNTSVILLE	ELIMINATIONS	CONSOLIDATED 2014
Interest Income:				
Loans, including fees	\$ 9 429 800	\$ -	\$ -	\$ 9 429 800
Investment securities	2 460 528	-	-	2 460 528
Deposits in banks	50 252	-	-	50 252
TOTAL INTEREST INCOME	11 940 580	-	-	11 940 580
Interest Expense:				
Deposits	1 023 936	-	-	1 023 936
Other	64	-	-	64
TOTAL INTEREST EXPENSE	1 024 000	-	-	1 024 000
NET INTEREST INCOME	10 916 580	-	-	10 916 580
Provision for loan losses	399 963	-	-	399 963
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	10 516 617	-	-	10 516 617
Other Income:				
Service fees	2 419 802	-	-	2 419 802
Fiduciary fees	466 101	-	-	466 101
Other	349 114	-	-	349 114
Equity in earnings of subsidiary	-	3 192 825	(3 192 825)	-
TOTAL OTHER INCOME	3 235 017	3 192 825	(3 192 825)	3 235 017
Other Expenses:				
Salaries and other employee benefits	5 223 287	-	-	5 223 287
Occupancy expenses, net	740 035	-	-	740 035
Equipment expense	819 155	-	-	819 155
Data processing expense	705 520	-	-	705 520
Professional fees	380 287	-	-	380 287
Postage, stationery, and supplies	314 936	-	-	314 936
FDIC insurance	211 000	-	-	211 000
Other	1 142 125	-	-	1 142 125
TOTAL OTHER EXPENSES	9 536 345	-	-	9 536 345
Income before Federal income taxes	4 215 289	3 192 825	(3 192 825)	4 215 289
Federal income taxes	1 022 464	-	-	1 022 464
NET INCOME	\$ 3 192 825	\$ 3 192 825	\$ (3 192 825)	\$ 3 192 825

See independent auditors' report on additional information.