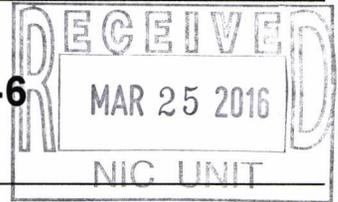


Board of Governors of the Federal Reserve System



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.

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

December 31, 2015

Month / Day / Year

N/A

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

I, **Ronnie L. Darden**

Reporter's Name, Street, and Mailing Address

Name of the Holding Company Director and Official

Homeland Bancshares, Inc.

President

Legal Title of Holding Company

Title of the Holding Company Director and Official

P O Box 250

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.

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

Columbia LA 71418

City State Zip Code

7840 Hwy 165 South, Columbia, LA

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.

Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Julie Darden CFO

Name Title

318-649-6124

Area Code / Phone Number / Extension

318-649-6388

Area Code / FAX Number

jdarden@homelandfsbank.com

E-mail Address

N/A

Address (URL) for the Holding Company's web page

Signature of Holding Company Director and Official

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

Yes Please identify the report items to which this request applies:

In accordance with the instructions on pages GEN-2 and 3, a letter justifying the request is being provided.

The information for which confidential treatment is sought is being submitted separately labeled "Confidential."

No

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 **3816547**
 C.I. _____

Form FR Y-6

Homeland Bancshares, Inc.

Columbia, LA

Fiscal Year Ending December 31, 2015

Report Item

1: The savings and loan holding company prepares an annual report for its stockholders and is not registered with the SEC. A copy of the Annual Report is enclosed.

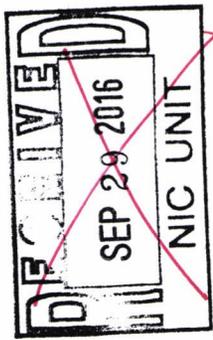
2a: Organizational Chart is attached.

2b: Domestic branch listing was provided to the Federal Reserve Bank via email.

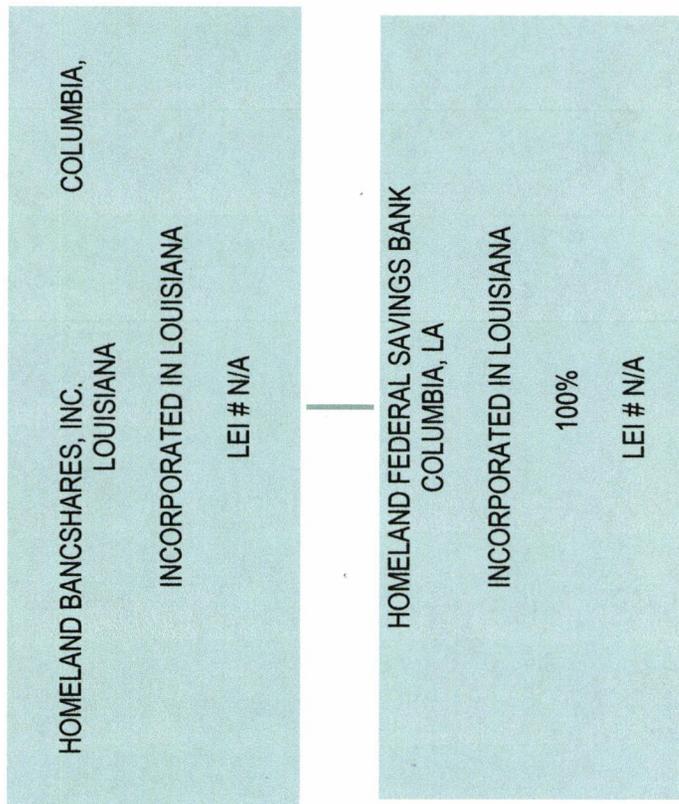
3: List of Security Holders Attached

4: List of Insiders Attached

Organizational Chart Structure



AMENDED
SEP 29 2016



Results: A list of branches for your holding company: **HOMELAND BANCSHARES, INC. (3816547) of COLUMBIA, LA**. The data are as of **12/31/2015**. Data reflects information that was received and processed through **01/07/2016**.

Reconciliation and Verification Steps

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

Actions

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

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

Submission Procedure

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

Note:

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

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

Data Action	Effective Date	Branch Service Type	Branch ID_RSSD*	Popular Name	Street Address	City	State	Zip Code	County	Country	FDIC UNINUM*	Office Number*	Head Office	Head Office ID_RSSD*	Comments
OK		Full Service (Head Office)	251978	HOMELAND FEDERAL SAVINGS BANK	7840 U.S. HIGHWAY 165	COLUMBIA	LA	71418	CALDWELL	UNITED STATES	45293		0	251978	
OK		Full Service	4164973	JENA BRANCH	3491 SOUTH FIRST STREET	JENA	LA	71342	LA SALLE	UNITED STATES	364325		1	251978	

Form FR Y-6

HOMELAND BANCSHARES, INC.

Fiscal Year Ending December 31, 2015

Report Item 3: Security holders

Current shareholders with ownership, control or holdings of 5% or more with power to vote as of the fiscal year ending 12-31-2015.

(1)(a) Name City, State, Country	(1)(b) Country of Citizenship or Incorporation	(1)(c) Number and Percentage of Each Class of Voting Shares
Robert Causey Monroe, LA USA	USA	19,435 – 11% Common Stock
Ronnie Darden Columbia, LA USA	USA	12,300 – 8% Common Stock
Randy Hatten Columbia, LA USA	USA	15,567 – 9% Common stock
Merton Elgin McFadden Columbia, LA USA	USA	11,415 – 7% Common Stock
Paul Wilkins Columbia, LA USA	USA	8,681 – 5% Common Stock

Report Item 3(2): Shareholders not listed in Item 3(1) who owned or controlled 5% or more of any class of voting securities in the holding company during the fiscal year.

N/A

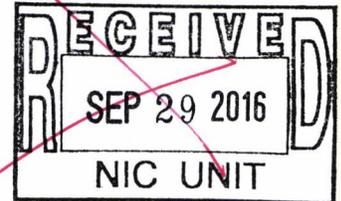
Form FR Y-6

HOMELAND BANCSHARES, INC.

Fiscal Year Ending December 31, 2015

Report Item 4: Insiders

AMENDED
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(1) Name, City State, Country	(2) Principal Occupation if other than with Holding Co	(3)(a) Title & Position with Holding Company	(3)(b) Title & Position with Subsidiaries (Include names of Subsidiaries)	(3)(c) Title & Polition with other Businesses (include names of other businesses)	(4)(a) Percent age of Voting Shares in Holding Co.	(4)(b) Percentage of Voting Shares in Subsidiaries (include names of Subsidiaries)	(4)(c) List names of other companies if 25% or more of voting securities are held
Lelon Kenney Columbia, LA USA	Farming	Director & Chairman	Chairman of the Board of Subsidiary, Homeland Federal Savings Bank	N/A	2%	N/A	N/A
Ronnie Darden Columbia, LA USA	N/A	Director & President	President & CEO of Subsidiary, Homeland Federal Savings Bank	N/A	8%	N/A	N/A
Robert Causey Monroe, LA USA	Nursing Home Owner	Director	Director of Subsidiary, Homeland Federal Savings Bank	N/A	11%	N/A	N/A
Julie Darden Columbia, LA USA	N/A	Secretary & Treasurer	Treasurer & CFO, Homeland Federal Savings Bank	N/A	None	N/A	N/A

HOMELAND BANCSHARES, INC. AND SUBSIDIARY

Financial Statements
December 31, 2015 and 2014



HOMELAND BANCSHARES, INC. AND SUBSIDIARY

DECEMBER 31, 2015 AND 2014

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CAMERON, HINES & COMPANY

(A Professional Accounting Corporation)

Certified Public Accountants

104 Regency Place

West Monroe, Louisiana 71291

Mailing Address:

P. O. Box 2474

West Monroe, LA 71294-2474

Phone (318) 323-1717

Fax (318) 322-5121

INDEPENDENT AUDITORS' REPORT

Board of Directors
Homeland Bancshares, Inc.
Columbia, Louisiana

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Homeland Bancshares, Inc. and Subsidiary, which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose for 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 the accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Board of Directors
Homeland Bancshares, Inc.
Columbia, Louisiana
Page 2

Opinion

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

Report on Consolidating Information in Schedules I and II and Supplemental Data

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information in Schedules 1 and 2 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Cameron, Hines & Company (APAC)

West Monroe, Louisiana
March 9, 2016

HOMELAND BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

<u>ASSETS</u>	<i>December 31,</i>	
	2015	2014
Cash and Cash Equivalents (Note 2)	\$ 8,278,286	\$ 18,200,712
Time Deposits in Banks	2,731,050	2,739,888
Investment Securities Available for Sale (Note 3)	4,515,897	1,460,755
Investment Securities Held to Maturity (Note 3)	7,901,881	7,899,117
Mortgage-Backed and Related Securities Available for Sale (Note 4)	192,162	219,365
Mortgage-Backed and Related Securities Held to Maturity (Note 4)	535,045	698,551
Loans Receivable, Net (Note 5)	143,746,742	122,502,054
Accrued Interest Receivable (Note 6)	856,977	725,244
Foreclosed Real Estate	620,753	717,562
Premises and Equipment (Note 7)	6,615,086	4,578,395
Federal Home Loan Bank Stock	639,300	144,600
First National Bankers Bank Stock	500,000	500,000
Bankers Insurance Center, LLC	392,811	392,811
Cash Value - Life Insurance	3,853,081	3,737,421
Other Assets	220,855	178,891
<u>TOTAL ASSETS</u>	\$ 181,599,926	\$ 164,695,366
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
<u>Liabilities</u>		
Deposits (Note 8)	\$ 143,839,131	\$ 139,624,156
Borrowed Funds (Note 20)	11,000,000	-
Other Liabilities	5,574,213	5,892,031
Total Liabilities	160,413,344	145,516,187
<u>Stockholders' Equity</u>		
Common Stock (\$1 par value; 1,000,000 shares authorized; 188,129 shares issued and 163,580 shares outstanding)	188,129	188,129
Additional Paid-In Capital	6,840,448	6,840,448
Retained Earnings	17,212,657	15,160,533
Treasury Stock at Cost	(3,072,538)	(3,051,663)
Accumulated Other Comprehensive Income (Loss)	17,886	41,732
Total Stockholders' Equity	21,186,582	19,179,179
<u>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</u>	\$ 181,599,926	\$ 164,695,366

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

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

	2015	2014
<u>Interest Income</u>		
Loans Receivable:		
First Mortgage Loans	\$ 5,646,853	\$ 5,233,241
Consumer and Other Loans	3,090,320	2,915,028
Investment Securities	350,611	315,815
Mortgage-Backed and Related Securities	19,798	24,573
Other Interest Earning Assets	63,683	75,493
Total Interest Income	9,171,265	8,564,150
<u>Interest Expense</u>		
Deposits (Note 8)	1,103,436	1,090,627
Other Borrowings	53,375	52,033
Total Interest Expense	1,156,811	1,142,660
Net Interest Income	8,014,454	7,421,490
<u>Provision for Loan Losses</u>	450,000	425,000
Net Interest Income after Provision for Loan Losses	7,564,454	6,996,490
<u>Noninterest Income</u>		
Loan Origination and Commitment Fees	561,480	397,949
Service Charges on NOW Accounts and MMDA's	1,220,709	1,138,860
Other (Note 10)	807,462	832,485
Total Noninterest Income	2,589,651	2,369,294
<u>Noninterest Expense</u>		
General and Administrative Expenses:		
Salaries and Fringe Benefits	3,561,502	2,817,042
Office Operating Expenses	1,191,546	1,295,849
Outside Services	751,388	758,767
Insurance Expense	186,180	145,742
Depreciation	239,975	237,029
Advertising	133,004	87,510
Bank Service Charge	28,254	24,759
Other (Note 10)	561,596	565,882
Real Estate Owned Expenses, Net	11,349	29,384
Total Noninterest Expense	6,664,794	5,961,964
<u>NET INCOME</u>	\$ 3,489,311	\$ 3,403,820
<u>Net Income Per Share of Common Stock</u>	\$ 21.31	\$ 20.79
<u>Average Shares Outstanding</u>	163,705	163,747

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

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

	<u>2015</u>	<u>2014</u>
Net Income	\$ 3,489,311	\$ 3,403,820
Other Comprehensive Income:		
Unrealized gains on securities available for sale:		
Unrealized holding gains (losses) arising during the period	<u>(23,846)</u>	<u>(4,147)</u>
<u>Total Comprehensive Income</u>	<u>\$ 3,465,465</u>	<u>\$ 3,399,673</u>

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

HOMELAND BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Total Stockholders' Equity	Comprehensive Income	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Common Stock	Additional Paid-In Capital	Treasury Stock
<u>Balance -</u>							
<u>December 31, 2013</u>	\$ 17,465,465		\$ 13,442,672	\$ 45,879	\$ 188,129	\$ 6,840,448	\$ (3,051,663)
Treasury Stock Purchase	-	-	-	-	-	-	-
Comprehensive Income							
Net Income	3,403,820	3,403,820	3,403,820	-	-	-	-
Other Comprehensive Income, Unrealized Gain (Loss) on Securities Available for Sale	(4,147)	(4,147)	-	-	-	-	-
Less: Reclassification Adjustment	-	-	-	-	-	-	-
Other Comprehensive Income	-	(4,147)	-	(4,147)	-	-	-
Total Comprehensive Income	-	<u>\$ 3,399,673</u>					
Distributions Paid	(1,685,959)		(1,685,959)	-	-	-	-
<u>Balances -</u>							
<u>December 31, 2014</u>	19,179,179		15,160,533	41,732	188,129	6,840,448	(3,051,663)
Treasury Stock Transactions	(20,875)	-	-	-	-	-	(20,875)
Comprehensive Income:							
Net Income	3,489,311	3,489,311	3,489,311	-	-	-	-
Other Comprehensive Income, Unrealized Gain (Loss) on Securities Available for Sale	(23,846)	(23,846)	-	-	-	-	-
Less: Reclassification Adjustment	-	-	-	-	-	-	-
Other Comprehensive Income	-	(23,846)	-	(23,846)	-	-	-
Total Comprehensive Income	-	<u>\$ 3,465,465</u>					
Distributions Paid	(1,437,187)		(1,437,187)	-	-	-	-
<u>Balances -</u>							
<u>December 31, 2015</u>	<u>\$ 21,186,582</u>		<u>\$ 17,212,657</u>	<u>\$ 17,886</u>	<u>\$ 188,129</u>	<u>\$ 6,840,448</u>	<u>\$ (3,072,538)</u>

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

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

	2015	2014
<u>Cash Flows From Operating Activities</u>		
Net Income	\$ 3,481,390	\$ 3,403,820
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Provisions for Possible Loan Losses	450,000	425,000
Depreciation	239,975	237,029
Amortization of Premium and Discounts on Mortgage-Backed Securities and Investment Securities	(42,180)	93,020
FHLB Stock Dividends	(500)	(400)
FNBB Cash Dividends	(6,798)	(6,577)
Decrease in Accrued Interest Receivable	(131,733)	47,968
Increase in Other Liabilities	(317,818)	54,795
Increase in Life Insurance Value	(115,660)	(99,899)
(Increase) Decrease in Other Assets	(41,964)	507,392
Total Adjustments	33,322	1,258,328
Net Cash Provided by Operating Activities	3,514,712	4,662,148
<u>Cash Flows From Investing Activities</u>		
Principal Received on Mortgage-Backed Securities	180,975	214,763
Purchases of Mortgage-Backed Securities	-	-
Maturities of Investment Securities	4,214,306	4,645,488
Purchases of Investments Securities	(7,744,500)	(4,749,600)
(Increase) Decrease of Foreclosed Real Estate	96,809	(156,491)
(Increase) Decrease in Loans Receivable, Net	(21,694,688)	(14,545,711)
Decrease in Time Deposits in Banks	8,838	1,691,915
Expenditures for Premises and Equipment	(2,276,666)	(106,764)
Net Cash Used by Investing Activities	(27,214,926)	(13,006,400)
<u>Cash Flows From Financing Activities</u>		
Net Increase in Deposits	4,214,975	6,807,127
Increase in Borrowings	11,000,000	
Distributions Paid	(1,437,187)	(1,685,959)
Net Cash Provided by Financing Activities	13,777,788	5,121,168
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	(9,922,426)	(3,223,084)
<u>Cash and Cash Equivalents at Beginning of Year</u>	18,200,712	21,423,796
<u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u>	\$ 8,278,286	\$ 18,200,712

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

HOMELAND BANCSHARES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Note 1 - Summary of Significant Accounting Policies

A. Nature of Operations

Homeland Bancshares, Inc. (the Company) through its wholly-owned subsidiary Homeland Federal Savings Bank, (the Bank) provides a variety of banking services to individuals and businesses. Its primary deposit products are demand deposits and certificates of deposit, and its primary lending products are commercial business, real estate mortgage, and installment loans.

B. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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.

C. Cash Equivalents

Cash equivalents consist of certificates of deposit and funds due from banks. For purposes of the statements of cash flows, the Company considers all highly liquid debt instruments with original maturities of three months or less when purchased to be cash equivalents.

D. Investment Securities

Investment securities are accounted for under the provisions of FASB Accounting Standards Codification No. 320, *Accounting for Certain Investments in Debt and Equity Securities*. This statement addresses the accounting and reporting for investments in equity securities that have readily determinable fair values and for all investments in debt securities.

(1) Securities Held to Maturity

Bonds, notes, and debentures for which the Bank has positive intent and ability to hold to maturity are reported at cost, adjusted for premiums and discounts that are recognized in interest income using the interest method over the period to maturity.

(2) Securities Available for Sale

Available-for-sale securities consist of bonds, notes, debentures, and certain equity securities not classified as trading securities nor as held-to-maturity securities.

Unrealized gains and losses, net of tax, on available-for-sale securities are reported as a net amount in a separate component of shareholders' equity until realized.

Gains and losses on the sale of available-for-sale securities are determined using the specific-identification method.

E. Mortgage-Backed and Related Securities

Mortgage-backed and related securities classified as held-to-maturity are stated at unpaid principal balances, adjusted for amortization of premiums and accretion of discounts by the interest method over the estimated remaining life.

Mortgage-backed and related securities classified as available-for-sale are accounted for in the same manner as the available-for-sale investment securities described in Note 1D.

HOMELAND BANCSHARES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Note 1 - Summary of Significant Accounting Policies (Continued)

F. Loans Held for Sale

Mortgage loans originated and intended for sale in the secondary market are carried at cost. Loans that are sold in the secondary market are assigned to the mortgage company at closing at an agreed upon price, which is the Bank's par value.

G. Loans Receivable

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding unpaid principal balances reduced by allowance for loan losses.

Uncollectible interest on loans that are contractually past due is charged off by a charge to interest income equal to all interest previously accrued, and income is subsequently recognized only to the extent that cash payments are received until, in management's judgment, the borrower's ability to make periodic interest and principal payments is back to normal, in which case the loan is returned to accrual status.

H. Allowance for Loan Losses

The allowance for loan losses is increased by charges to income and decreased by charge-offs (net of recoveries). Management's periodic evaluation of the adequacy of the allowance is based on the Bank's past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, and current economic conditions.

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 the auto secured portfolio, the real estate portfolio, the consumer portfolio and the commercial portfolio.

To determine the balance of the allowance account, loans are pooled by portfolio segment and losses are modeled using historical experience and quantitative and other mathematical techniques over the loss emergence period. Management exercises significant judgment in determining the estimation method that fits the credit risk characteristics of each portfolio segment. The Bank uses both internally-developed and vendor-supplied models in this process. Management must use judgment in establishing additional input metrics for the modeling processes.

The establishment of the allowance for loan losses relies on a consistent process that requires multiple layers of management review and judgment and responds to changes in economic conditions, customer behavior, and collateral value, among other influences. From time to time, events or economic factors may affect the loan portfolio, causing management to provide additional amounts to or release balances from the allowance for loan losses. The Bank's allowance for loan losses is sensitive to risk ratings assigned to individually evaluated loans and economic assumptions and delinquency trends. Individual loan risk ratings are evaluated based on each situation by senior credit officers.

HOMELAND BANCSHARES, INC. AND SUBSIDIARY
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FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Note 1 - Summary of Significant Accounting Policies (Continued)

H. Allowance for Loan Losses (Continued)

Management monitors differences between estimated and actual incurred loan losses. This monitoring process includes periodic assessments by senior management of loan portfolios and the models used to estimate incurred losses in those portfolios. Additions to the allowance for loan losses are made by charges to the provision for loan losses. Credit exposures deemed to be uncollectible are charged against the allowance for loan losses. Recoveries of previously charged off amounts are credited to the allowance for loan losses.

I. Loan Charge-offs

For consumer loans, the Bank generally fully or partially charges down to the fair value of collateral securing the asset when management judges the asset to be uncollectible, repayment is deemed to be protracted beyond reasonable time frames, the asset has been classified as a loss by either the Bank's internal loan review process or external examiners, or the customer has filed bankruptcy and the loss becomes evident due to the lack of assets.

For each segment of the loan portfolio, the Bank's charge-off policies are to review all pertinent information related to the loan such as the borrower's ability to make the required periodic payments with or without a reduction of those periodic payments, the estimated value of any underlying collateral, and if it is an economic condition that is either improving or deteriorating. Management will also review for any bankruptcy filings as well.

J. Troubled Debt Restructurings

In situations where, for economic or legal reasons related to a customer's financial difficulties, the Bank grants a concession for other than an insignificant period of time to the customer that the Bank would not otherwise consider, the related loan is classified as a troubled debt restructuring (TDR). The Bank strives to identify customers in financial difficulty early and work with them to modify to more affordable terms before their loan reaches nonaccrual status. These modified items may include rate reductions, principal forgiveness, payment forbearance and other actions intended to minimize the economic loss and to avoid foreclosure or repossession of the collateral. In cases where the Bank grants a customer new terms that provide for a reduction of either interest or principal, the Bank measures any impairment on the restructuring as previously noted for impaired loans.

The Bank develops a separate allowance for loans that are identified as impaired through a TDR. After a period of time, if the loan is performing under the restructured payment amount, and after review, the Bank believes the status will continue, the loan is moved back into the respective segment or class.

K. Loan-Origination Fees, Commitment Fees, and Related Costs

Loan fees are recognized as current income to the extent that they represent a reimbursement of loan underwriting costs, which are recognized as an expense when incurred. Although, this method is not in accordance with accounting principles generally accepted in the United States of America the difference resulting from this departure is not material to the Bank's financial statements.

HOMELAND BANCSHARES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Note 1 - Summary of Significant Accounting Policies (Continued)

L. Foreclosed Real Estate and Other Assets Acquired in Settlement of Loans

Real Estate properties and other assets acquired through, or in lieu of, loan foreclosure are initially recorded at the basis in the loan or at estimated fair value, whichever is less, at the date of foreclosure. Costs relating to improvement of the property are capitalized, whereas costs relating to the holding of property are expensed. Valuations are periodically performed by management, and an allowance for losses is established by a charge to operations if the carrying value of a property exceeds its current fair value, less selling costs.

M. Premises and Equipment

Land is carried at cost. Building, land improvements, and furniture, fixtures and equipment are carried at cost less accumulated depreciation. Building, land improvements, and furniture, fixtures and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives used to compute depreciation are as follows:

Building	40 Years
Land Improvements	25 Years
Furniture, Fixtures and Equipment	5-12 Years

Expenditures for repairs and maintenance are expensed as incurred; significant betterments are capitalized.

N. Compensated Absences

The policy of Homeland Federal Savings Bank is that employees earn two weeks vacation after one year of service; however, vacation time cannot be accumulated and carried to the next year. Sick leave is accrued at a rate of ten working days per year. It is the Bank's policy not to pay for any unused sick leave upon termination of employment; accordingly, no liability for compensated absences is reflected in the financial statements. At December 31, 2015 and 2014, all employees were directly employed by the Bank.

O. Income Taxes

For the years ending December 31, 2010 and prior, income taxes were provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis of available-for-sale securities, premises and equipment and allowance for loan losses for financial and income tax reporting. The deferred tax assets and liabilities represented the future tax return consequences of those differences, which became taxable upon conversion to a subchapter S Corporation.

The Company, with the consent of its shareholders, elected under the Internal Revenue Code to be an S corporation effective January 1, 2011. In lieu of corporation income taxes, the shareholders of an S corporation are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for income taxes has been included in the financial statements. The earliest income tax year that is subject to examination is 2012.

P. Earnings Per Share

Earnings per share have been computed on the basis of the weighted average number of shares of common stock outstanding. The weighted average number of shares outstanding was 163,705 and 163,747 for the years ended December 31, 2015 and 2014, respectively.

HOMELAND BANCSHARES, INC. AND SUBSIDIARY
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Note 1 - Summary of Significant Accounting Policies (Continued)

Q. Fair Value of Financial Instruments

FASB Accounting Standards Codification No. 820, *Disclosures About Fair Value of Financial Instruments*, requires disclosure of fair value information about financial instruments, whether or not recognized in the statement of financial condition. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows.

In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instruments. Codification No. 820 excludes certain financial instruments and all non-financial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Bank.

The following methods and assumptions were used by the Bank in estimating its fair value disclosures for financial instruments:

(1) Cash and Cash Equivalents

The carrying amounts reported in the balance sheets for cash and cash equivalents approximate their fair value.

(2) Time Deposits

Fair values for time deposits are estimated using a discounted cash flow analysis that applies interest rates currently being offered on certificates to a schedule of aggregated contractual maturities on such time deposits.

(3) Investment Securities (Including Mortgage-Backed Securities)

Fair values for investment securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

4) Loans

For variable-rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying amounts. The fair values for other loans (for example, fixed rate commercial real estate and rental property mortgage loans and commercial and industrial 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 and risk characteristics. The carrying amount of accrued interest receivable approximates its fair value.

HOMELAND BANCSHARES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Note 1 -

Summary of Significant Accounting Policies (Continued)

(5) Deposits

The fair values disclosed for demand deposits (for example, interest-bearing checking accounts and passbook 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 that applies interest rates currently being offered on certificates to a schedule of aggregated contractual maturities on such time deposits. The carrying amount of accrued interest payable approximates fair value.

(6) Borrowed Funds

The carrying amounts of borrowed funds approximate their fair values.

(7) Other Liabilities

The carrying amounts reported in the balance sheets for other liabilities approximate their fair values.

(8) Off-Balance-Sheet Instruments

Fair values for off-balance-sheet lending commitments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing.

R. 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.

S. Financial Statement Presentation

The Company prepares its financial statements in accordance with accounting principles generally accepted in the United States of America. The accompanying financial statements include the accounts of the Company and its subsidiary. Significant intercompany accounts and transactions have been eliminated in consolidation.

T. Advertising Costs

Advertising costs are expensed as incurred.

U. Treasury Stock

Common stock shares repurchased are recorded as treasury stock at cost.

HOMELAND BANCSHARES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Note 2 - Cash and Cash Equivalents

Cash and cash equivalents consisted of the following at December 31, 2015 and 2014:

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
Cash on Hand and Noninterest-Bearing Deposits	\$ 8,278,286	\$ 18,200,712
Other Interest-Bearing Deposits	-	-
<u>TOTAL CASH AND CASH EQUIVALENTS</u>	<u>\$ 8,278,286</u>	<u>\$ 18,200,712</u>

Note 3 - Investment Securities

Investment securities have been classified in the financial statements according to management's intent. The carrying amount of securities and their approximate fair values at December 31 were as follows:

	<u>Amortized Value</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
Available-for-Sale Securities - December 31, 2015:				
State and Municipal Securities	\$ 445,000	\$ 17,711	\$ -	\$ 462,711
U.S. Government and Agency Securities	4,010,000	43,186	-	4,053,186
	<u>\$ 4,455,000</u>	<u>\$ 60,897</u>	<u>\$ -</u>	<u>\$ 4,515,897</u>
Held-to-Maturity Securities - December 31, 2015:				
State and Municipal Securities	\$ 2,435,398	\$ 127,958	\$ -	\$ 2,563,356
U.S. Government and Agency Securities	5,466,483	-	2,906	5,463,577
	<u>\$ 7,901,881</u>	<u>\$ 127,958</u>	<u>\$ 2,906</u>	<u>\$ 8,026,933</u>

HOMELAND BANCSHARES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Note 3 - Investment Securities (Continued)

	<u>Amortized Value</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
Available-for-Sale				
Securities -				
December 31, 2014:				
State and Municipal Securities	\$ 695,000	\$ 25,603	\$ -	\$ 720,603
U.S. Government and Agency Securities	<u>750,000</u>	<u>-</u>	<u>9,848</u>	<u>740,152</u>
	<u>\$ 1,445,000</u>	<u>\$ 25,603</u>	<u>\$ 9,848</u>	<u>\$ 1,460,755</u>
Held-to-Maturity				
Securities -				
December 31, 2014:				
State and Municipal Securities	\$ 2,932,706	\$ 148,744	\$ -	\$ 3,081,450
U.S. Government and Agency Securities	<u>4,966,411</u>	<u>-</u>	<u>1,294</u>	<u>4,965,117</u>
	<u>\$ 7,899,117</u>	<u>\$ 148,744</u>	<u>\$ 1,294</u>	<u>\$ 8,046,567</u>

There were no realized gains or losses on sales of available-for-sale securities during the years ended December 31, 2015 or 2014.

The scheduled maturities of investment securities held-to-maturity and securities available-for-sale at December 31, 2015, were as follows:

	<u>Held-to-Maturity Securities</u>		<u>Available-for-Sale Securities</u>	
	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Amortized Cost</u>	<u>Fair Value</u>
Due in One Year or Less	\$ -	\$ -	\$ -	\$ -
Due From One Year to Five Years	5,820,807	5,868,941	3,010,000	3,044,189
Due From Five to Ten Years	636,117	648,837	1,445,000	1,471,708
Due After Ten Years	<u>1,444,957</u>	<u>1,509,155</u>	<u>-</u>	<u>-</u>
	<u>\$ 7,901,881</u>	<u>\$ 8,026,933</u>	<u>\$4,455,000</u>	<u>\$4,515,897</u>

Assets, principally U.S. Government securities, carried at approximately \$11,274,836 at December 31, 2015, were pledged to secure public deposits.

HOMELAND BANCSHARES, INC. AND SUBSIDIARY
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Note 4 - Mortgage-Backed and Related Securities

Mortgage-backed and related securities have been classified in the financial statements according to management's intent. The carrying amount of securities and their approximate fair values at December 31 were as follows:

Available-for-Sale Securities December 31, 2015					
	Principal Balance	Unamortized Premium	Unearned Discount	Carrying Value	Fair Value
GNMA Certificates	\$ 84,063	\$ -	\$ 221	\$ 83,842	\$ 89,305
FHLMC Certificates	89,977	149	-	90,126	98,075
FNMA Certificates	<u>4,575</u>	<u>-</u>	<u>-</u>	<u>4,575</u>	<u>4,782</u>
	<u>\$ 178,615</u>	<u>\$ 149</u>	<u>\$ 221</u>	<u>\$ 178,543</u>	<u>\$ 192,162</u>

Available-for-Sale Securities December 31, 2014					
	Principal Balance	Unamortized Premium	Unearned Discount	Carrying Value	Fair Value
GNMA Certificates	\$ 88,675	\$ -	\$ 260	\$ 88,415	\$ 94,461
FHLMC Certificates	107,838	258	-	108,096	118,437
FNMA Certificates	<u>6,168</u>	<u>-</u>	<u>-</u>	<u>6,168</u>	<u>6,467</u>
	<u>\$ 202,681</u>	<u>\$ 258</u>	<u>\$ 260</u>	<u>\$ 202,679</u>	<u>\$ 219,365</u>

Held-to-Maturity Securities December 31, 2015					
	Principal Balance	Unamortized Premium	Unearned Discount	Carrying Value	Fair Value
GNMA Certificates	\$ 129,341	\$ 2,045	\$ -	\$ 131,386	\$ 134,163
FHLMC Certificates	132,237	1,545	-	133,782	139,536
FNMA Certificates	<u>265,010</u>	<u>4,867</u>	<u>-</u>	<u>269,877</u>	<u>269,763</u>
	<u>\$ 526,588</u>	<u>\$ 8,457</u>	<u>\$ -</u>	<u>\$ 535,045</u>	<u>\$ 543,462</u>

HOMELAND BANCSHARES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Note 4 - Mortgage-Backed and Related Securities (Continued)

		Held-to-Maturity Securities			
		December 31, 2014			
	Principal Balance	Unamortized Premium	Unearned Discount	Carrying Value	Fair Value
GNMA					
Certificates	\$ 164,667	\$ 3,228	\$ -	\$ 167,895	\$ 173,534
FHLMC					
Certificates	178,029	2,785	-	180,814	190,203
FNMA					
Certificates	<u>340,801</u>	<u>9,041</u>	<u>-</u>	<u>349,842</u>	<u>349,594</u>
	<u>\$ 683,497</u>	<u>\$ 15,054</u>	<u>\$ -</u>	<u>\$ 698,551</u>	<u>\$ 713,331</u>

The following disclosures required under FASB Accounting Standards Codification No. 320, "Accounting for Certain Investments in Debt and Equity Securities" are presented for the year ended December 31, 2015 and 2014.

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-Sale				
Securities -				
December 31, 2015:				
GNMA Certificates	\$ 83,843	\$ 5,462	\$ -	\$ 89,305
FHLMC Certificates	90,125	7,950	-	98,075
FNMA Certificates	4,575	207	-	4,782
	<u>\$ 178,543</u>	<u>\$ 13,619</u>	<u>\$ -</u>	<u>\$ 192,162</u>
Available-for-Sale				
Securities -				
December 31, 2014:				
GNMA Certificates	\$ 88,415	\$ 6,046	\$ -	\$ 94,461
FHLMC Certificates	108,096	10,341	-	118,437
FNMA Certificates	6,168	299	-	6,467
	<u>\$ 202,679</u>	<u>\$ 16,686</u>	<u>\$ -</u>	<u>\$ 219,365</u>
Held-to Maturity				
Securities -				
December 31, 2015:				
GNMA Certificates	\$ 131,386	\$ 2,777	\$ -	\$ 134,163
FHLMC Certificates	133,782	5,754	-	139,536
FNMA Certificates	269,877	-	114	269,763
	<u>\$ 535,045</u>	<u>\$ 8,531</u>	<u>\$ 114</u>	<u>\$ 543,462</u>
Held-to Maturity				
Securities -				
December 31, 2014:				
GNMA Certificates	\$ 167,895	\$ 5,639	\$ -	\$ 173,534
FHLMC Certificates	180,814	9,389	-	190,203
FNMA Certificates	349,842	-	248	349,594
	<u>\$ 698,551</u>	<u>\$ 15,028</u>	<u>\$ 248</u>	<u>\$ 713,331</u>

HOMELAND BANCSHARES, INC. AND SUBSIDIARY
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Note 4 - Mortgage-Backed and Related Securities (Continued)

The scheduled maturities of mortgage-backed and related securities held-to-maturity and securities available-for-sale at December 31, 2015, were as follows:

	<u>Held-to-Maturity</u> <u>Securities</u>		<u>Available-for-Sale</u> <u>Securities</u>	
	<u>Amortized</u> <u>Cost</u>	<u>Fair</u> <u>Value</u>	<u>Amortized</u> <u>Cost</u>	<u>Fair</u> <u>Value</u>
Due in One Year or Less	\$ 359	\$ 363	\$ 438	\$ 442
Due From One Year to Five Years	534,686	543,099	178,105	191,720
Due From Five Years to Ten Years	-	-	-	-
Due After Ten Years	-	-	-	-
 Totals	 <u>\$ 535,045</u>	 <u>\$ 543,462</u>	 <u>\$ 178,543</u>	 <u>\$ 192,162</u>

Assets, principally U.S. Government securities, carried at approximately \$700,955, at December 31, 2015 were pledged to secure public deposits.

Note 5 - Loans Receivable

Loans receivable at December 31, 2015 and 2014 are summarized as follows:

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
First Mortgage Loans (Principally Conventional):		
Principal Balances:		
Secured by One-to-Four-Family Residences	\$ 48,618,239	\$ 47,157,654
Secured by Other Properties	46,516,407	37,060,202
Land	-	-
Total First Mortgage Loans	<u>95,134,646</u>	<u>84,217,856</u>
Consumer and Other Loans:		
Commercial Loans	25,198,357	16,568,622
Auto Loans	3,848,797	4,682,853
Loans Secured by Savings Accounts	3,796,837	3,644,082
Personal Loans	11,154,746	10,305,643
Mobile Home Loans	6,716,489	5,110,415
Overdrawn Demand Accounts	559,455	379,473
Total Consumer and Other Loans	<u>51,274,681</u>	<u>40,691,088</u>
Total	146,409,327	124,908,944
Less: Allowance for Loan Losses	(2,662,585)	(2,406,890)
 <u>NET LOANS RECEIVABLE</u>	 <u>\$ 143,746,742</u>	 <u>\$ 122,502,054</u>

Included in first mortgage loans were \$986,000 and \$0 of loans held for sale at December 31, 2015 and 2014. Activity in the allowance for loan losses is summarized as follows for the years ended December 31, 2015 and 2014.

HOMELAND BANCSHARES, INC. AND SUBSIDIARY
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Note 5 - Loans Receivable (Continued)

	<u>2015</u>	<u>2014</u>
Balance at Beginning of the Period	\$ 2,406,890	\$ 2,332,980
Provision Charged to Income	450,000	425,000
Charge-Offs and Recoveries, Net	<u>(194,305)</u>	<u>(351,090)</u>
<u>BALANCE AT END OF THE YEAR</u>	<u>\$ 2,662,585</u>	<u>\$ 2,406,890</u>

The Bank has established methodology to determine the adequacy of the allowances for loan losses that assesses the risks and losses inherent in the Bank's portfolio. The total allowance reflects management's estimate of loan losses inherent in the loan portfolio at the balance sheet date. The Bank considers the allowance for loan losses of \$2,662,585 adequate to cover loan losses inherent in the loan portfolio at December 31, 2015. The following table presents the portfolio segment, the changes in the allowance for loan losses and the recorded investment in loans:

Allowance for Loan Losses and Recorded Investments in Loans

For the Year Ended December 31, 2015

	<u>Auto</u>	<u>1st Mortgage</u>	<u>Commercial</u>	<u>Consumer & Other</u>	<u>Total</u>
Provision for Loan Losses:					
Beginning Balance	\$ 158,519	\$ 1,335,629	\$ 551,972	\$ 360,770	\$ 2,406,890
Charge-Offs	(56,894)	(139,791)	(313,424)	(127,113)	(637,222)
Recoveries	18,381	241,341	103,367	79,828	442,917
Provision	<u>50,000</u>	<u>100,000</u>	<u>225,000</u>	<u>75,000</u>	<u>450,000</u>
Ending Balance	<u>\$ 170,006</u>	<u>\$ 1,537,179</u>	<u>\$ 566,915</u>	<u>\$ 388,485</u>	<u>\$ 2,662,585</u>
Ending Balance – individually evaluated for impairment	<u>\$ 10,827</u>	<u>\$ 105,784</u>	<u>\$ 234,719</u>	<u>\$ 37,091</u>	<u>\$ 388,421</u>
Ending Balance – collectively evaluated for impairment	<u>\$ 159,179</u>	<u>\$ 1,431,395</u>	<u>\$ 332,196</u>	<u>\$ 351,394</u>	<u>\$ 2,274,164</u>
Financing Receivables:					
Ending Balance – individually evaluated for impairment	<u>\$ 15,997</u>	<u>\$ 542,604</u>	<u>\$ 659,266</u>	<u>\$ 113,915</u>	<u>\$ 1,331,782</u>
Ending Balance – collectively evaluated for impairment	<u>\$ 3,832,800</u>	<u>\$ 94,592,042</u>	<u>\$ 24,539,091</u>	<u>\$ 22,113,612</u>	<u>\$ 145,077,545</u>
Ending Balance	<u>\$ 3,848,797</u>	<u>\$ 95,134,646</u>	<u>\$ 25,198,357</u>	<u>\$ 22,227,527</u>	<u>\$ 146,409,327</u>

HOMELAND BANCSHARES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Note 5 - Loans Receivable (Continued)

For the Year Ended December 31, 2014

	<u>Auto</u>	<u>1st Mortgage</u>	<u>Commercial</u>	<u>Consumer & Other</u>	<u>Total</u>
Provision for Loan Losses:					
Beginning Balance	\$ 129,387	\$ 1,339,748	\$ 583,091	\$ 280,754	\$2,332,980
Charge-Offs	(36,349)	(646,823)	(615,853)	(82,155)	(1,381,180)
Recoveries	40,481	442,704	484,734	62,171	1,030,090
Provision	<u>25,000</u>	<u>200,000</u>	<u>100,000</u>	<u>100,000</u>	<u>425,000</u>
Ending Balance	<u>\$ 158,519</u>	<u>\$ 1,335,629</u>	<u>\$ 551,972</u>	<u>\$ 360,770</u>	<u>\$2,406,890</u>
Ending Balance – individually evaluated for impairment	<u>\$ 41,934</u>	<u>\$ 192,010</u>	<u>\$ 500,721</u>	<u>\$ 235,758</u>	<u>\$ 970,423</u>
Ending Balance – collectively evaluated for impairment	<u>\$ 116,585</u>	<u>\$ 1,143,619</u>	<u>\$ 51,251</u>	<u>\$ 125,012</u>	<u>\$ 1,436,467</u>
Financing Receivables:					
Ending Balance – individually evaluated for impairment	<u>\$ 73,869</u>	<u>\$ 920,618</u>	<u>\$ 897,018</u>	<u>\$ 347,873</u>	<u>\$ 2,239,378</u>
Ending Balance – collectively evaluated for impairment	<u>\$ 4,608,984</u>	<u>\$ 83,297,238</u>	<u>\$15,671,604</u>	<u>\$19,091,740</u>	<u>\$122,669,566</u>
Ending Balance	<u>\$ 4,682,853</u>	<u>\$ 84,217,856</u>	<u>\$16,568,622</u>	<u>\$19,439,613</u>	<u>\$124,908,944</u>

Impaired Loans

The Bank considers a loan to be impaired when, based on current information and events, the Bank determines that the Bank will not be able to collect all amounts due according to the loan contract, including scheduled interest payments. Determination of impairment is treated the same across all classes of loans. When the Bank identifies a loan as impaired, the Bank measures the impairment based on the present value of expected future cash flows, discounted at the loan's effective interest rates, except when the sole (remaining) source of repayment for the loan is the operation or liquidation of the collateral. In these cases, the Bank uses the current fair value of the collateral, less selling costs when foreclosure is probable, instead of discounted cash flows. If the Bank determines that the value of the impaired loan is less than the recorded investment in the loan (net of previous charge-offs, deferred loan fees or costs and unamortized premium or discount), the Bank recognizes impairment through an allowance estimate or a charge-off to the allowance. The Bank determines impairment based on loans classified as TDRs.

When the ultimate collectability of the total principal of an impaired loan is in doubt and the loan is on nonaccrual status, all payments are applied to principal, under the cost recovery method. When the ultimate collectability of the total principal of an impaired loan is not in doubt and then loan in on nonaccrual status, contractual interest is credited to interest income when received, under the cash basis method.

HOMELAND BANCSHARES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Note 5 - Loans Receivable (Continued)

The following table includes the recorded investment and unpaid principal balances of impaired financing receivables with the associated allowance amount, if applicable. The Bank determined the specific allowance based on the present value of expected future cash flows, discounted at the loan's effective interest rate, except when the remaining source of repayment for the loan is the operation or liquidation of the collateral. In those cases, the current fair value of the collateral, less selling costs was used to determine the specific allowance recorded.

Impaired Loans By Class

	For Year Ended December 31, 2015			
	<u>Recorded Investment</u>	<u>Unpaid Principal</u>	<u>Associated Allowance</u>	<u>Interest Income Recognized</u>
Auto	\$ 26,825	\$ 10,883	\$ 2,721	\$ 1,277
1 st Mortgage	829,697	703,783	175,946	54,609
Commercial	1,181,758	968,121	242,030	67,664
Consumer & Other	<u>518,109</u>	<u>439,189</u>	<u>109,797</u>	<u>38,425</u>
	<u>\$ 2,556,389</u>	<u>\$ 2,121,976</u>	<u>\$ 530,494</u>	<u>\$ 161,975</u>

	For Year Ended December 31, 2014			
	<u>Recorded Investment</u>	<u>Unpaid Principal</u>	<u>Associated Allowance</u>	<u>Interest Income Recognized</u>
Auto	\$ 66,893	\$ 66,893	\$ 12,270	\$ 1,077
1 st Mortgage	1,010,865	1,010,865	362,457	34,116
Commercial	314,446	314,446	18,500	13,417
Consumer & Other	<u>114,421</u>	<u>114,421</u>	<u>22,022</u>	<u>4,261</u>
	<u>\$ 1,506,625</u>	<u>\$ 1,506,625</u>	<u>\$ 415,249</u>	<u>\$ 52,871</u>

Troubled Debt Restructuring

For Year Ended December 31, 2015

	<u>Performing</u>	<u>Non-Performing</u>	<u>Total</u>
First Mortgage	\$ 695,938	\$ 95,816	\$ 791,754

For Year Ended December 31, 2014

	<u>Performing</u>	<u>Non-Performing</u>	<u>Total</u>
First Mortgage	\$ 800,360	-	\$ 800,360

HOMELAND BANCSHARES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Note 5 - Loans Receivable (Continued)

Nonaccrual Loans

The Bank generally places loans on nonaccrual status when the full and timely collection of interest and principal becomes uncertain, part of the principal balance has been charged off and no restructuring has occurred or the loans reach a certain number of days past due.

When the Bank places a loan on nonaccrual status, the Bank reverses the accrued unpaid interest receivable against interest income and account for the loan on the cash or cost recovery method, until it qualifies for return to accrual status. Generally, the bank returns a loan to accrual status when (a) all delinquent interest and principal become current under the terms of the loan agreement or (b) the loan is both well-secured and in the process of collection and collectability is no longer doubtful.

The Bank has determined that the entire balance of a loan is contractually delinquent for all classes if the minimum payment is not received by the specified due date. Interest and fees continue to accrue on past due loans until the date the loan goes into nonaccrual status, if applicable.

The following table presents the loans on nonaccrual status as of December 31, 2015 and 2014. The balances are presented by class of loans.

	<u>2015</u>	<u>2014</u>
Auto	\$ 36,275	\$ 66,893
1 st Mortgage	1,310,119	1,010,865
Commercial	231,894	314,446
Consumer & Other	<u>414,828</u>	<u>114,421</u>
Total	<u>\$ 1,993,116</u>	<u>\$ 1,506,625</u>

Age Analysis of Past Due Financing Receivables by Class

Following is a table which includes an aging analysis of the recorded investment of past due financing receivables as of December 31, 2015 and 2014, along with loans that are 90 days or more past due as to interest and principal and still accruing:

For Year Ended December 31, 2015

	31-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Total Financing Receivables	Recorded Investment Greater than 90 Days and Accruing
Auto	\$ 117,723	\$ 36,913	\$ 154,636	\$ 3,694,161	\$ 3,848,797	\$ -
1 st Mortgage	229,201	393,038	622,239	94,512,407	95,134,646	-
Commercial	200,725	141,293	342,018	24,856,339	25,198,357	-
Consumer & Other	<u>515,382</u>	<u>865,534</u>	<u>1,380,916</u>	<u>17,624,571</u>	<u>22,227,527</u>	<u>-</u>
	<u>\$ 1,063,031</u>	<u>\$ 1,436,778</u>	<u>\$ 2,499,809</u>	<u>\$140,687,478</u>	<u>\$146,409,327</u>	<u>\$ -</u>

HOMELAND BANCSHARES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Note 5 - Loans Receivable (Continued)

For Year Ended December 31, 2014

	31-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Total Financing Receivables	Recorded Investment Greater than 90 Days and Accruing
Auto	\$ 68,285	\$ -	\$ 68,285	\$ 4,614,568	\$ 4,682,853	\$ -
1 st Mortgage	942,952	-	942,952	83,274,904	84,217,856	-
Commercial	627,968	-	627,968	15,940,654	16,568,622	-
Consumer & Other	<u>298,002</u>	<u>-</u>	<u>298,002</u>	<u>19,141,611</u>	<u>19,439,613</u>	<u>-</u>
	<u>\$ 1,190,470</u>	<u>\$ -</u>	<u>\$ 1,945,696</u>	<u>\$ 108,303,173</u>	<u>\$ 124,908,944</u>	<u>\$ -</u>

Loans to Officers, Employees, Directors, and Affiliates

The Bank, from time to time, makes loans to its officers, employees, directors, affiliates, and companies with which they are associated and expects to continue doing so in the future. Loans to these individuals and their related companies were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons. The aggregate amount of loans outstanding to these individuals and their related companies was \$3,740,597 and \$3,439,539 at December 31, 2015 and 2014, respectively.

Note 6 - Accrued Interest Receivable

Accrued interest receivable at December 31, 2015 and 2014 is summarized as follows:

	<u>2015</u>	<u>2014</u>
Investment Securities	\$ 83,712	\$ 66,620
Mortgage-Backed and Related Securities	1,992	2,617
Loans Receivable	<u>771,273</u>	<u>656,007</u>
<u>TOTAL ACCRUED INTEREST RECEIVABLE</u>	<u>\$ 856,977</u>	<u>\$ 725,244</u>

Note 7 - Premises and Equipment

Premises and equipment at December 31, 2015 and 2014 are summarized as follows:

	<u>2015</u>	<u>2014</u>
Cost:		
Land	\$ 1,659,156	\$ 790,306
Construction in Process	1,124,686	-
Land Improvements	209,169	124,758
Bank Buildings	4,478,172	4,478,172
Furniture, Fixtures, and Equipment	1,545,955	1,423,695
Automobile	<u>108,057</u>	<u>141,548</u>
Total	9,125,195	6,958,479
Less: Accumulated Depreciation	<u>(2,510,109)</u>	<u>(2,380,084)</u>
<u>NET PREMISES AND EQUIPMENT</u>	<u>\$ 6,615,086</u>	<u>\$ 4,578,395</u>

Depreciation expense totaled \$239,975 and \$237,029 for the years ended December 31, 2015 and 2014, respectively.

HOMELAND BANCSHARES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Note 8 - Deposits

Deposits at December 31, 2015 and 2014 are summarized as follows:

	<u>2015</u>	<u>2014</u>
Demand and NOW Accounts	\$ 37,477,547	\$ 38,858,527
Money Market Accounts	6,174,526	6,125,247
Regular Savings	17,696,093	16,151,252
Certificates of Deposit	<u>82,490,965</u>	<u>78,489,130</u>
<u>TOTAL DEPOSITS</u>	<u>\$ 143,839,131</u>	<u>\$139,624,156</u>

The aggregate amount of certificates each with a minimum denomination of \$100,000 was approximately \$57,127,389 and \$53,182,495 at December 31, 2015 and 2014, respectively.

Congress had temporarily increased the FDIC Insurance to unlimited for non-interest bearing accounts and \$250,000 for all others with the Dodd-Frank Wall Street Reform and Consumer Protection Act. The increase was fixed through December 31, 2012. The act was extended and modified as of January 1, 2013, so that FDIC Insurance covers the first \$250,000 of all accounts combined thus eliminating the unlimited coverage for non-interest bearing accounts.

At December 31, 2015, scheduled maturities of certificates of deposit are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2016	\$ 61,700,384
2017-2018	17,221,454
2019-2020	3,545,888
> 2021	<u>23,239</u>
Total	<u>\$ 82,490,965</u>

Interest expense on deposits for the years ended December 31, 2015 and 2014 is summarized as follows:

	<u>2015</u>	<u>2014</u>
Demand, NOW and Money Market Accounts	\$ 46,858	\$ 44,445
Regular Savings	25,910	23,999
Certificates of Deposit, Net of Early Withdrawal Penalties of \$16,671 and \$10,842 in 2015 and 2014.	<u>1,030,668</u>	<u>1,022,183</u>
<u>TOTAL</u>	<u>\$ 1,103,436</u>	<u>\$ 1,090,627</u>

The Bank receives deposits from its officers, employees, directors, affiliates, and companies with which they are associated. Any interest rates on these deposits are substantially the same as those prevailing at the time for comparable transactions with other persons. The aggregate amount of deposits outstanding from these individuals and their related companies was \$5,671,207 and \$7,931,141 at December 31, 2015 and 2014, respectively.

HOMELAND BANCSHARES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Note 9 - Regulatory Matters

The Bank is subject to various regulatory capital requirements administered by its primary federal regulator, the Office of Comptroller of the Currency (OCC). Failure to meet the minimum regulatory capital requirements can initiate certain mandatory and possible additional discretionary actions by regulators, which if undertaken, could have a direct material affect on the Bank and the financial statements. Under the regulatory capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines involving quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification under the prompt corrective action guidelines are also subject to qualitative judgements by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of: total risk-based capital and Tier I capital to risk-weighted assets (as defined in the regulations), Tier 1 capital to adjusted total assets (as defined), and tangible capital to adjusted total assets (as defined). As reflected below, as of December 31, 2015, the Bank meets all of the capital adequacy requirements to which it is subject.

As of December 31, 2015, the most recent notification from the OCC, the Bank was categorized as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios as disclosed in the table below. There are no conditions or events since the most recent notification that management believes have changed the Bank's prompt corrective action category.

	<u>Actual</u>		<u>For Capital Adequacy Purposes:</u>		<u>To Be Well Capitalized Under Prompt Corrective Action Provisions:</u>	
	<u>Amount</u> (dollars in thousands)	<u>Ratio</u>	<u>Amount</u> (dollars in thousands)	<u>Ratio</u>	<u>Amount</u> (dollars in thousands)	<u>Ratio</u>
As of December 31, 2015:						
Total Risk-Based Capital			Greater Than or Equal To:			
(to Risk-Weighted Assets)	\$ 21,249	17.6%	\$ 11,839	8.0%	\$ 14,798	10.0%
Tier I Capital						
(to Risk-Weighted Assets)	\$ 19,390	16.4%	\$ 5,919	4.0%	\$ 8,879	6.0%
Tier I Capital						
(to Adjusted Total Assets)	\$ 19,390	11.1%	\$ 6,831	4.0%	\$ 8,538	5.0%
Tangible Capital						
(to Adjusted Total Assets)	\$ 19,390	11.1%	\$ 2,561	1.5%	\$ 2,561	1.5%
As of December 31, 2014:						
Total Risk-Based Capital			Greater Than or Equal To:			
(to Risk-Weighted Assets)	\$ 19,773	16.96%	\$ 9,325	8.0%	\$ 11,657	10.0%
Tier I Capital						
(to Risk-Weighted Assets)	\$ 18,304	15.70%	\$ 4,603	4.0%	\$ 6,994	6.0%
Tier I Capital						
(to Adjusted Total Assets)	\$ 18,304	11.25%	\$ 6,510	4.0%	\$ 8,137	5.0%
Tangible Capital						
(to Adjusted Total Assets)	\$ 18,304	11.25%	\$ 2,441	1.5%	\$ 2,441	1.5%

HOMELAND BANCSHARES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Note 10 - Other Non-interest Income and Expense

Other non-interest income and expense for the years ended December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Other Non-interest Income:		
Credit Life and Accident and Health	\$ 147,659	\$ 164,457
Loan Late Charges	130,037	77,718
ATM Income	446,253	444,897
Profit on Loans Sold	-	-
Gain on Disposal of Assets	-	57,759
Other	83,513	87,654
<u>TOTAL</u>	<u>\$ 807,462</u>	<u>\$ 832,485</u>
Other Non-interest Expense:		
Dues and Subscriptions	\$ 37,613	\$ 28,676
Travel and Conference	55,050	47,697
DDA Expenses	92,587	78,063
Miscellaneous	198,052	116,326
Committee Meeting	7,051	5,992
Business Development	98,782	212,866
Courier Service	9,789	10,475
Charitable Contributions	35,399	43,654
Automobile	27,273	22,133
<u>TOTAL</u>	<u>\$ 561,596</u>	<u>\$ 565,882</u>

Note 11 - Commitments and Contingencies

In the ordinary course of business, the Bank has various outstanding commitments and contingent liabilities that are not reflected in the accompanying financial statements. The principal commitments of the Bank are as follows:

Loan Commitments

At December 31, 2015 and 2014, the Bank had \$14,860,531 and \$6,741,064 in outstanding loan commitments, respectively.

Letters of Credit

The Bank had outstanding letters of credit totaling \$336,552 and \$323,337 at December 31, 2015 and 2014, respectively.

Note 12 - Significant Concentrations of Credit Risk

Homeland Federal Savings Bank grants residential, consumer, commercial, and agribusiness loans to customers located primarily in Caldwell, LaSalle, and Ouachita Parishes in Louisiana. Although the Bank's loan portfolio is diversified, a substantial portion of the debtors' ability to honor their contracts is dependent upon the agribusiness and timber economic sectors. The Bank has various checking, certificate, and time deposits at other federally insured financial institutions. At December 31, 2015 the balances in those banks totaled \$4,944,883 of which \$3,745,457 was federally insured. The Federal Deposit Insurance Corporation insures deposits up to \$250,000 per institution.

HOMELAND BANCSHARES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Note 13 - Supplemental Cash Flow Disclosures

The following provides additional cash flow information not presented elsewhere in the financial statements for the year ended December 31, 2015 and 2014:

Cash Paid for:	<u>2015</u>	<u>2014</u>
Interest on Deposits and Advances	\$ 1,105,561	\$ 1,086,420
Increase (Decrease) in Valuation Allowance on Investment Securities	\$ (23,846)	\$ (4,147)

Note 14 - Financial Instruments With Off-Balance-Sheet Risks

The Bank is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, standby letters of credit and financial guarantees. Those instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the balance sheet. The contract or notional amounts of those 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, standby letters of credit, and financial guarantees written is represented by the contractual notional amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments. Unless noted otherwise, the Bank does not require collateral or other security to support financial instruments with credit risk.

Financial Instruments the Contract Amounts of Which Represent Credit Risk:	<u>Contract or Notional Amount</u>
Commitments to Extend Credit	\$ 14,860,531
Standby Letters of Credit and Financial Guarantees Written	\$ 336,552

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

Standby letters of credit and financial guarantees written are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

HOMELAND BANCSHARES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Note 15 - Fair Values of Financial Instruments

The estimated fair values of the Bank's financial instruments were as follows:

	December 31, 2015		December 31, 2014	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
<u>Financial Assets:</u>				
Cash and Cash Equivalents	\$ 8,270,365	\$ 8,270,365	\$ 18,200,712	\$ 18,200,712
Time Deposits	\$ 2,731,050	\$ 2,732,759	\$ 2,739,888	\$ 2,736,009
Investment Securities - Available-for-Sale	\$ 4,515,897	\$ 4,515,897	\$ 1,460,755	\$ 1,460,755
Investment Securities - Held-to-Maturity	\$ 7,901,881	\$ 8,026,933	\$ 7,899,117	\$ 8,046,567
Mortgage-Backed and Related Securities Available-for-Sale	\$ 192,162	\$ 192,162	\$ 219,365	\$ 219,365
Mortgage-Backed and Related Securities Held-to-Maturity	\$ 535,045	\$ 543,462	\$ 698,551	\$ 713,331
Loans Receivable - First Mortgage Loans	\$ 95,134,646	\$ 96,789,989	\$ 84,217,856	\$ 84,341,658
Consumer and Other	\$ 51,274,687	\$ 52,102,256	\$ 40,408,303	\$ 40,720,185
Accrued Interest Receivable	\$ 856,977	\$ 856,977	\$ 725,244	\$ 725,244
<u>Financial Liabilities:</u>				
Demand Deposits and Savings Accounts	\$ 61,839,131	\$ 62,398,606	\$ 60,658,543	\$ 60,658,543
Time Deposits	\$ 82,490,965	\$ 82,775,263	\$ 78,489,130	\$ 78,776,508
<u>Off-Balance-Sheet Instruments:</u>				
Commitments to Extend Credit	\$ 14,860,531	\$ 14,860,531	\$ 6,741,064	\$ 6,741,064
Letters of Credit	\$ 336,552	\$ 336,552	\$ 323,337	\$ 323,337

The carrying amounts in the above table are included in the balance sheets and the applicable notes to financial statements.

Note 16 - Profit Sharing Plan

Effective August 1, 1997, the Bank established a 401(K) Profit Sharing Plan on behalf of its employees. Eligible employees must complete one year of eligibility service with at least 1,000 hours of service to be eligible to participate in the Plan. The Bank, at its option, may make discretionary matching contributions on behalf of all participants who make elective deferrals. The Bank contributed \$38,203 and \$32,534 for 2015 and 2014 on behalf of the Profit Sharing Plan.

Note 17 - Cash Value of Life Insurance

The Bank maintains keyman life insurance policies on certain of its officers. The Bank receives the cash surrender value if a policy is terminated, and upon the death of an insured officer, receives the death benefits.

HOMELAND BANCSHARES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Note 18 - Deferred Compensation Arrangements

The Bank has a non-qualified deferred compensation arrangement with key employees under which future defined benefits are funded principally by individual life insurance policies. An actuarially determined charge, which is included in other operating expense, is made each year based on the future benefits to be paid to the employee (or beneficiary) under the plan. Total amounts paid or accrued under such arrangements, which are not deductible by the Bank for tax purposes until distributions are made to participants, amounted to \$96,384 and \$94,468 in 2015 and 2014.

Note 19- Fair Value Measurements

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

	<u>Fair Value Measurements at Reporting Date Using</u>			
	<u>Quoted Prices</u>			
	<u>in Active</u>			
	<u>Markets for</u>			
	<u>Identical</u>			
	<u>Assets/</u>			
	<u>Liabilities</u>			
	<u>Fair Value</u>	<u>(Level 1)</u>	<u>Significant</u>	<u>Significant</u>
			<u>Other</u>	<u>Unobservable</u>
			<u>Observable</u>	<u>Inputs</u>
			<u>Inputs</u>	<u>Inputs</u>
			<u>(Level 2)</u>	<u>(Level 3)</u>
<u>December 31, 2015</u>				
Investment securities:				
Available-for-sale	\$ 4,515,897	\$ 4,515,897	-	-
Held-to-maturity	\$ 8,026,933	\$ 8,026,933	-	-
Mortgage backed and related securities:				
Available-for-sale	\$ 192,162	\$ 192,162	-	-
Held-to-maturity	\$ 543,462	\$ 543,462	-	-
Foreclosed Real Estate, net	\$ 620,753	-	\$ 620,753	-

	<u>Fair Value Measurements at Reporting Date Using</u>			
	<u>Quoted Prices</u>			
	<u>in Active</u>			
	<u>Markets for</u>			
	<u>Identical</u>			
	<u>Assets/</u>			
	<u>Liabilities</u>			
	<u>Fair Value</u>	<u>(Level 1)</u>	<u>Significant</u>	<u>Significant</u>
			<u>Other</u>	<u>Unobservable</u>
			<u>Observable</u>	<u>Inputs</u>
			<u>Inputs</u>	<u>Inputs</u>
			<u>(Level 2)</u>	<u>(Level 3)</u>
<u>December 31, 2014</u>				
Investment securities:				
Available-for-sale	\$ 1,460,755	\$ 1,460,755	-	-
Held-to-maturity	\$ 8,046,567	\$ 8,046,567	-	-
Mortgage backed and related securities:				
Available-for-sale	\$ 219,365	\$ 219,365	-	-
Held-to-maturity	\$ 713,331	\$ 713,331	-	-
Foreclosed Real Estate, net	\$ 717,562	-	\$ 717,562	-

HOMELAND BANCSHARES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Note 20 - Borrowed Funds

Borrowed funds consisted of the following at December 31, 2015 and 2014:

	2015		2014	
	Interest Rate	Balance	Interest Rate	Balance
Advances from FHLB, Due on Demand	.42%	\$ 2,000,000		
	.48%	4,000,000		
	.71%	5,000,000		\$ -
		<u>\$ 11,000,000</u>		

Note 21 - Subsequent Events

Subsequent events have been evaluated through March 9, 2016, which is the day the financial statements were available to be issued, and it has been determined that no other significant events have occurred except for the opening of new branch location in Monroe in the spring of 2016.

Additional Information

HOMELAND BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2015

Schedule 1

	Homeland Bancshares, Inc. (Parent Only)	Homeland Federal Savings Bank	Consolidating Eliminations	Homeland Bancshares, Inc. (Consolidated)
<u>ASSETS</u>				
Cash and Cash Equivalents (Note 2)	\$ 2,778,798	\$ 5,499,488	\$ -	\$ 8,278,286
Time Deposits in Banks	-	2,731,050	-	2,731,050
Investment Securities Available for Sale (Note 3)	-	4,515,897	-	4,515,897
Investment Securities Held to Maturity (Note 3)	-	7,901,881	-	7,901,881
Mortgage-Backed and Related Securities Available for Sale (Note 4)	-	192,162	-	192,162
Mortgage-Backed and Related Securities Held to Maturity (Note 4)	-	535,045	-	535,045
Loans Receivable, Net (Note 5)	-	143,746,742	-	143,746,742
Accrued Interest Receivable (Note 6)	-	856,977	-	856,977
Dividends Receivable	-	-	-	-
Foreclosed Real Estate	-	620,753	-	620,753
Premises and Equipment (Note 7)	-	6,615,086	-	6,615,086
Federal Home Loan Bank Stock	-	639,300	-	639,300
First National Bankers Bank Stock	-	500,000	-	500,000
Bankers Insurance Center, LLC	-	392,811	-	392,811
Cash Value - Life Insurance	-	3,853,081	-	3,853,081
Other Assets	-	220,855	-	220,855
Investment in Subsidiary	19,407,784	-	(19,407,784)	-
<u>TOTAL ASSETS</u>	\$ 22,186,582	\$ 178,821,128	\$ (19,407,784)	\$ 181,599,926
 <u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>				
<u>Liabilities</u>				
Deposits (Note 8)	-	143,839,131	-	143,839,131
Borrowed Fund (Note 9)	-	11,000,000	-	11,000,000
Other Liabilities	1,000,000	4,574,213	-	5,574,213
Total Liabilities	1,000,000	159,413,344	-	160,413,344
 <u>Stockholders' Equity</u>				
Common Stock (\$1 par value; 1,000,000 shares authorized; 188,129 shares issued and 163,580 outstanding)	188,129	1,703,032	(1,703,032)	188,129
Additional Paid-In Capital	6,840,448	478,978	(478,978)	6,840,448
Retained Earnings	17,212,657	18,436,631	(18,436,631)	17,212,657
Treasury Stock (at cost)	(3,072,538)	(1,228,743)	1,228,743	(3,072,538)
Accumulated Other Comprehensive Income (Loss)	17,886	17,886	(17,886)	17,886
Total Stockholders' Equity	21,186,582	19,407,784	(19,407,784)	21,186,582
<u>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</u>	\$ 22,186,582	\$ 178,821,128	\$ (19,407,784)	\$ 181,599,926

See accompanying notes to consolidating financial statements.

HOMELAND BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF INCOME
FOR YEAR ENDED DECEMBER 31, 2015

Schedule 2

	Homeland Bancshares, Inc. (Parent Only)	Homeland Federal Savings Bank	Consolidating Eliminations	Homeland Bancshares, Inc. (Consolidated)
<u>Interest Income</u>				
Loans Receivable:				
First Mortgage Loans	\$ -	\$ 5,646,853	\$ -	\$ 5,646,853
Consumer and Other Loans	-	3,090,320	-	3,090,320
Investment Securities	-	350,611	-	350,611
Mortgage-Backed and Related Securities	-	19,798	-	19,798
Other Interest Earning Assets	7,920	55,763	-	63,683
Total Interest Income	<u>7,920</u>	<u>9,163,345</u>	<u>-</u>	<u>9,171,265</u>
<u>Interest Expense</u>				
Deposits (Note 8)	-	1,103,436	-	1,103,436
Other Borrowings	43,989	9,386	-	53,375
Total Interest Expense	<u>43,989</u>	<u>1,112,822</u>	<u>-</u>	<u>1,156,811</u>
Net Interest Income	(36,069)	8,050,523	-	8,014,454
<u>Provision for Loan Losses</u>	<u>-</u>	<u>450,000</u>	<u>-</u>	<u>450,000</u>
Net Interest Income after Provision for Loan Losses	(36,069)	7,600,523	-	7,564,454
<u>Noninterest Income</u>				
Loan Origination and Commitment Fees	-	561,480	-	561,480
Service Charges on NOW Accounts and MMDA's	-	1,220,709	-	1,220,709
Other (Note 10)	-	807,462	-	807,462
Equity in Earnings of Subsidiary	3,535,537	-	(3,535,537)	-
Total Noninterest Income	<u>3,535,537</u>	<u>2,589,651</u>	<u>(3,535,537)</u>	<u>2,589,651</u>
<u>Noninterest Expense</u>				
General and Administrative Expenses:				
Salaries and Fringe Benefits	-	3,561,502	-	3,561,502
Office Operating Expenses	5,650	1,185,896	-	1,191,546
Outside Services	2,451	748,937	-	751,388
Insurance Expense	-	186,180	-	186,180
Depreciation	-	239,975	-	239,975
Advertising	-	133,004	-	133,004
Bank Service Charge	-	28,254	-	28,254
Other (Note 10)	2,056	559,540	-	561,596
Real Estate Owned Expenses, Net	-	11,349	-	11,349
Total Noninterest Expense	<u>10,157</u>	<u>6,654,637</u>	<u>-</u>	<u>6,664,794</u>
<u>NET INCOME</u>	<u>\$ 3,489,311</u>	<u>\$ 3,535,537</u>	<u>\$ (3,535,537)</u>	<u>\$ 3,489,311</u>

See accompanying notes to consolidating financial statement.

HOMELAND BANCSHARES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS
DECEMBER 31, 2015

- (a) The accounts of individual components of the consolidated group includes various amounts arising from intercompany transfers of assets and liabilities and allocations of revenues and expenses deemed appropriate by the Company.
- (b) Consolidating eliminations represent the elimination of intercompany receivables and payables, investments in the consolidated subsidiary and intercompany income and expenses, if any.