Board of Governors of the Federal Reserve System

Annual Report of Holding Companies—FR Y-6

MAR 30 2016

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, Jerome W Schuchart
Name of the Holding Company Director and Official

President, CEO and Chairman of the Board
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.*

Jerome W Schuchart
Signature of Holding Company Director and Official

03/29/2016
Date of Signature

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

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

For Federal Reserve Bank Use Only
RSSD ID 3916803
C.I.

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

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

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

PO Box 459
(Mailing Address of the Holding Company) Street / P.O. Box

Jourdanton	TX	78026
City	State	Zip Code

1301 Oak Street Jourdanton Texas 78026
Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Craig Welch	Vice President Cashier
Name	Title

210-493-3500
Area Code / Phone Number / Extension

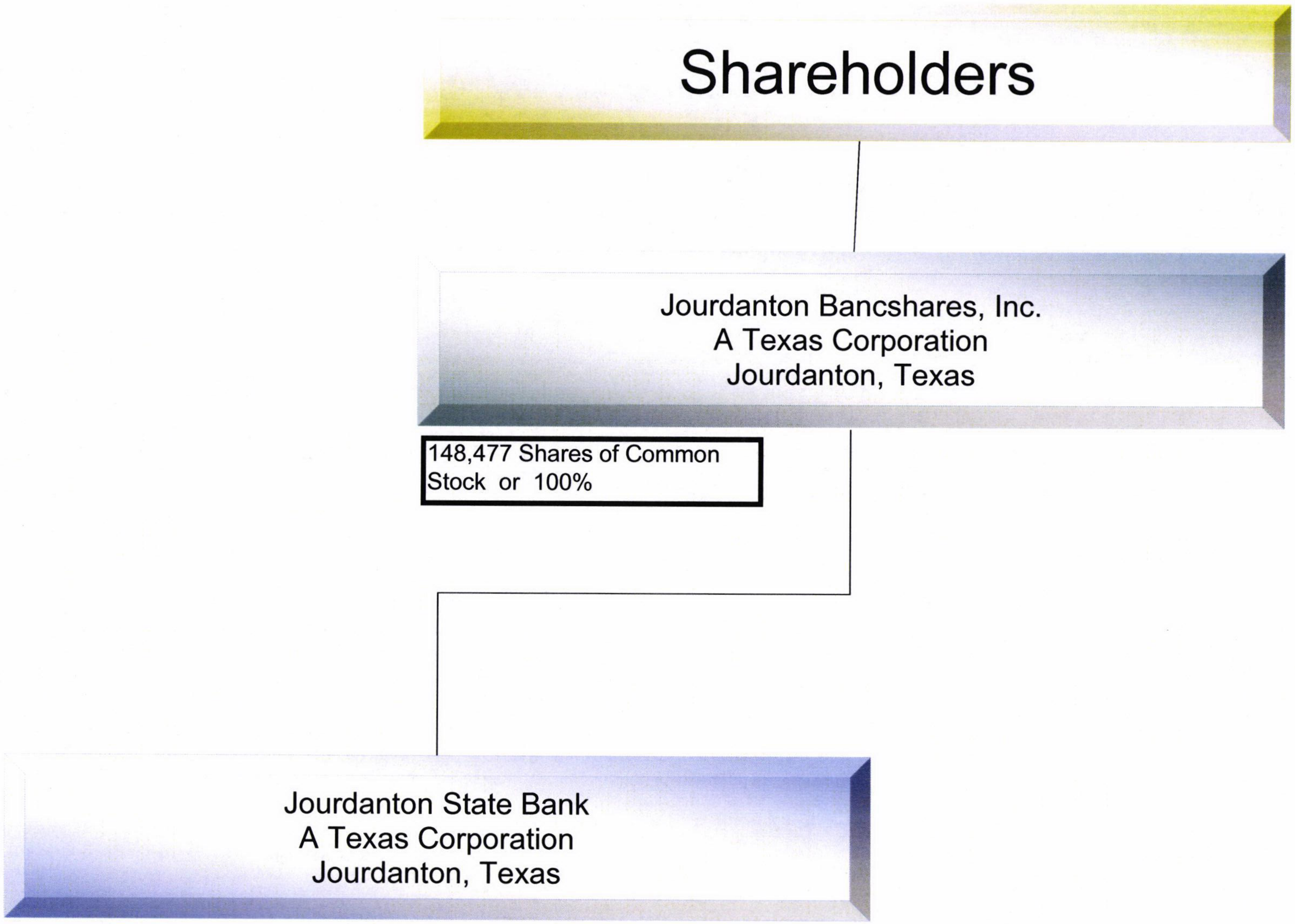
210-493-0017
Area Code / FAX Number

craigw@jsbbank.com
E-mail Address

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

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

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


Shareholders
Jourdanton Bancshares, Inc.
A Texas Corporation
Jourdanton, Texas
148,477 Shares of Common
Stock or 100%
Jourdanton State Bank
A Texas Corporation
Jourdanton, Texas

FORM FR Y-6
JOURDANTON BANCSHARES, INC.
1301 OAK ST.
JOURDANTON, TX 78026 USA
FISCAL YEAR ENDING DECEMBER 31, 2015

Shareholders

Jourdanton Bancshares, Inc.
A Texas corporation

Officers: President/Secretary:
Jerome Schuchart

Directors:
Jerome W. Schuchart
Benny Cope
Rick Brown
Alfred A Steinle
Franklin Steinle
Marshall B. Darby

Authorized Shares:
$1,000,000 Common Stock
par value $1.00 per share

Issued Shares:

148,477 shares
of common stock

Jourdanton State Bank
A Texas state bank

Officers: President/CEO/CFO/Chair:
Jerome Schuchart
SVP: A. Kirk McClelland

Directors:
Jerome W. Schuchart
Benny Cope
Rick Brown
Alfred A. Steinle
Franklin Steinle
Marshall B. Darby

Authorized Shares: 148,477
Issued Shares: 148,477

Approved by the Board of Directors:

Results: A list of branches for your depository institution: JOURDANTON STATE BANK (ID_RSSD: 602150).
This depository institution is held by JOURDANTON BANCSHARES, INC. (3916803) of JOURDANTON, TX.
The data are as of 12/31/2015. Data reflects information that was received and processed through 01/07/2016.

Reconciliation and Verification Steps

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

Actions

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

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

Submission Procedure

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

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

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

Data Action	Effective Date	Branch Service Type	Branch ID_RSSD*	Popular Name	Street Address	City	State	Zip Code	County	Country	FDIC UNINUM*	Office Number*	Head Office	Head Office ID_RSSD*	Comments
OK		Full Service (Head Office)	602150	JOURDANTON STATE BANK	1301 OAK STREET	JOURDANTON	TX	78026	ATASCOSA	UNITED STATES	10116	0	JOURDANTON STATE BANK	602150	
OK		Full Service	2899187	PEARSALL BRANCH	1837 WEST COMAL STREET	PEARSALL	TX	78061	FRIO	UNITED STATES	235700	3	JOURDANTON STATE BANK	602150	
OK		Full Service	1392980	FIRST AMERICAN BRANCH	13333 BLANCO ROAD	SAN ANTONIO	TX	78216	BEXAR	UNITED STATES	35236	1	JOURDANTON STATE BANK	602150	
OK		Full Service	2724878	LINCOLN HEIGHTS BRANCH	120 EAST BASSE ROAD	SAN ANTONIO	TX	78209	BEXAR	UNITED STATES	235699	2	JOURDANTON STATE BANK	602150	

Form FR Y-6

JOURDANTON BANCSHARES, INC.
JOURDANTON, TX
Fiscal Year Ending December 31, 2015

jourdanton

Report Item 3: Securities Holders

Current Securities Holders with ownership, control or holdings of 5% or more with power to vote as of fiscal year ending 12-31-20XX			Securities Holders 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 12-31-20XX		
(1)(a) Name & Address (City, State, Country)	(1)(b) Country of Citizenship or Incorporation	(1)(c) Number and Percentage of Each Class of Voting Securities	(2)(a) Name & Address (City, State, Country)	(2)(b) Country of Citizenship or Incorporation	(2)(c) Number and Percentage of Each Class of Voting Securities
ANGELA HAIRSTON JOURDANTON, TX USA	USA	15,605 10.509% COMMON STOCK	NONE	NONE	NONE
LEON FRANKLIN STEINLE JOURDANTON, TX USA	USA	12,489 8.410% COMMON STOCK			

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JOURDANTON BANCSHARES, INC.
JOURDANTON, TX
Fiscal Year Ending December 31, 2015

Report Item 4: Insiders
(1)(a)(b)(c) and (2)(a)(b)(c)

(1)	(2)	(3)(a)	(3)(b)	(3)(c)	(4)(a)	(4)(b)	(4)(c)
Names & Address (City, State, Country)	**Principal Occupation if other than with holding company**	**Title & Position with holding company**	**Title & Position with Subsidiaries (include names of subsidiaries)**	**Title & Position with Other Businesses (include names of other businesses)**	**Percentage of Voting Securities in holding company**	**Percentage of Voting Securities in Subsidiaries (include names of subsidiaries)**	**List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)**
Jerome W. Schuchart Jourdanton, TX, USA	N/A	Pres.,CEO, CFO, Chmn, Director, Secretary Executive Officer	JSB Investments, Inc. Pres. CHMN, Treasurer	N/A	2.364%	N/A	N/A
Benny Cope Jourdanton, TX, USA	Exxon Distributor	Director	JSB Investments, Inc. Director	N/A	1.848%	N/A	N/A
Richard Brown San Antonio, TX, USA	Owner Real Estate Franchise	Director	JSB Investments, Inc. Director	N/A	0.033%	N/A	N/A
Alfred A Steinle Jourdanton, TX, USA	Attorney	Director	JSB Investments, Inc. Director	N/A	3.983%	N/A	N/A
L. Franklin Steinle Jourdanton, TX, USA	Rancher/ Investor	Director	JSB Investments, Inc. Director	N/A	8.410%	N/A	N/A
Marshall B. Darby Concan, TX, USA	Retired CEO San Miguel Electric	Director	JSB Investments, Inc. Director	N/A	0.424%	N/A	N/A
A. Kirk McClelland San Antonio, TX, USA	N/A	Sr. VP Exec. Officer	JSB Investments, Inc. Director	N/A	1.007%	N/A	N/A
Angela Hairston Jourdanton, TX USA	N/A	N/A	N/A	N/A	10.509%	N/A	N/A

JOURDANTON BANCSHARES, INC.
AND SUBSIDIARY

AUDITED
CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

FISHER, HERBST & KEMBLE

CERTIFIED PUBLIC ACCOUNTANTS

TABLE OF CONTENTS

FHK | Experience. That counts!
CERTIFIED PUBLIC ACCOUNTANTS

9501 Console Drive, Suite 200
San Antonio, TX 78229
www.fhkcpa.com
210.614.2284
210.614.2285 fax

REPORT OF INDEPENDENT AUDITORS

Board of Directors
Jourdanton Bancshares, Inc. and Subsidiary
Jourdanton, Texas

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Jourdanton 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, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated 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 U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Jourdanton 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 U.S. generally accepted accounting principles.

Report of Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and 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 information has been subjected to the auditing procedures applied, 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 U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Fisher, Herbst + Kemble, P.C.

Fisher, Herbst & Kemble, P.C.
San Antonio, Texas
March 07, 2016

JOURDANTON BANCSHARES, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

December 31,	**2015**	2014
ASSETS		
Cash and Cash Equivalents		
Cash and due from banks	**$ 5,878,800**	$ 11,117,796
Interest bearing deposits in other banks	**4,391,650**	9,295,482
Federal funds sold	**-**	3,500,000
Total cash and cash equivalents	**10,270,450**	23,913,278
Time deposits with other banks	**4,000,000**	1,250,000
Investment securities available-for-sale, at fair value	**119,890,999**	111,596,753
Loans, net of deferred fees totaling **$129,570** and $140,285 in 2015 and 2014, respectively	**27,148,311**	29,978,610
Bank premises and equipment, net	**3,160,522**	3,275,380
Accrued interest receivable	**588,428**	629,070
Cash surrender value on bank owned life insurance	**4,464,961**	4,345,741
Other assets, net of allowance for doubtful accounts	**1,434,191**	1,391,132
Intangibles, net	**117,672**	176,708
Goodwill	**494,491**	494,491
Total assets	**$ 171,570,025**	$ 177,051,163
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Non-interest bearing	**$ 65,760,205**	$ 69,655,195
Interest bearing	**85,479,539**	87,831,599
Total deposits	**151,239,744**	157,486,794
Accrued interest payable	**1,716**	2,032
Dividends payable	**222,715**	222,715
Other liabilities	**1,728,909**	1,673,285
Total liabilities	**153,193,084**	159,384,826
Shareholders' Equity		
Common stock, par value $1 per share: 1,000,000 shares authorized **150,031** shares issued and outstanding in 2015 and 2014	**150,031**	150,031
Additional paid-in capital	**14,111,602**	14,111,602
Treasury stock, 1,554 shares at cost	**(77,700)**	(77,700)
Retained earnings	**4,750,403**	3,810,520
Accumulated other comprehensive income (loss)	**(557,395)**	(328,116)
Total shareholders' equity	**18,376,941**	17,666,337
Total liabilities and shareholders' equity	**$ 171,570,025**	$ 177,051,163

See notes to the consolidated financial statements.

JOURDANTON BANCSHARES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME

Years Ended December 31,	2015	2014
INTEREST INCOME		
Loans, including fees	$ 1,952,226	$ 2,285,198
Investment securities:		
Taxable	1,703,513	1,354,460
Tax-exempt	306,274	397,243
Federal funds sold	4,883	6,747
Other interest income	71,119	53,081
Total interest income	4,038,015	4,096,729
INTEREST EXPENSE ON DEPOSITS	52,989	52,667
NET INTEREST INCOME	3,985,026	4,044,062
PROVISION FOR LOAN LOSSES	35,565	-
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	3,949,461	4,044,062
NON-INTEREST INCOME		
Service charges on deposit accounts	564,797	682,414
Insurance commissions and fees	670,504	646,982
Gain (loss) on sale of investments, net	335,388	(1,642)
Other	596,880	653,857
Total non-interest income	2,167,569	1,981,611
NON-INTEREST EXPENSE		
Salaries, wages and benefits	2,592,055	2,571,136
Commission paid to others	145,267	113,315
Occupancy and equipment	386,715	388,768
Other	1,437,879	1,367,903
Total non-interest expense	4,561,916	4,441,122
INCOME BEFORE INCOME TAXES	1,555,114	1,584,551
INCOME TAXES EXPENSE	392,516	369,190
NET INCOME	$ 1,162,598	$ 1,215,361

See notes to the consolidated financial statements.

JOURDANTON BANCSHARES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years Ended December 31,	2015	2014
NET INCOME	**$ 1,162,598**	$ 1,215,361
OTHER ITEMS OF COMPREHENSIVE INCOME (LOSS)		
Adjustment for (gain) loss on sale of available-for-sale securities	**(335,388)**	1,642
Unrealized holding gain (loss) arising during period	**(12,004)**	2,122,623
Total other items of comprehensive income (loss)	**(347,392)**	2,124,265
Comprehensive income (loss) before tax	**815,206**	3,339,626
INCOME TAX EFFECT ON OTHER ITEMS OF COMPREHENSIVE INCOME (LOSS)		
Income tax - gain (loss) on sale of available-for-sale securities	**114,032**	(558)
Income tax - unrealized holding gain (loss) arising during period	**4,081**	(721,692)
Total income tax on comprehensive income (loss)	**118,113**	(722,250)
Comprehensive income (loss) after tax	**$ 933,319**	$ 2,617,376

See notes to the consolidated financial statements.

JOURDANTON BANCSHARES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Years Ended December 31, 2015 and 2014

	Common Stock	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance at January 1, 2014	$ 150,031	$ 14,111,602	$ (77,700)	$ 2,817,874	$ (1,730,131)	$ 15,271,676
Net income	-	-	-	1,215,361	-	1,215,361
Change in other comprehensive income (loss), net of tax	-	-	-	-	1,402,015	1,402,015
Cash dividends paid	-	-	-	(222,715)	-	(222,715)
Balance at December 31, 2014	150,031	14,111,602	(77,700)	3,810,520	(328,116)	17,666,337
Net income	**-**	**-**	**-**	**1,162,598**	**-**	**1,162,598**
Change in other comprehensive income (loss), net of tax	**-**	**-**	**-**	**-**	**(229,279)**	**(229,279)**
Cash dividends paid	**-**	**-**	**-**	**(222,715)**	**-**	**(222,715)**
Balance at December 31, 2015	**$ 150,031**	**$ 14,111,602**	**$ (77,700)**	**$ 4,750,403**	**$ (557,395)**	**$ 18,376,941**

See notes to the consolidated financial statements.

JOURDANTON BANCSHARES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31,	2015	2014
OPERATING ACTIVITIES		
Net income	$ 1,162,598	$ 1,215,361
Adjustments to reconcile net income to net cash provided by operating activities:		
Accretion of investment securities premiums, net	(27,383)	(11,503)
Provision for loan losses	35,565	-
Depreciation and amortization	291,964	305,415
(Gain) loss on sale of investments, net	(335,388)	1,642
Net change in:		
Accrued interest receivable	40,642	(37,796)
Accrued interest payable	(316)	(163)
Other assets and other liabilities	101,490	(9,512)
Net cash provided by operating activities	1,269,172	1,463,444
INVESTING ACTIVITIES		
Investment securities available-for-sale activity:		
Sales	23,112,690	15,000,002
Calls, maturities and prepayments	49,272,858	17,518,135
Purchases	(80,664,415)	(42,712,421)
Time deposits with other banks activity:		
Calls and maturities	250,000	-
Purchases	(3,000,000)	(500,000)
Net change in loans	2,794,734	2,041,456
Purchase of furniture, equipment, and software	(88,882)	(139,484)
Change in bank owned life insurance	(119,220)	(124,269)
Net cash used by investing activities	(8,442,235)	(8,916,581)
FINANCING ACTIVITIES		
Net change in deposits	(6,247,050)	21,202,696
Cash dividends paid	(222,715)	(222,716)
Net cash (used) provided by financing activities	(6,469,765)	20,979,980
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(13,642,828)	13,526,843
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	23,913,278	10,386,435
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 10,270,450	$ 23,913,278

See notes to the consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The accounting and reporting policies of Jourdanton Bancshares, Inc. and Subsidiary conform to U.S. generally accepted accounting principles and to general practices within the banking and insurance industries. The financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP").

Consolidation – The consolidated financial statements include the accounts of Jourdanton Bancshares, Inc. ("Bancshares") and its wholly-owned subsidiary, Jourdanton State Bank ("Bank") and its wholly-owned subsidiary, JSB Investments, Inc. dba JSB Insurance Agency ("Agency") and are collectively referred to as the Company. All inter-company entries have been eliminated in consolidation.

Variable Interest Entities – The primary beneficiary of a VIE is the entity that absorbs a majority of the VIE's expected losses, receives a majority of the VIE's expected residual returns, or both, as a result of ownership, controlling interest, contractual relationship or other business relationship with the VIE. The Company has no controlling interest in any entity that should be treated as a VIE.

Use of Estimates – In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the dates of the balance sheets and income and expenses for the periods. Actual results could differ significantly from those estimates. Material estimates that are particularly susceptible to significant change in the near-term relate to the determination of the allowance for loan losses and commission receivable included in other assets.

Business – The Company, through its banking subsidiary, is in the business of banking, including the acceptance of checking and savings deposits and the making of residential, commercial, real estate, and consumer loans principally located in Atascosa, Frio and Bexar Counties in South Texas. Although the Company's loan portfolio is diversified, the ability of the Company's debtors to honor their contracts is primarily dependent upon the economic conditions in the above mentioned counties, especially in the real estate and commercial business sectors. In addition, the Company's investment portfolio is directly impacted by fluctuations in market interest rates. The Company's primary deposit products are interest bearing and term certificate accounts. The Company is subject to the regulations of certain federal agencies and undergoes periodic examinations by those regulatory authorities. Such agencies may require certain standards or impose certain limitations based on their judgments or changes in law and regulations.

The Bank through its subsidiary provides personal and commercial insurance policies in the State of Texas.

Dividends – The Company declared but had not paid dividends of **$222,715** and $222,715 as of December 31, 2015 and 2014, respectively.

Cash and Cash Equivalents – For the purpose of presentation in the financial statements of cash flows, cash and cash equivalents include cash and due from banks, interest bearing deposits at the Federal Home Loan Bank, Texas Capital Bank and Frost National Bank and federal funds sold. Generally, federal funds are sold for one-day periods. The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. The FDIC insurance coverage is $250,000.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The majority of cash and cash equivalents of the Company are maintained with major financial institutions in the United States. As such, interest bearing, non-transaction account deposits with these financial institutions may exceed the amount of insurance provided on such deposits; however, these deposits typically may be redeemed upon demand and therefore, bear minimal risk. As of December 31, 2015, the maximum credit risk exposure is **$5,951,753**. In monitoring this credit risk, the Company periodically evaluates the stability of the financial institutions with which it has deposits.

Advertising – Advertising expense totaling **$12,390** and $11,524 in 2015 and 2014, respectively is charged directly to expense as incurred by the Company.

Investment Securities – Certain debt securities that management has the positive intent and ability to hold to maturity are classified as "held-to-maturity" and are recorded at amortized cost.

Securities held principally for resale in the near term are classified as trading securities and recorded at their fair values. Unrealized gains and losses on trading securities are included in income.

Securities not classified as held-to-maturity or trading, including equity securities with readily determinable fair values, are classified as "available-for-sale" and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income.

Purchase premiums and discounts are recognized as interest income using the level-yield method over the terms of the securities. Declines in the fair value of held-to-maturity and available-for-sale securities below their cost that are deemed to be other-than-temporary, if any, are reflected in earnings as realized losses. In determining whether other-than-temporary impairment exists, management considers many factors, including the length of time and the extent to which the fair value has been less than cost, the financial condition and near term prospects of the issuer, and the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Mortgage-backed securities represent participating interests in pools of long-term first mortgage loans originated and serviced by the issuers of the securities. Market interest rate fluctuations can affect the prepayment speed of principal and the yield on the security.

Federal Home Loan Bank Stock – Federal Home Loan Bank stock is a restricted investment and its carrying value is determined by the ultimate recoverability of par value, rather than by recognizing temporary declines in value. Federal Home Loan Bank stock had a carrying value of **$70,900** and $61,700 as of December 31, 2015 and 2014, respectively. The balance is carried in other assets on the consolidated balance sheets.

Loans and Other Real Estate – Interest on loans is credited to operations on a daily basis based upon the principal amount outstanding. The accrual of interest on loans is discontinued when, in management's opinion, the borrower may be unable to meet payment obligations as they become due, as well as when required by regulatory provisions. Interest income is subsequently recognized only to the extent cash payments are received in excess of principal due. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Management, considering current information and events regarding the borrower's ability to repay the obligation, considers a loan to be impaired when it is probable that the Company will be unable to collect all amounts due according to the original contractual terms of the loan agreement. An impaired loan is measured based on the present value of expected future cash flows discounted at the loan's effective interest rate or at the loan's observable market price or the fair value of the collateral if the loan is collateral dependent.

Costs associated with originating loans are recognized as an expense generally in the period in which costs are incurred. Fees are amortized over the life of the originated loans. Under GAAP, such fees and costs generally are deferred and recognized over the life of the loan as an adjustment of yield. For the years ended December 31, 2015 and 2014, management believes that not deferring such costs and amortizing them over the life of the related loans does not materially affect the financial position or results of operations of the Company.

Loans, which are determined to be uncollectible, are charged to the allowance for loan losses. Collateral obtained through foreclosure is valued at the lower of fair value less estimated selling costs as determined by independent appraisal or the balance of the underlying loan. Subsequently, if the fair value of the repossessed collateral is determined to be less than the new basis, the collateral is written down to fair value by a charge to the statement of income. Income or expense generated from operation of these properties and any gain or loss on disposition of the properties is included in the statement of income at that time.

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

Allowance for Loan Losses – The allowance for loan losses is a reserve established through a provision for loan losses charged to expense, which represents management's best estimate of probable losses that have been incurred within the existing portfolio of loans. The allowance, in the judgment of management, is necessary to reserve for estimated loan losses inherent in the loan portfolio.

The level of the allowance reflects management's continuing evaluation of industry concentrations, specific credit risks, loan loss experience, current loan portfolio quality, present economic, political and regulatory conditions and unidentified losses inherent in the current loan portfolio, as well as trends in the foregoing. Portions of the allowance may be allocated for specific credits; however, the entire allowance is available for any credit that, in management's judgment, should be charged off.

While management utilizes its best judgment and information available, the ultimate adequacy of the allowance is dependent upon a variety of factors beyond the Company's control, including the performance of the Company's loan portfolio, the economy, changes in interest rates and the view of the regulatory authorities toward loan classifications.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Allowance for Doubtful Accounts – The allowance for doubtful accounts is based on past experience and other factors which, in management's judgment, deserve current recognition in estimating bad debts. Such factors include growth and composition of accounts receivable, the relationship of the allowance for doubtful accounts to accounts receivable, and current economic conditions. As of December 31, 2015 and 2014, no accounts receivable were deemed uncollectible.

Premises and Equipment – Land is recorded at cost. Premises and equipment are stated at cost less accumulated depreciation based on the estimated useful lives of the assets, as follows:

Buildings and improvements	10 - 40 years
Furniture and equipment	3 - 10 years

Depreciation is computed using the straight-line method for financial reporting, and the declining-balance method for federal income tax purposes. When an asset is sold, retired, or otherwise disposed of, cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is included in current operations. Repairs and maintenance are charged to expense as incurred and expenditures for renewals and betterments are capitalized.

Cash Surrender Value of Life Insurance – The Company has purchased life insurance policies on certain executives. Life insurance policies are initially recorded at cost at the date of purchase. Subsequent to purchase, the policies are periodically adjusted for changes in the contract value. The adjustment to contract value increases or decreases the carrying value of the policies and is recorded as income or expense on the consolidated statement of income.

Goodwill and Other Intangible Assets – During 2006, Jourdanton State Bank entered into an agreement with Capital Bank of Texas that provided for the purchase of its Branch in Pearsall, Texas which resulted in goodwill of $494,491. U.S. generally accepted accounting principles include guidance addressing the initial recognition and measurement of intangible assets acquired outside of a business combination and the accounting for goodwill and other intangible assets subsequent to their acquisition. The guidance provides that intangible assets with finite useful lives be amortized and that goodwill and intangible assets with indefinite lives not be amortized but rather be tested at least annually for impairment. No goodwill impairment is noted in 2015 or 2014.

Insurance Commission Revenue Recognition – Revenue is recognized upon effective date of the issued insurance policy. Associated commission expense is also recognized upon effective date of the issued insurance policy.

Income Taxes – The Company accounts for income taxes under the asset and liability method which requires that deferred income taxes be recognized for the tax consequences of temporary differences (differences between the financial statement carrying amount and the tax bases of assets and liabilities) at the enacted statutory tax rates applicable to the future years in which those differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rate is recognized in income in the period that includes enactment date.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

U.S. generally accepted accounting principles require the Company management to evaluate tax positions taken by the Company and recognize a tax liability (or asset) if the Company has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Company's management has analyzed the tax positions taken by the Company, and has concluded that as of December 31, 2015 and 2014, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Company's management believes it is no longer subject to income tax examinations for years prior to 2012.

2. INVESTMENT SECURITIES

Investment securities available-for-sale consisted of the following:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
December 31, 2015				
U.S. Government agencies	**$ 107,124,463**	**$ 29,372**	**$ 913,019**	**$ 106,240,816**
State and municipal securities	**8,776,724**	**82,491**	**11,902**	**8,847,313**
Corporate obligations	**1,006,634**	**-**	**11,003**	**995,631**
Mortgage-backed securities	**3,827,716**	**3,503**	**23,980**	**3,807,239**
Total	**$ 120,735,537**	**$ 115,366**	**$ 959,904**	**$ 119,890,999**
December 31, 2014				
U.S. Government agencies	$ 98,499,082	$ 128,711	$ 1,032,514	$ 97,595,279
State and municipal securities	13,451,807	402,151	3,070	13,850,888
Mortgage-backed securities	143,010	7,576	-	150,586
Total	$ 112,093,899	$ 538,438	$ 1,035,584	$ 111,596,753

2. INVESTMENT SECURITIES (continued)

The amortized cost and market value of securities at December 31, 2015, by contractual maturities, 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.

Investment securities **available-for-sale**:

	Amortized Cost	Estimated Market Value
Due in one year or less	**$ 2,563,076**	**$ 2,577,733**
Due in one to five years	**82,160,008**	**81,613,480**
Due in five to ten years	**32,184,737**	**31,892,547**
Total	**116,907,821**	**116,083,760**
Mortgage-backed securities	**3,827,716**	**3,807,239**
Total	**$ 120,735,537**	**$ 119,890,999**

Investment securities with a carrying value of **$10,776,569** and 11,714,503 at December 31, 2015 and 2014, respectively were pledged to secure public deposits and for other purposes as required or permitted by law.

	2015	2014
Sale proceeds from sale of available-for-sale securities	**$ 23,112,690**	$ 15,000,002
Gross gains (losses) on sale of available-for-sale securities	**$ 335,388**	$ (1,642)

The following table shows investments gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2015. There are no significant premiums.

	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government agencies (109)	**$ 80,137,623**	**$ 688,116**	**$ 17,775,097**	**$ 224,903**	**$ 97,912,720**	**$ 913,019**
State and municipal securities (6)	**2,033,438**	**11,902**	**-**	**-**	**2,033,438**	**11,902**
Corporate obligations (1)	**995,631**	**11,003**	**-**	**-**	**995,631**	**11,003**
Mortgage-backed securities (5)	**3,694,620**	**23,967**	**3,345**	**13**	**3,697,965**	**23,980**
Total debt securities	**$ 86,861,312**	**$ 734,988**	**$ 17,778,442**	**$ 224,916**	**$ 104,639,754**	**$ 959,904**

2. INVESTMENT SECURITIES (continued)

U.S. Government Agencies – The unrealized losses on the Company's investments in U.S. Government agencies were caused by interest rate increases. The Company purchased some of these investments at a premium relative to their face amount at December 31, 2015. The outstanding premium related to the U.S. government agencies in a loss position is **$157,964**. Accordingly, it is expected that the securities with premiums could be settled at a price less than the amortized cost of the Company's investment. Because the decline in market value is attributable to changes in interest rates and not credit quality and because the Company has the ability and intent to hold these investments until a recovery of fair value, which may be maturity, the Company does not consider these investments to be other-than-temporarily impaired at December 31, 2015.

State and Municipal Securities – The unrealized losses on the Company's investments in state and municipal securities were caused by interest rate increases. The Company purchased some of these investments at a premium relative to their face amount at December 31, 2015. The outstanding premium related to the state and municipal securities in a loss position is **$155,340**. Accordingly, it is expected that the securities with premiums could be settled at a price less than the amortized cost of the Company's investment. Because the decline in market value is attributable to changes in interest rates and not credit quality and because the Company has the ability and intent to hold these investments until a recovery of fair value, which may be maturity, the Company does not consider these investments to be other-than-temporarily impaired at December 31, 2015.

Corporate Obligations – The unrealized losses on the Company's investments in corporate obligation securities were caused by interest rate increases. The Company purchased some of these investments at a premium relative to their face amount, and the contractual cash flows of these investments have an implied guarantee by the U.S. Government. At December 31, 2015, the outstanding premium related to the corporate obligation securities in a loss position is **$6,634**. Accordingly, it is expected that the securities with premiums could be settled at a price less than the amortized cost of the Company's investment. Because the decline in market value is attributable to changes in interest rates and not credit quality and because the Company has the ability and intent to hold these investments until a recovery of fair value, which may be maturity, the Company does not consider these investments to be other-than-temporarily impaired at December 31, 2015.

Mortgage-backed Securities – The unrealized losses on the Company's investments in mortgage-backed securities were caused by interest rate increases. The Company purchased some of these investments at a premium relative to their face amount, and the contractual cash flows of these investments have an implied guarantee by the U.S. Government. At December 31, 2015, the outstanding premium related to the mortgage-backed securities in a loss position is **$118,237**. Accordingly, it is expected that the securities with premiums could be settled at a price less than the amortized cost of the Company's investment. Because the decline in market value is attributable to changes in interest rates and not credit quality and because the Company has the ability and intent to hold these investments until a recovery of fair value, which may be maturity, the Company does not consider these investments to be other-than-temporarily impaired at December 31, 2015.

2. INVESTMENT SECURITIES (continued)

Other-than-temporary Impairment – Management evaluates securities for other-than-temporary impairment at least quarterly, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) evaluation by the Company of (a) its intent to sell a debt security prior to recovery and (b) whether it is more likely than not the Company will have to sell the debt security prior to recovery. As of December 31, 2015, no investment securities were other-than-temporarily impaired.

3. LOANS

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

	2015	2014
Real estate	**$ 20,420,496**	$ 21,226,915
Commercial	**4,428,274**	5,609,756
Installment	**2,226,697**	2,843,382
Other	**343,846**	589,883
Total loans	**27,419,313**	30,269,936
Less: Allowance for loan losses	**(271,002)**	(291,326)
Total net	**$ 27,148,311**	$ 29,978,610

Loan Origination/Risk Management – The Company has certain lending policies and procedures in place that are designed to maximize loan income within an acceptable level of risk. The intent of management is to grant loans to borrowers with financial strength to take on the capital risk involved, have satisfactory managerial and business competence, good character and integrity to honor debt in adversity. Management reviews and approves these policies and procedures on a regular basis.

A reporting system supplements the review process by providing management with frequent reports related to loan production, loan quality, concentrations of credit, loan delinquencies and non-performing and potential problem loans. Diversification in the loan portfolio is a means of managing risk associated with fluctuations in economic conditions.

Real estate (commercial real estate or consumer real estate) loans are underwritten after evaluating and understanding the borrower's ability to repay the loan through operating profitably and effectively growing its business or personal cash flow. Commercial real estate lending typically involves higher loan principal amounts and the repayment of these loans is generally largely dependent on the successful operation of the property securing the loan or the business conducted on the property securing the loan. Commercial real estate loans may be more adversely affected by conditions in the real estate markets or in the general economy.

3. LOANS (continued)

Management monitors and evaluates commercial real estate loans based on collateral and risk grade criteria. As a general rule, the Company avoids financing special use projects unless strong secondary support is present to help mitigate risk.

With respect to loans to builders, the Company generally requires the borrower to have a proven record of success and an expertise in the building industry. Construction loans are underwritten utilizing independent appraisal reviews which provide feasibility studies, sensitivity analysis of absorption and lease rates and, environmental risk assessments and financial analysis of the developers and property owners. Construction loans are generally based upon estimates of costs and value associated with the complete project. These estimates may be inaccurate. Construction loans often involve the disbursement of substantial funds with repayment substantially dependent on the success of the ultimate project. Sources of repayment for these types of loans may be pre-committed permanent loans from approved long-term lenders, sales of developed property or an interim loan commitment from the Company until permanent financing is obtained. These loans are closely monitored by on-site inspections and are considered to have higher risks than other real estate loans due to their ultimate repayment being sensitive to interest rate changes, governmental regulation of real property, general economic conditions and the availability of long-term financing. Due to the nature of the real estate industry, the Company evaluates the borrower's ability to service the interest of the debt from other sources other than the sale of the constructed property.

Commercial loans are subject to underwriting standards and processes similar to real estate loans. The Company's management examines current and projected cash flows to determine the ability of the borrower to repay their obligations as agreed. Commercial loans are primarily made based on the credit quality and cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. The cash flows of borrowers, however, may not be as expected and the collateral securing these loans may fluctuate in value.

Most commercial loans are secured by the assets being financed or other business assets such as accounts receivable or inventory and may incorporate a personal guarantee to add strength to the credit and reduce the risk on a transaction to an acceptable level; however, some short-term loans may be made on an unsecured basis to the most credit worthy borrowers. In the case of loans secured by accounts receivable, the availability of funds for the repayment of these loans may be substantially dependent on the ability of the borrower to collect amounts due from its customers. Due to the nature of accounts receivable and inventory secured loans, the Company closely monitors credit availability and collateral through the use of various tools, including but not limited to borrowing-base formulas, periodic accounts receivable agings, periodic inventory audits, and/or collateral inspections.

The Company originates non-real estate consumer loans based on the borrower's proven earning capacity over the term of the loan. Some short-term loans may be made on an unsecured basis to the most credit worthy borrowers. The Company monitors payment performance periodically for consumer loans to identify any deterioration in the borrower's financial strength. To monitor and manage consumer loan risk, policies and procedures are developed and modified, as needed, jointly by management and staff.

3. LOANS (continued)

Agricultural loans are made to sound and prudent farmers and ranchers within the Company's market area even though agriculture may be an unstable industry. In order to minimize the Company's risk, sound lending policies are extremely important, taking into consideration not only the value of collateral offered but also the performance history and anticipated cash flow from a given farming or ranching operation. All agricultural loan applications require cash flow projection for the coming farming season, and the projection must show a margin between income and expense that is sufficient to repay the loan from normal farm operations. All agriculture loans will be supported by a perfected first security interest position in the products being produced.

The Company engages its external audit firm to complete an independent loan review that reviews and validates the credit risk program on a periodic basis. Results of these reviews are presented to management. The loan review process complements and reinforces the risk ratings and credit quality assessment decisions made by lenders and credit personnel, as well as the Company's policies and procedures.

Related Party Loans – In the ordinary course of business, the Company makes loans to executive officers and directors of the Company. These loans are made on substantially the same terms, including interest and collateral, as those prevailing at the time for comparable transactions with other customers. Loans to these related parties, including companies in which they are principal owners are as follows:

	2015	2014
Principal outstanding, beginning of year	**$ 8,725**	$ 80,445
New loans made in current year	**27,065**	21,110
Repayments	**(27,224)**	(92,830)
Principal outstanding, end of year	**$ 8,566**	$ 8,725

Non-accrual and Past Due Loans – Loans are considered past due if the required principal and interest payments have not been received as of the date such payments were due. Loans are placed on non-accrual status when, in management's opinion, the borrower may be unable to meet payment obligations as they become due, as well as when required by regulatory provisions. Loans may be placed on non-accrual status regardless of whether or not such loans are considered past due. When interest accrual is discontinued, all unpaid accrued interest is reversed. Interest income is subsequently recognized only to the extent cash payments are received in excess of principal due. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

3. LOANS (continued)

An aged analysis of past due loans, segregated by class of loans, as of December 31, 2015 and 2014 were as follows:

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans	Recorded Investment > 90 Days and Still Accruing
December 31, 2015							
Real estate	**$ -**	**$ -**	**$ -**	**$ -**	**$ 20,420,496**	**$ 20,420,496**	**$ -**
Commercial	**-**	**-**	**-**	**-**	**4,428,274**	**4,428,274**	**-**
Installment	**31,200**	**26,982**	**15,322**	**73,504**	**2,153,193**	**2,226,697**	**81**
Other	**1,432**	**-**	**977**	**2,409**	**341,437**	**343,846**	**-**
Total	**$ 32,632**	**$ 26,982**	**$ 16,299**	**$ 75,913**	**$ 27,343,400**	**$ 27,419,313**	**$ 81**
December 31, 2014							
Real estate	$ -	$ -	$ -	$ -	$ 21,226,915	$ 21,226,915	$ -
Commercial	99,708	22,818	-	122,526	5,487,230	5,609,756	-
Installment	61,756	10,114	10,424	82,294	2,761,088	2,843,382	-
Other	7,658	-	20,057	27,715	562,168	589,883	-
Total	$ 169,122	$ 32,932	$ 30,481	$ 232,535	$ 30,037,401	$ 30,269,936	$ -

3. LOANS (continued)

Year-end impaired loans are set forth in the following table. The balance of impaired loans at December 31, 2015 and 2014 represented all non-accrual loans. No interest income was recognized on impaired loans subsequent to their classification as impaired.

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Prior to Impairment
December 31, 2015					
With no related allowance:					
Real estate	$ -	$ -	$ -	$ -	$ -
Commercial	-	-	-	-	-
Installment	15,241	15,322	-	12,828	81
Other	977	977	-	10,517	-
With a related allowance:					
Real estate	$ -	$ -	$ -	$ -	$ -
Commercial	-	-	-	-	-
Installment	-	-	-	-	-
Other	-	-	-	-	-
Total:					
Real estate	$ -	$ -	$ -	$ -	$ -
Commercial	-	-	-	-	-
Installment	15,241	15,322	-	12,828	81
Other	977	977	-	10,517	-
Total	$ 16,218	$ 16,299	$ -	$ 23,345	$ 81

3. **LOANS** (continued)

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Prior to Impairment
December 31, 2014					
With no related allowance:					
Real estate	$ -	$ -	$ -	$ -	$ -
Commercial	-	-	-	-	-
Installment	10,414	10,568	-	12,639	144
Other	20,057	20,057	-	23,492	-
With a related allowance:					
Real estate	$ -	$ -	$ -	$ -	$ -
Commercial	-	-	-	278,916	-
Installment	-	-	-	2,270	-
Other	-	-	-	-	-
Total:					
Real estate	$ -	$ -	$ -	$ -	$ -
Commercial	-	-	-	278,916	-
Installment	10,414	10,568	-	14,909	144
Other	20,057	20,057	-	23,492	-
Total	$ 30,471	$ 30,625	$ -	$ 317,317	$ 144

The effect of not recognizing interest income on non-accrual loans in accordance with the original terms was approximately **$675** and $32,800 during the years ended December 31, 2015 and 2014, respectively of forgone interest.

Credit Quality Indicators – As part of the on-going monitoring of the credit quality of the Company's loan portfolio, the Company utilizes a classification system to assign a credit rating to all customer debt of $250,000 or greater. Accurate and timely credit rating is a primary component of an effective loan review system. Loans are rated within five classifications.

A description of the general characteristics of the five classifications is as follows:

Pass – These credits will generally be comprised of well structured loans performing as agreed and represent the least possible risk to the bank. Collateral values, continued liquidity, and performance capability of the borrower appear to be adequate at the present time. In addition, all required documentation appeared to be in order with only minor exceptions, if any noted that do not appear to affect the collectability of the loan.

3. LOANS (continued)

Other Assets Especially Mentioned (OAEM) – These credits are currently protected but are potentially weak. These assets constitute an undue and unwarranted credit risk but not to the point of classifying them as substandard. Other assets especially mentioned have potential weakness which may weaken the asset or inadequately protect the Company's credit position at some future date. Assets in the category include credits with no immediate problem but where trends of a borrower's affairs or of a segment of the economy warrant a close watch. In addition, loans suffering from documentary deficiencies that could impair the Company's position if not corrected promptly would fall in this category. Finally, an adverse trend in the borrower's operations or loans not reviewable due to lack of sufficient information to make a judgment fall into this category.

Substandard – A substandard asset is one inadequately protected by the current sound worth and paying capacity of the debtor or of the collateral pledged. Assets so classified must have a well defined weakness that jeopardizes the liquidation of the debt. Fully secured loans where there has been deterioration in the borrower's affairs sufficient to cause the Company to look to sale of collateral for repayment. Loss does not seem likely, but where sufficient problems have arisen to cause the Company to protect its position. Loans in this category are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies noted are not corrected. However, loss potential does not have to exist in individual assets classified as substandard.

Doubtful – An asset classified doubtful has all the weakness as one classified as substandard with the added characteristics that the collection or liquidation in full are highly questionable and improbable. Some loss, but not complete loss seems very likely. The possibility of loss is high but due to certain important and reasonable specific pending factors (which may work to the advantage of the asset) its classification as an estimated loss is deferred until a more exact status can be determined.

Loss – Loans classified as loss are considered uncollectible and of such little value that their continuance as bankable assets is not practical. This does not mean that the asset has no recovery value or salvage value.

Management reserves the right to remove a loan from the Company's internal loan watch list when a policy exception ceases to exist or when a loan ceases to represent a potential collection problem. This procedure recognizes that some policy exceptions do not indicate potential collection problems.

3. LOANS (continued)

The following tables represent loans as of December 31, 2015 and 2014, by class of loans based on internally assigned risk grades and payment activity:

	Real Estate	Commercial	Installment	Other	Total
December 31, 2015					
Credit Risk Profile by Internally Assigned Grade					
Grade:					
Pass	**$ 17,046,412**	**$ 4,026,912**	**$ 2,213,433**	**$ 342,869**	**$ 23,629,626**
OAEM	**6,571**	**4,865**	**13,264**	**977**	**25,677**
Substandard	**3,367,513**	**396,497**	**-**	**-**	**3,764,010**
Doubtful	**-**	**-**	**-**	**-**	**-**
Loss	**-**	**-**	**-**	**-**	**-**
Total	**$ 20,420,496**	**$ 4,428,274**	**$ 2,226,697**	**$ 343,846**	**$ 27,419,313**
Credit Risk Profile Based on Payment Activity					
Performing	**$ 20,420,496**	**$ 4,428,274**	**$ 2,153,193**	**$ 341,437**	**$ 27,343,400**
Nonperforming	**-**	**-**	**73,504**	**2,409**	**75,913**
Total	**$ 20,420,496**	**$ 4,428,274**	**$ 2,226,697**	**$ 343,846**	**$ 27,419,313**
December 31, 2014					
Credit Risk Profile by Internally Assigned Grade					
Grade:					
Pass	$ 21,105,840	$ 4,850,452	$ 2,794,459	$ 588,606	$ 29,339,357
OAEM	16,765	274,735	23,506	1,277	316,283
Substandard	104,310	484,569	25,417	-	614,296
Doubtful	-	-	-	-	-
Loss	-	-	-	-	-
Total	$ 21,226,915	$ 5,609,756	$ 2,843,382	$ 589,883	$ 30,269,936
Credit Risk Profile Based on Payment Activity					
Performing	$ 21,226,915	$ 5,487,230	$ 2,761,088	$ 562,168	$ 30,037,401
Nonperforming	-	122,526	82,294	27,715	232,535
Total	$ 21,226,915	$ 5,609,756	$ 2,843,382	$ 589,883	$ 30,269,936

4. ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses is a reserve established through a provision for loan losses charged to expense, which represents management's best estimate of probable losses that have been incurred within the existing portfolio of loans. The allowance, in the judgment of management, is necessary to reserve for estimated loan losses and risks inherent in the loan portfolio. The Company's allowance for loan loss methodology includes allowance allocations calculated in accordance with ASC Topic 310, "Receivables" and allowance allocations calculated in accordance with ASC Topic 450, "Contingencies." Accordingly, the methodology is based on historical loss experience by type of credit and internal classifications, changes in the composition and volume of the portfolio, and specific loss allocations, with adjustments for current events and conditions. The Company's process for determining the appropriate level of the allowance for loan losses is designed to account for credit deterioration as it occurs.

The provision for loan losses reflects management's periodic evaluation of individual loans and changes to the required allowance for specific loans, economic factors, past loan loss experience, loan quality trends, including the levels of and trends related to non-accrual loans, past due loans, potential problem loans, criticized loans and net charge-offs or recoveries, among other factors.

The level of the allowance reflects management's continuing evaluation of industry concentrations, specific credit risks, loan loss experience, current loan portfolio quality, present economic, political and regulatory conditions and unidentified losses inherent in the current loan portfolio, as well as trends in the foregoing. Portions of the allowance may be allocated for specific credits; however, the entire allowance is available for any credit that, in management's judgment, should be charged off. While management utilizes its best judgment and information available, the ultimate adequacy of the allowance is dependent upon a variety of factors beyond the Company's control, including, among other things, the performance of the Company's loan portfolio, the economy, changes in interest rates and the view of the regulatory authorities toward loan classifications.

The Company's allowance for loan losses consists of three elements: (i) specific valuation allowances determined in accordance with ASC Topic 310 based on probable losses on specific loans; (ii) historical valuation allowances determined in accordance with ASC Topic 450 based on historical loan loss experience for similar loans with similar characteristics and trends, adjusted, as necessary, to reflect the impact of current conditions; and (iii) general valuation allowances determined in accordance with ASC Topic 450 based on general economic conditions and other qualitative risk factors both internal and external to the Company.

The allowances established for probable losses on specific loans are based on a regular analysis and evaluation of problem loans. Loans are classified based on an internal classification process that evaluates, among other things: (i) the borrower's ability to repay; (ii) the underlying collateral, if any; and (iii) the economic environment and industry in which the borrower operates. The initial analysis is performed by the lending officer and credit rating is reviewed and approved by the Board of Directors.

Specific valuation allowances are determined by analyzing the borrower's ability to repay amounts owed, collateral deficiencies, the relative risk classification of the loan and economic conditions affecting the borrower's industry, among other things.

4. ALLOWANCE FOR LOAN LOSSES (continued)

The Company calculates historical loss ratios for classifications of similar loans based on the proportion of actual charge-offs experienced to the total population of loans in the category. The historical loss ratios are periodically updated based on actual charge-off experience.

The Company's categories of similar loans include similarly risk-graded groups of commercial loans, commercial real estate loans, consumer real estate loans and consumer and other loans. General valuation allowances are based on general economic conditions and other qualitative risk factors both internal and external to the Company.

In general, such valuation allowances are determined by evaluating, among other things: (i) the experience, ability and effectiveness of the Company's lending management and staff; (ii) the effectiveness of the Company's loan policies, procedures and internal controls; (iii) changes in asset quality; (iv) changes in nature and loan portfolio volume; (v) the composition and concentrations of credit; (vi) the effectiveness of the loan review function; (vii) the impact of national and local economic business conditions; and (viii) the impact of external factors, such as competition or legal and regulatory requirements. Management evaluates the degree of risk that each one of these components has on the quality of the loan portfolio on a quarterly basis. Loans identified as losses by management, external loan review and/or bank examiners are charged-off. Furthermore, consumer loan accounts are charged-off automatically based on regulatory requirements.

The following table details activity in the allowance for loan losses by portfolio segment for the years ended December 31, 2015 and 2014. Allocation of a portion of the allowance to one category of loans does not preclude its availability to absorb losses in other categories.

	Real Estate	Commercial	Installment	Other	Unallocated	Total
December 31, 2015						
Beginning balance	$ 26,215	$ 164,135	$ 18,200	$ 318	$ 82,458	$ 291,326
Charge-offs	(13,095)	(58,383)	(25,040)	-	-	(96,518)
Recoveries	-	27,925	12,648	56	-	40,629
Provision	69,358	21,481	11,919	(182)	(67,011)	35,565
Ending balance	$ 82,478	$ 155,158	$ 17,727	$ 192	$ 15,447	$ 271,002
Ending balance allocated to loans individually evaluated for impairment	$ -	$ 100,000	$ -	$ -	$ -	$ 100,000
Ending balance allocated to loans collectively evaluated for impairment	82,478	55,158	17,727	192	15,447	171,002
Total allowance for loan losses	$ 82,478	$ 155,158	$ 17,727	$ 192	$ 15,447	$ 271,002

4. ALLOWANCE FOR LOAN LOSSES (continued)

	Real Estate	Commercial	Installment	Other	Unallocated	Total
December 31, 2014						
Beginning balance	$ 59,966	$ 191,676	$ 50,036	$ 832	$ -	$ 302,510
Charge-offs	-	-	(68,516)	(56)	-	(68,572)
Recoveries	-	6,252	51,136	-	-	57,388
Provision	(33,751)	(33,793)	(14,456)	(458)	82,458	-
Ending balance	$ 26,215	$ 164,135	$ 18,200	$ 318	$ 82,458	$ 291,326
Ending balance allocated to loans individually evaluated for impairment	$ -	$ 100,000	$ -	$ -	$ -	$ 100,000
Ending balance allocated to loans collectively evaluated for impairment	26,215	64,135	18,200	318	82,458	191,326
Total allowance for loan losses	$ 26,215	$ 164,135	$ 18,200	$ 318	$ 82,458	$ 291,326

The following table details activity in the allowance for loan losses by portfolio segment and disaggregated on the basis of the Company's impairment methodology for the years ended December 31, 2015 and 2014.

	Real Estate	Commercial	Installment	Other	Unallocated	Total
December 31, 2015						
Ending balance of loans individually evaluated for impairment	**$ 3,374,084**	**$ 401,362**	**$ 13,264**	**$ 977**	**$ -**	**$ 3,789,687**
Ending balance of loans collectively evaluated for impairment	**17,046,412**	**4,026,912**	**2,213,433**	**342,869**	**-**	**23,629,626**
Ending balance	**$ 20,420,496**	**$ 4,428,274**	**$ 2,226,697**	**$ 343,846**	**$ -**	**$ 27,419,313**
December 31, 2014						
Ending balance of loans individually evaluated for impairment	$ 121,075	$ 759,304	$ 48,923	$ 1,277	$ -	$ 930,579
Ending balance of loans collectively evaluated for impairment	21,105,840	4,850,452	2,794,459	588,606	-	29,339,357
Ending balance	$ 21,226,915	$ 5,609,756	$ 2,843,382	$ 589,883	$ -	$ 30,269,936

5. OTHER REAL ESTATE

The Bank noted no transactions in other real estate for the years ended December 31, 2015 and 2014.

6. BANK PREMISES AND EQUIPMENT

Bank premises and equipment consisted of the following at December 31, 2015 and 2014:

	2015	2014
Land	$ **1,064,325**	$ 1,064,325
Buildings and improvements	**4,577,462**	4,490,431
Furniture and equipment	**1,638,449**	1,636,598
Automobiles	**83,877**	83,877
	7,364,113	7,275,231
Less: accumulated depreciation	**(4,203,591)**	(3,999,851)
Total	$ **3,160,522**	$ 3,275,380

Other assets included the following at December 31, 2015 and 2014:

	2015	2014
Software	$ **497,944**	$ 497,944
Less: accumulated depreciation	**(485,628)**	(456,441)
Total	$ **12,316**	$ 41,503

Depreciation and amortization expense totaled **$232,927** and $246,378 for the years ended December 31, 2015 and 2014, respectively.

7. INTANGIBLES

In 2008, 2006, and 2005, intangible assets of customer relationships were purchased in the amounts of $493,986, $96,380 and $31,614, respectively. Intangibles are amortized on a straight-line basis over their estimated lives of 10 years.

	Customer Relationships
Intangible	$ 621,980
Accumulated amortization	(504,308)
Net intangible	$ 117,672
Amortization expense for 2015	**$ 59,037**
Amortization expense for 2014	$ 59,037

7. INTANGIBLES (continued)

Accumulated amortization for 2015 is as follows:

Year Ending December 31,

2016	$ 51,808
2017	49,399
2018	16,465
	$ 117,672

8. DEPOSITS

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

	2015	2014
Non-interest bearing:		
Demand accounts	**$ 65,760,205**	$ 69,655,195
Interest bearing:		
NOW accounts	**32,029,266**	24,931,023
Money market accounts	**28,155,539**	32,578,901
Savings accounts	**16,735,944**	21,218,584
Certificates of deposit	**8,558,790**	9,103,091
	85,479,539	87,831,599
Total	**$ 151,239,744**	$ 157,486,794

Certificates of deposit of $250,000 or more as of December 31, 2015 and 2014 totaled **$1,655,837** and $1,597,198, respectively. Included in total deposits at December 31, 2015 and 2014 are **$7,055,917** and $6,686,911, respectively, of deposits from certain related parties (executive officers and directors of the Company) including their families and affiliates, and companies which they are principal owners. Interest paid on deposits totaled **$53,305** and $52,830 in 2015 and 2014, respectively.

At December 31, 2015, the scheduled maturities of certificates of deposits were as follows:

2016	**$ 7,661,151**
2017	**788,158**
2018	**109,481**
Total	**$ 8,558,790**

9. INCOME TAXES

Federal income tax consisted of the following for the years ended December 31, 2015 and 2014:

	2015	2014
Federal taxes current	**$ 377,356**	$ 375,550
State income tax current	**7,200**	7,200
Deferred taxes (credit) relating to:		
Discount accretion on investments	**5,337**	23,194
Fixed asset depreciation	**(27,384)**	(35,484)
Provision for loan losses	**6,911**	1,652
Deferred compensation	**16,495**	(28,113)
Core deposit	**23,836**	23,837
Margin tax	**(549)**	(106)
Organization cost	**1,459**	1,460
Other	**(18,145)**	-
Total income tax expense	**$ 392,516**	$ 369,190

	2015	2014
Tax expense to statutory rate	**$ 528,739**	$ 538,748
Deduct effects of:		
State income tax	**4,752**	4,752
Tax-exempt interest	**(103,840)**	(134,746)
Interest expense exclusion	**230**	313
Earnings on BOLI	**(41,253)**	(43,009)
50% meals and entertainment	**2,498**	1,582
Officers' life insurance	**1,019**	1,019
Tax free loan income	**-**	(321)
Club dues	**371**	852
Total income tax expense	**$ 392,516**	$ 369,190

9. INCOME TAXES (continued)

		2015		2014
Deferred tax assets:				
Unrealized loss on securities available-for-sale	$	**287,143**	$	169,030
Organization cost		**12,285**		13,744
Provision for loan losses		**52,451**		59,362
Deferred compensation		**286,778**		303,273
Margin tax		**2,119**		1,570
Total gross deferred tax assets		**640,776**		546,979
Deferred tax liabilities:				
Discount accretion on investments		**(38,590)**		(33,253)
Fixed asset depreciation		**(7,811)**		(35,195)
Core deposit		**(42,988)**		(19,152)
Total gross deferred tax liabilities		**(89,389)**		(87,600)
Net deferred tax asset (liability)	**$**	**551,387**	$	459,379
Cash paid for income taxes	**$**	**344,550**	$	497,522
Federal income tax receivable (payable)	**$**	**(157,955)**	$	(125,150)

The net deferred tax as of December 31, 2015 and 2014 is included in other assets on the consolidated balance sheet.

10. EXECUTIVE SUPPLEMENTAL INCOME AND DEFERRED COMPENSATION PLANS

The Company has an executive supplemental income plan, which is funded by insurance. The plan covers the president of the Company and requires annual contributions to the insurance fund until endowment is obtained. The balance of the cash surrender value and investment was **$601,570** and $549,644 in 2015 and 2014, respectively. The Company made contributions to the plan in the amounts of **$48,610** and $47,013 in 2015 and 2014, respectively. Other liabilities include deferred compensation for the executive supplemental plan totaling **$579,308** and $527,382 in 2015 and 2014, respectively.

In addition, the Company has an executive deferred compensation plan, which is funded by insurance policies with the Jourdanton State Bank as beneficiary. The cash surrender value of the insurance policies at December 31, 2015 and 2014 was **$4,464,961** and $4,345,741, respectively. The Company expenses the deferred fees and the amount owed to the staff is recorded in a liability account. Other liabilities include deferred compensation for 2015 and 2014 totaling **$264,156** and $364,597, respectively.

11. EMPLOYEE BENEFIT PLAN

The Company has a Section 401(k) contributory plan (the "401(k) Plan") for the benefit of substantially all of the Company's employees who elect to participate. The 401(k) Plan is available to all regular employees who meet certain requirements as to length of service and legal age requirements. An employee may contribute a percentage of his/her covered compensation to the 401(k) Plan according to IRS limits. Generally, covered compensation is all compensation paid to an employee for employee services rendered, including 401(k) Plan salary reductions. The Company, at its discretion, provides contributions to the Plan on behalf of the participants, and pays all 401(k) Plan expenses. The Company made profit sharing and matching contributions to the Plan totaling **$82,626** and $115,589 in 2015 and 2014, respectively.

12. LEASES

Minimum future rental income related to leased space within the Company buildings on non-cancelable operating lease agreements are as follows:

2016	$	**281,098**
2017		**110,565**
2018		**65,317**
2019		**33,930**
2020		**9,144**
Total	$	**500,054**

Rental income of **$552,008** and $593,880 for 2015 and 2014, respectively, has been reflected as a reduction of occupancy expenses.

13. FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK AND CONCENTRATIONS OF CREDIT RISK

In the normal course of business, the Company makes various commitments and incurs certain contingent liabilities that are not presented in the accompanying consolidated financial statements. The commitments and contingent liabilities include various guarantees, commitments to extend credit, and standby letters of credit.

The Company'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 amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments. At December 31, 2015 and 2014, the Company had unfunded loan commitments and standby letters of credit outstanding of **$2,383,487** and $1,979,559, respectively. The Company does not anticipate any material losses as a result of the commitments.

13. FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK AND CONCENTRATIONS OF CREDIT RISK (continued)

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 Company evaluates each customer's creditworthiness on a case-by-case basis. The amount and type of collateral obtained, if deemed necessary by the Company upon extension of credit, varies and is based on management's credit evaluation of the counterparty.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Standby letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company's policy for obtaining collateral, and the nature of such collateral, is essentially the same as that involved in making commitments to extend credit.

14. REGULATORY MATTERS

Cash Reserve Requirements – The Company is required to maintain average cash reserve balances with the Federal Reserve Bank, net of usable vault cash, or depository banks thereof. The reserve required at December 31, 2015 and 2014 was approximately **$810,000** and $976,000, respectively.

Capital Requirements – Banks are subject to various regulatory capital requirements administered by state and federal banking agencies. Capital adequacy guidelines and prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weighting and other factors.

The Basel III Capital Rules became effective for Jourdanton State Bank on January 1, 2015 (subject to a phase-in period for certain provisions). Quantitative measures established by the Basel III Capital Rules to ensure capital adequacy require the maintenance of minimum amounts and ratios (set forth in the table below) of Common Equity Tier 1 capital, Tier 1 capital and Total capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier 1 capital to adjusted quarterly average assets (as defined).

Jourdanton State Bank's Common Equity Tier 1 capital consists of common stock and related paid-in capital, net of treasury stock, and retained earnings. In connection with the adoption of the Basel III Capital Rules, the election was made to opt-out of the requirement to include most components of accumulated other comprehensive income in Common Equity Tier 1. Common Equity Tier 1 for Jourdanton State Bank is reduced by goodwill and other intangible assets, net of associated deferred tax liabilities and subject to transition provisions.

14. REGULATORY MATTERS (continued)

Tier 1 capital includes Common Equity Tier 1 capital and additional Tier 1 capital as allowed by regulation. Jourdanton State Bank did not have any additional Tier 1 capital beyond Common Equity Tier 1 as of December 31, 2015.

Total capital includes Tier 1 capital and Tier 2 capital. Tier 2 capital for Jourdanton State Bank includes a permissible portion of the allowance for loan losses.

Prior to January 1, 2015, Jourdanton State Bank's Tier 1 capital consisted of total shareholders' equity excluding accumulated other comprehensive income, goodwill and other intangible assets. Jourdanton State Bank's Total capital was comprised of Tier 1 capital plus a permissible portion of the allowance for loan losses.

The Common Equity Tier 1 (beginning in 2015), Tier 1 and Total capital ratios are calculated by dividing the respective capital amounts by risk-weighted assets. Risk-weighted assets are calculated based on regulatory requirements and include total assets, excluding goodwill and other intangible assets, allocated by risk weight category, and certain off-balance-sheet items, among other things. The leverage ratio is calculated by dividing Tier 1 capital by adjusted quarterly average total assets, which exclude goodwill and other intangible assets, among other things.

When fully phased in on January 1, 2019, the Basel III Capital Rules will require Jourdanton State Bank to maintain (i) a minimum ratio of Common Equity Tier 1 capital to risk-weighted assets of at least 4.5%, plus a 2.5% "capital conservation buffer" (which is added to the 4.5% Common Equity Tier 1 capital ratio as that buffer is phased in, effectively resulting in a minimum ratio of Common Equity Tier 1 capital to risk-weighted assets of at least 7.0% upon full implementation), (ii) a minimum ratio of Tier 1 capital to risk-weighted assets of at least 6.0%, plus the capital conservation buffer (which is added to the 6.0% Tier 1 capital ratio as that buffer is phased in, effectively resulting in a minimum Tier 1 capital ratio of 8.5% upon full implementation), (iii) a minimum ratio of Total capital (that is, Tier 1 plus Tier 2) to risk-weighted assets of at least 8.0%, plus the capital conservation buffer (which is added to the 8.0% total capital ratio as that buffer is phased in, effectively resulting in a minimum total capital ratio of 10.5% upon full implementation) and (iv) a minimum leverage ratio of 4.0%, calculated as the ratio of Tier 1 capital to average quarterly assets.

The implementation of the capital conservation buffer will begin on January 1, 2016 at the 0.625% level and be phased in over a four-year period (increasing by that amount on each subsequent January 1, until it reaches 2.5% on January 1, 2019). The Basel III Capital Rules also provide for a "countercyclical capital buffer" that is applicable to only certain covered institutions and does not have any current applicability to Jourdanton State Bank.

The aforementioned capital conservation buffer is designed to absorb losses during periods of economic stress. Banking institutions with a ratio of Common Equity Tier 1 capital to risk-weighted assets above the minimum but below the conservation buffer (or below the combined capital conservation buffer and countercyclical capital buffer, when the latter is applied) will face constraints on dividends, equity repurchases and compensation based on the amount of the shortfall.

14. REGULATORY MATTERS (continued)

The following table presents actual and required capital ratios as of December 31, 2015 for Jourdanton State Bank under the Basel III Capital Rules. The minimum required capital amounts presented include the minimum required capital levels as of December 31, 2015 based on the phase-in provisions of the Basel III Capital Rules and the minimum required capital levels as of January 1, 2019 when the Basel III Capital Rules have been fully phased-in. Capital levels required to be considered well capitalized are based upon prompt corrective action regulations, as amended to reflect the changes under the Basel III Capital Rules.

	Actual		Minimum Capital Required - Basel III Phase-In Schedule		Minimum Capital Required - Basel III Fully Phase-In		Required to be Considered Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2015:								
Total Capital (to Risk-Weighted Assets)	**$ 18,659,064**	**28.6%**	**$ 5,219,319**	**8.0%**	**$ 6,850,356**	**10.5%**	**$ 6,524,149**	**10.0%**
Tier I Capital (to Risk-Weighted Assets)	**$ 18,388,062**	**28.2%**	**$ 3,912,354**	**6.0%**	**$ 5,542,502**	**8.5%**	**$ 5,216,472**	**8.0%**
Common Equity Tier I Capital (to Risk-Weighted Assets)	**$ 18,388,062**	**28.2%**	**$ 2,934,265**	**4.5%**	**$ 4,564,412**	**7.0%**	**$ 4,238,383**	**6.5%**
Tier I Capital (to Average Assets)	**$ 18,388,062**	**10.8%**	**$ 6,810,393**	**4.0%**	**$ 6,810,393**	**4.0%**	**$ 8,512,991**	**5.0%**

The following table presents actual and required capital ratios as of December 31, 2014 for Jourdanton State Bank under the regulatory capital rules then in effect.

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2014:						
Total Capital (to Risk-Weighted Assets)	$ 17,592,672	27.0%	$ 5,212,644	8.0%	$ 6,515,804	10.0%
Tier I Capital (to Risk-Weighted Assets)	$ 17,301,346	26.6%	$ 2,601,706	4.0%	$ 3,902,559	6.0%
Tier I Capital (to Average Assets)	$ 17,301,346	10.2%	$ 6,784,842	4.0%	$ 8,481,052	5.0%

As of December 31, 2015, capital levels at Jourdanton State Bank exceed all capital adequacy requirements under the Basel III Capital Rules on a fully phased-in basis. Based on the ratios presented above, capital levels as of December 31, 2015 at Jourdanton State Bank exceed the minimum levels necessary to be considered "well capitalized."

14. REGULATORY MATTERS (continued)

Jourdanton State Bank is subject to the regulatory capital requirements administered by the Texas State Department of Banking and the Federal Deposit Insurance Corporation ("FDIC"). Regulatory authorities can initiate certain mandatory actions if Jourdanton State Bank fails to meet the minimum capital requirements, which could have a direct material effect on the financial statements. Management believes, as of December 31, 2015, that Jourdanton State Bank meets all capital adequacy requirements to which it is subject.

Dividend Restrictions. The Bank is required to obtain supervisory approval prior to declaring any dividends payable to the shareholders that would result in the Bank falling below the minimum capital ratios described above.

15. ADVANCES FROM FEDERAL HOME LOAN BANK AND OTHER BORROWINGS

The Company has an advance agreement with the Federal Home Loan Bank with a blanket lien of $12,392,664 of specific mortgage loans available to pledge as collateral. The Company did not have any amounts outstanding on this line-of-credit as of December 31, 2015 or 2014. The Company paid no interest on advances from the Federal Home Loan Bank for the years ended December 31, 2015 and 2014.

The Company has a federal fund line-of-credit from Frost National Bank in the amount of $5,000,000. The Company does not have any amounts outstanding on this line-of-credit as of December 31, 2015.

16. FAIR VALUE DISCLOSURES

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

An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets and liabilities; it is not a forced transaction. Market participants are buyers and sellers in the principal market that are (i) independent, (ii) knowledgeable, (iii) able to transact and (iv) willing to transact. The authoritative guidance on fair value measurements requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. The income approach uses valuation techniques to convert future amounts, such as cash flows or earnings, to a single present amount on a discounted basis. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (replacement costs). Valuation techniques should be consistently applied. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability.

16. FAIR VALUE DISCLOSURES (continued)

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

The fair value hierarchy is as follows:

Level 1 Inputs – Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 Inputs – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (for example, interest rates, volatilities, prepayment speeds, loss severities, credit risks and default rates) or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 Inputs – Significant unobservable inputs that reflect an entity's own assumptions that market participants would use in pricing the assets or liabilities.

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

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

Financial Assets and Financial Liabilities

Financial assets and financial liabilities measured at fair value on a recurring and nonrecurring basis include the following:

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

16. FAIR VALUE DISCLOSURES (continued)

Impaired Loans – A loan may be considered impaired when it is determined that it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement.

Once a loan is identified as individually impaired, management measures for impairment using the practical expedients permitted by applicable authoritative accounting guidance, at the fair value of the loans collateral, if the loan is collateral dependent. If a loan is determined to be collateral dependent, the fair value of the collateral is determined by independent appraisals or valuations adjusted for costs related to the liquidation of the collateral and are classified as Level 3.

The following table summarizes financial assets and financial liabilities measured at fair value on a recurring basis, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
December 31, 2015				
U.S. Government agencies	**$ -**	**$ 106,240,816**	**$ -**	**$ 106,240,816**
State and municipal securities	**$ -**	**$ 8,847,313**	**$ -**	**$ 8,847,313**
Corporate obligations	**$ -**	**$ 995,631**	**$ -**	**$ 995,631**
Mortgage-backed securities	**$ -**	**$ 3,807,239**	**$ -**	**$ 3,807,239**
December 31, 2014				
U.S. Government agencies	$ -	$ 97,595,279	$ -	$ 97,595,279
State and municipal securities	$ -	$ 13,850,888	$ -	$ 13,850,888
Corporate obligations	$ -	$ -	$ -	$ -
Mortgage-backed securities	$ -	$ 150,586	$ -	$ 150,586

Certain financial assets are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment).

16. FAIR VALUE DISCLOSURES (continued)

The following table summarizes financial assets and financial liabilities measured at fair value on a non-recurring basis, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
December 31, 2015				
Impaired loans	**$ -**	**$ -**	**$ 16,218**	**$ 16,218**
December 31, 2014				
Impaired loans	$ -	$ -	$ 30,471	$ 30,471

During the years ended December 31, 2015 and 2014, certain impaired loans were remeasured and reported at fair value through a specific valuation allowance allocation of the allowance for loan losses based upon the fair value of the underlying collateral based on collateral valuations utilizing Level 3 valuation inputs.

	2015	2014
Carrying value of impaired loans	**$ 16,218**	$ 30,471
Specific valuation allowance allocations	**-**	-
Fair value of impaired loans	**$ 16,218**	$ 30,471

Non-Financial Assets and Non-Financial Liabilities

Application of authoritative accounting guidance to non-financial assets and non-financial liabilities became effective January 1, 2009. No non-financial assets and non-financial liabilities were measured at fair value on a recurring or non-recurring basis.

Fair Value of Financial Instruments

The Company is required under current authoritative guidance to disclose the estimated fair value of its financial instrument assets and liabilities including those subject to the requirements discussed above. For the Company, as for most financial institutions, substantially all of its assets and liabilities are considered financial instruments as defined. Many of the Company's financial instruments, however, lack an available trading market as characterized by a willing buyer and willing seller engaging in an exchange transaction.

16. FAIR VALUE DISCLOSURES (continued)

The estimated fair value amounts of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, considerable judgment is required to interpret data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts. In addition, reasonable comparability between financial institutions may not be likely due to the wide range of permitted valuation techniques and numerous estimates that must be made given the absence of active secondary markets for many of the financial instruments. This lack of uniform valuation methodologies also introduces a greater degree of subjectivity to these estimated fair values.

Financial instruments with fixed rates or stated maturities have been valued using a present value discounted cash flow with a discount rate approximating current market for similar assets and liabilities. Financial instrument assets with variable rates and financial instrument liabilities with no stated maturities have an estimated fair value equal to both the amount payable on demand and the carrying value.

The carrying amounts of financial instruments with a relatively short period of time between their origination and their expected realization approximate fair value.

The carrying value and the estimated fair value of the Company's contractual off-balance-sheet unfunded lines of credit, loan commitments and letters of credit, which are generally priced at market at the time of funding, are not material.

The estimated fair values and carrying values of all financial instruments under current authoritative guidance at December 31 were as follows (in thousands):

	2015 Fair Amount	**2015 Carrying Value**	2014 Fair Amount	2014 Carrying Value
Financial Assets:				
Level 2 Inputs:				
Cash and cash equivalents	**$ 10,270**	**$ 10,270**	$ 23,913	$ 23,913
Time deposits with other banks	**4,000**	**4,000**	1,250	1,250
Investment securities available-for-sale	**119,891**	**119,891**	111,597	111,597
Cash value on bank-owned life insurance	**4,465**	**4,465**	4,346	4,346
Accrued interest receivable	**588**	**588**	629	629
Level 3 Inputs:				
Loans, net	**$ 29,155**	**$ 27,148**	$ 31,657	$ 29,979
Deferred compensation asset	**602**	**602**	550	550

16. FAIR VALUE DISCLOSURES (continued)

	2015 Fair Amount	**2015 Carrying Value**	2014 Fair Amount	2014 Carrying Value
Financial Liabilities:				
Level 2 Inputs:				
Deposits	**$ 151,753**	**$ 151,240**	$ 157,846	$ 157,487
Accrued interest payable	**2**	**2**	2	2
Level 3 Inputs:				
Deferred compensation liability	**$ 843**	**$ 843**	$ 892	$ 892

17. OTHER MATTERS

On October 28, 2013, the Board of Directors of the Bank stipulated to a consent order with the FDIC regarding its compliance management system. The Board of Directors did not admit to any wrongdoing, and it was not required to do so. Further, the Board of Directors concluded that it would be in the best interest of the Bank to avoid the expense and time involved in contesting the consent order. The Bank is required to provide periodic progress reports to the FDIC as long as the consent order is effective. The consent order was removed on February 16, 2016 subsequent to another FDIC examination.

18. SUBSEQUENT EVENTS

The Company has performed a review of subsequent events through the date of the opinion, the date the consolidated financial statements were available for issuance, and concludes there were no other events or transactions occurring during this period that required recognition or disclosure in the consolidated financial statements other than those described below. Any event occurring after this date has not been factored into the financial statements being presented.

The Company has filed and received approval to be acquired by First Commercial Financial Corporation of Seguin ("FCFCS"). Shareholders of the company will receive cash and stock in FCFCS.

19. RECENTLY ISSUED AUTHORITATIVE GUIDANCE

In February 2016, the FASB amended its authoritative guidance regarding leases. The amended guidance affects all entities with leases and includes both lessees and lessors with the primary changes impacting lessees. An accounting policy election can be made to exclude leases with terms of 12 months or less. Lessees will be required to recognize a lease liability and a right-of-use asset measured at the present value of the lease payments required and reasonably certain (as defined) lease options. The right-of-use asset represents the lessee's right to control the use of the asset for the specified lease term. For finance leases (as defined), a lessee is required to separately recognize interest on the lease liability and amortization of the right-of-use asset on the statement of income. For finance leases (as defined) the repayments of the principal portion of the lease liability is recognized in financing activities and payments of interest on the lease liability and variable lease payments within the operating activities on the statement of cash flow. For operating leases (as defined), a lessee is required to recognize interest on the lease liability and amortization of the right-of-use asset on the statement of income as a single lease cost on a straight line basis and as operating activities on the statement of cash flows. The new authoritative guidance will be effective for annual reporting periods beginning after December 15, 2020. Early application is permitted for all entities. In transition the Company is permitted to elect a modified retrospective approach for existing leases and will be allowed to account for leases under previous GAAP unless the leases are modified. At the date of application, the lease liability and a right-of-use asset will be recognized based on the remaining present value of lease payments. Management is evaluating the amended guidance but does not expect the adoption will have a significant impact on the Company's consolidated financial statements.

In 2016, the FASB amended its authoritative guidance related to equity investments which requires equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income and requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset. Early adoption is permitted. The amendment will be effective for annual reporting periods beginning after December 15, 2018 and is not expected to have a significant impact on the Company's consolidated financial statements.

In 2015, the FASB amended its authoritative guidance related to the presentation of deferred taxes. The amendment eliminates the current requirement for entities to present deferred tax liabilities and assets as current and noncurrent in a classified balance sheet. Instead, the entity will be required to classify all deferred tax assets and liabilities as noncurrent. Early adoption is permitted for financial statements that have not been issued. The amendment will be effective for annual reporting periods beginning after December 15, 2018 and is not expected to have a significant impact on the Company's consolidated financial statements.

19. RECENTLY ISSUED AUTHORITATIVE GUIDANCE (continued)

In 2015, the FASB amended its authoritative guidance related to business combinations. The amendments require adjustments to provisional amounts that are identified during the measurement period, including the cumulative effect of changes in depreciation, amortization, or other income effects to be recognized in the current-period financial statements. Prior periods should no longer be adjusted. Lastly, the amendment requires the entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. The amendment will be effective for annual reporting periods beginning after December 15, 2016 and is not expected to have a significant impact on the Company's consolidated financial statements.

In 2015, the FASB issued authoritative guidance regarding debt issuance costs which requires entities to present debt issuance costs related to a recognized debt liability be presented within the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendment. The new authoritative guidance will be effective for financial statements issued for fiscal years beginning after December 15, 2015 and is not expected to have a significant impact on the Company's consolidated financial statements.

In 2015, the FASB amended its authoritative guidance regarding inventory. The amendment requires an entity to measure inventory at the lower of cost and net realizable value. The amendments do not apply to inventory that is measured using last-in, first-out ("LIFO") or the retail inventory method. The amendments apply to all other inventory, which includes inventory that is measured using first-in, first-out ("FIFO") or average cost. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Subsequent measurement is unchanged for inventory measured using LIFO or the retail inventory method. The amendment will be effective for annual reporting periods beginning after December 15, 2015 and is not expected to have a significant impact on the Company's consolidated financial statements.

In 2015, the FASB amended its authoritative guidance for disclosures for investments in certain entities that calculate net asset value ("NAV") per share. The amendment eliminates the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the NAV practical expedient. Additionally, the amendment removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the NAV practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. The amendment will be effective for annual and interim reporting periods beginning after December 15, 2016, and is not expected to have a significant impact on the Company's consolidated financial statements.

19. RECENTLY ISSUED AUTHORITATIVE GUIDANCE (continued)

In 2015, the FASB amended its authoritative guidance regarding accounting for a cloud computing arrangement. If a cloud computing arrangement includes a software license, then the entity should account for the software license element of the arrangement consistent with the acquisition of other software licenses that are capitalized. Otherwise, an entity should account for the arrangement as a service contract, which would usually be expensed. The amendment will be effective for annual periods beginning after December 15, 2015 and is not expected to have a significant impact on the Company's consolidated financial statements.

In 2015, the FASB amended its authoritative guidance for consolidations for legal entities such as limited partnerships and their equivalents, as well as structured vehicles such as issuers of collateralized debt obligations. The amendment modifies the evaluation of whether limited partnerships and their equivalents are variable interest entities ("VIEs") or voting interest entities, eliminates the presumption that a general partner should consolidate a limited partnership, and modifies the consolidation analysis of reporting entities that are involved with VIEs, particularly those with fee arrangements and related party relationships. The amendment will be effective for annual reporting periods beginning after December 15, 2016 and is not expected to have a significant impact on the Company's consolidated financial statements.

In 2015, the FASB amended its authoritative guidance to eliminate the concept of extraordinary items from U.S. GAAP. Items that are either unusual in nature or infrequently occurring will continue to be reported as a separate component of income from continuing operations. Alternatively, these amounts may still be disclosed in the notes to the financial statements. The amendment will be effective for annual and interim reporting periods beginning after December 15, 2015 and is not expected to have a significant impact on the Company's consolidated financial statements.

In 2014, the FASB amended its authoritative guidance regarding business combinations and accounting for identifiable intangible assets. The amendment allows a private company to elect to not recognize separately from goodwill certain assets arising from customer relationships and non-competition agreements upon recognition. Alternatively, these assets would be subsumed into goodwill and goodwill would then be amortized. The election is intended to reduce cost and complexity for private companies. Early adoption is permitted for annual financial statements that have not been made available for issuance. The effective date of the adoption depends on the timing of the first transaction. The amendment can be adopted upon the occurrence of the first transaction for annual reporting periods beginning after December 15, 2015 and is not expected to have a significant impact on the Company's consolidated financial statements.

In 2014, the FASB amended its authoritative guidance to provide a definition as to when and how companies are required to disclose going concern uncertainties. The guidance is intended to guide management to determine whether substantial doubt exists regarding the going concern presumption. If a substantial doubt exists and cannot be mitigated, disclosure indicating a going concern exists will be included in the financial statements, as well as the principal conditions/events that raise substantial doubt, management's evaluation of the significance of the events in relation to the company's ability to meet its obligations and management's plan to mitigate the conditions/events. Early adoption is permitted for financial statements which have not been previously issued. The amendment will be effective for annual and interim reporting periods beginning after December 15, 2016 and is not expected to have a significant impact on the Company's consolidated financial statements.

19. RECENTLY ISSUED AUTHORITATIVE GUIDANCE (continued)

In 2014, the FASB amended its authoritative guidance regarding stock based compensation. The amendment requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. Therefore, the performance target should not be reflected in estimating the grant-date fair value of the award and compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved. The total amount of compensation cost recognized during and after the requisite service period should reflect the number of awards that are expected to vest and should be adjusted to reflect those awards that ultimately vest. The requisite service period ends when the employee can cease rendering service and still be eligible to vest in the award if the performance target is achieved. Early adoption is permitted. The amendment will be effective for annual reporting periods beginning after December 15, 2015 and is not expected to have a significant impact on the Company's consolidated financial statements.

In 2014, the FASB issued a comprehensive new revenue recognition standard that will supersede substantially all existing revenue recognition guidance. The new standard's core principle is that an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In doing so, entities will need to use more judgment and make more estimates than under existing guidance. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. Early adoption is permitted for annual reporting periods beginning after December 15, 2016. The new authoritative guidance will be effective for annual and interim reporting periods ending after December 15, 2019, and is not expected to have a significant impact to the Company's consolidated financial statements.

SUPPLEMENTARY INFORMATION

JOURDANTON BANCSHARES, INC. AND SUBSIDIARY

CONSOLIDATING BALANCE SHEET

December 31, 2015

	Jourdanton Bancshares, Inc.	Jourdanton State Bank	JSB Insurance Agency	Eliminations		Consolidated Jourdanton Bancshares, Inc. and Subsidiary
ASSETS						
Cash and due from banks	$ 6,356	$ 5,878,800	$ 666,102	$ (672,458)	**B**	**$ 5,878,800**
Interest bearing deposits in other banks	-	4,391,650	-	-		**4,391,650**
Federal funds sold	-	-	-	-		**-**
Total cash and cash equivalents	6,356	10,270,450	666,102	(672,458)		**10,270,450**
Time deposits with other banks	-	4,000,000	-	-		**4,000,000**
Investment securities available-for-sale, at fair value	-	119,890,999	-	-		**119,890,999**
Loans, net	-	27,148,311	-	-		**27,148,311**
Bank premises and equipment, net	-	3,153,535	6,987	-		**3,160,522**
Accrued interest receivable	-	588,428	-	-		**588,428**
Cash surrender value on bank owned life insurance	-	4,464,961	-	-		**4,464,961**
Other assets, net of allowance for doubtful accounts	12,285	1,203,910	217,996	-		**1,434,191**
Inter-company receivables	383,939	-	-	(383,939)	**C**	**-**
Investment in subsidiary	18,355,031	760,791	-	(19,115,822)	**A**	**-**
Intangibles, net	-	-	117,672	-		**117,672**
Goodwill	-	494,491	-	-		**494,491**
Total assets	$ 18,757,611	$ 171,975,876	$ 1,008,757	$ (20,172,219)		**$ 171,570,025**
LIABILITIES AND SHAREHOLDERS' EQUITY						
Deposits:						
Non-interest bearing	$ -	$ 66,432,663	$ -	$ (672,458)	**B**	**$ 65,760,205**
Interest bearing	-	85,479,539	-	-		**85,479,539**
Total deposits	-	151,912,202	-	(672,458)		**151,239,744**
Accrued interest payable	-	1,716	-	-		**1,716**
Dividends payable	222,715	222,715	-	(222,715)	**C**	**222,715**
Other liabilities	157,955	1,471,883	99,071	-		**1,728,909**
Inter-company payables	-	12,329	148,895	(161,224)	**C**	**-**
Total liabilities	380,670	153,620,845	247,966	(1,056,397)		**153,193,084**
Shareholders' Equity						
Common stock, par value $1 per share	150,031	3,870,260	980,046	(4,850,306)	**A**	**150,031**
Additional paid-in capital	14,111,602	1,629,740	-	(1,629,740)	**A**	**14,111,602**
Treasury stock, 1,554 shares at cost	(77,700)	-	-	-		**(77,700)**
Retained earnings	4,750,403	13,412,426	(219,255)	(13,193,171)	**A**	**4,750,403**
Accumulated other comprehensive income (loss)	(557,395)	(557,395)	-	557,395	**A**	**(557,395)**
Total shareholders' equity	18,376,941	18,355,031	760,791	(19,115,822)		**18,376,941**
Total liabilities and shareholders' equity	$ 18,757,611	$ 171,975,876	$ 1,008,757	$ (20,172,219)		**$ 171,570,025**

See notes to the consolidated financial statements.

JOURDANTON BANCSHARES, INC. AND SUBSIDIARY

CONSOLIDATING STATEMENT OF INCOME

Year Ended December 31, 2015

	Jourdanton Bancshares, Inc.	Jourdanton State Bank	JSB Insurance Agency	Eliminations	Consolidated Jourdanton Bancshares, Inc. and Subsidiary
INTEREST INCOME					
Loans, including fees	$ -	$ 1,952,226	$ -	$ -	**$ 1,952,226**
Investment securities:					
Taxable	-	1,703,513	-	-	**1,703,513**
Tax-exempt	-	306,274	-	-	**306,274**
Federal funds sold	-	4,883	-	-	**4,883**
Other interest income	-	71,119	-	-	**71,119**
Total interest income	-	4,038,015	-	-	**4,038,015**
INTEREST EXPENSE ON DEPOSITS	-	52,989	-	-	**52,989**
NET INTEREST INCOME	-	3,985,026	-	-	**3,985,026**
PROVISION FOR LOAN LOSSES	-	35,565	-	-	**35,565**
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	-	3,949,461	-	-	**3,949,461**
NON-INTEREST INCOME					
Service charges on deposit accounts	-	564,797	-	-	**564,797**
Insurance commissions and fees	-	-	670,504	-	**670,504**
Gain (loss) on sale of investments, net	-	335,388	-	-	**335,388**
Undistributed earnings in subsidiary	939,883	87,464	-	(1,027,347) **A**	**-**
Dividend income	222,715	-	-	(222,715) **A**	**-**
Other	-	596,880	-	-	**596,880**
Total non-interest income	1,162,598	1,584,529	670,504	(1,250,062)	**2,167,569**
NON-INTEREST EXPENSE					
Salaries, wages and benefits	-	2,340,637	251,418	-	**2,592,055**
Commissions paid to others	-	-	145,267	-	**145,267**
Occupancy and equipment	-	298,055	88,660	-	**386,715**
Other	-	1,385,241	52,638	-	**1,437,879**
Total non-interest expense	-	4,023,933	537,983	-	**4,561,916**
INCOME BEFORE INCOME TAXES	1,162,598	1,510,057	132,521	(1,250,062)	**1,555,114**
INCOME TAXES EXPENSE	-	347,459	45,057	-	**392,516**
NET INCOME	$ 1,162,598	$ 1,162,598	$ 87,464	$ (1,250,062) **A**	**$ 1,162,598**

See notes to the consolidated financial statements.

CONSOLIDATING SCHEDULES - ELIMINATIONS

December 31, 2015

a. Elimination of equity, investment, and earnings in subsidiary

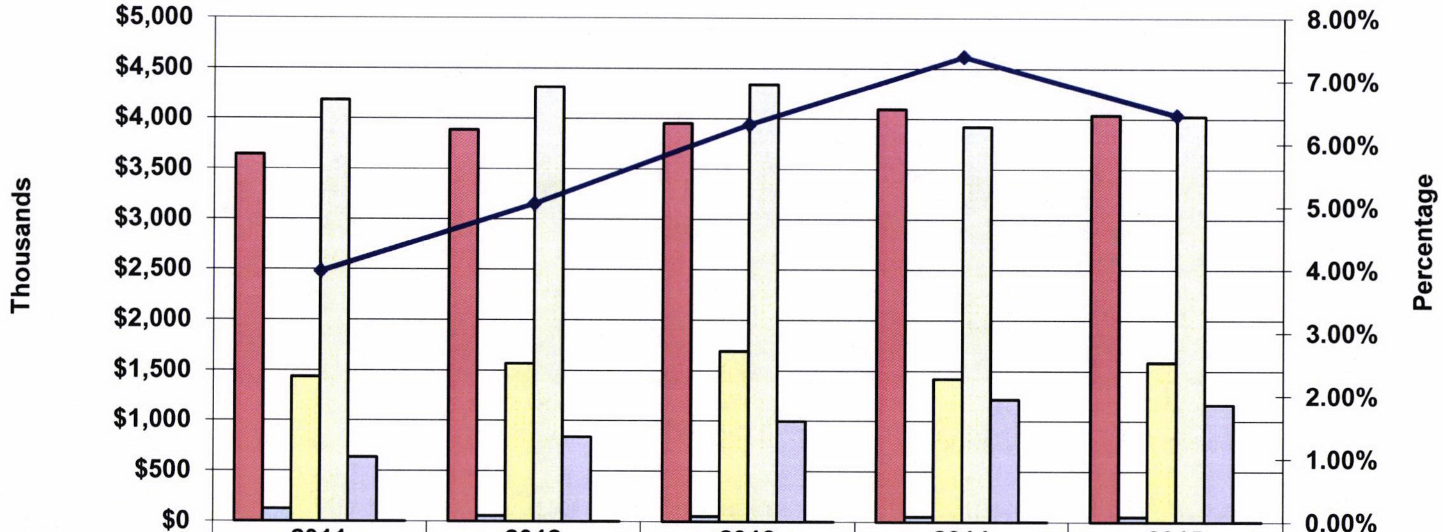
b. Elimination of Jourdanton State Bank cash accounts held by JSB Insurance Agency and JSB Bancshares, Inc.

c. Elimination of intercompany receivable and payable

See notes to the consolidated financial statements.

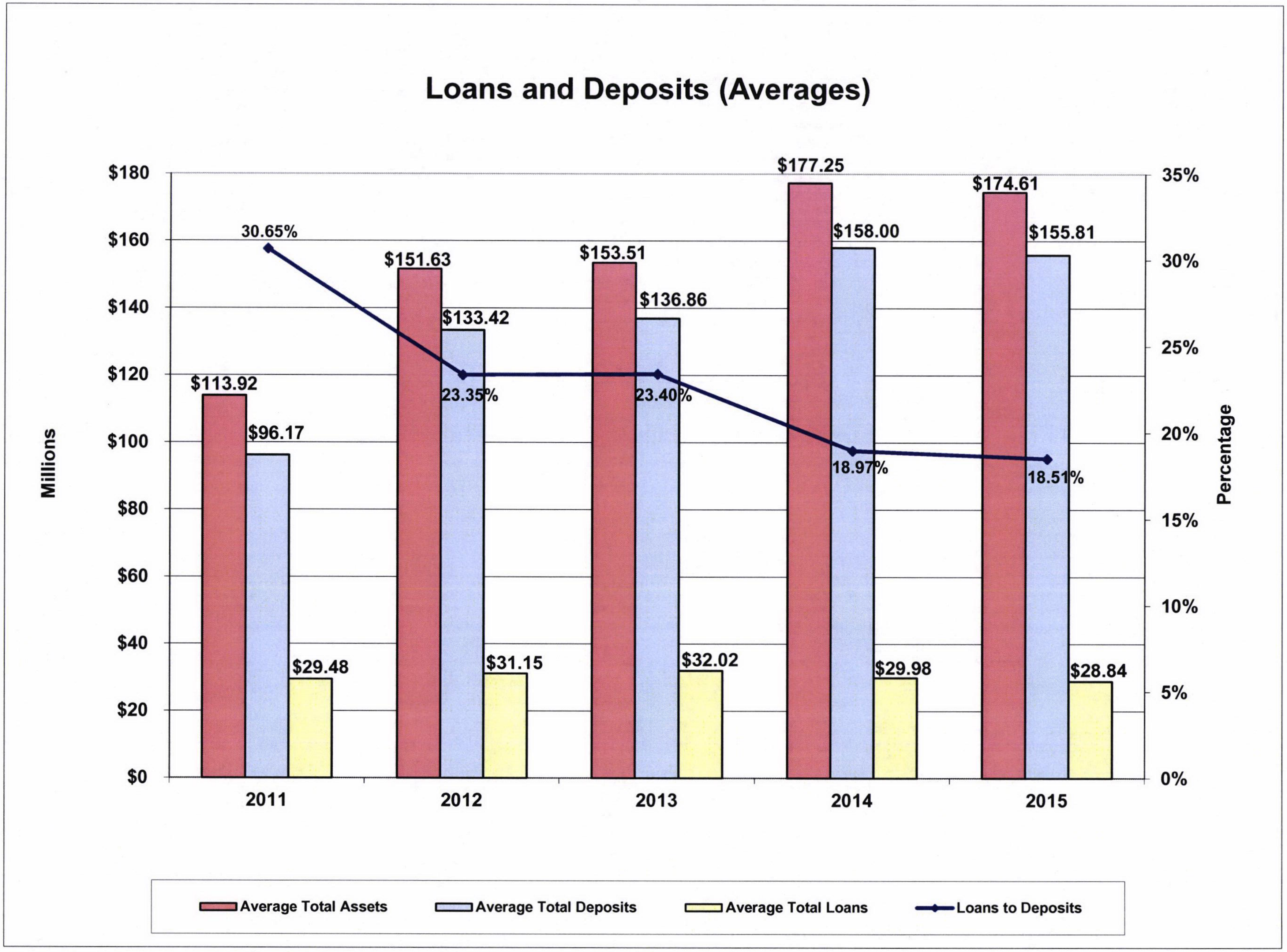
JOURDANTON STATE BANK

Financial Highlights

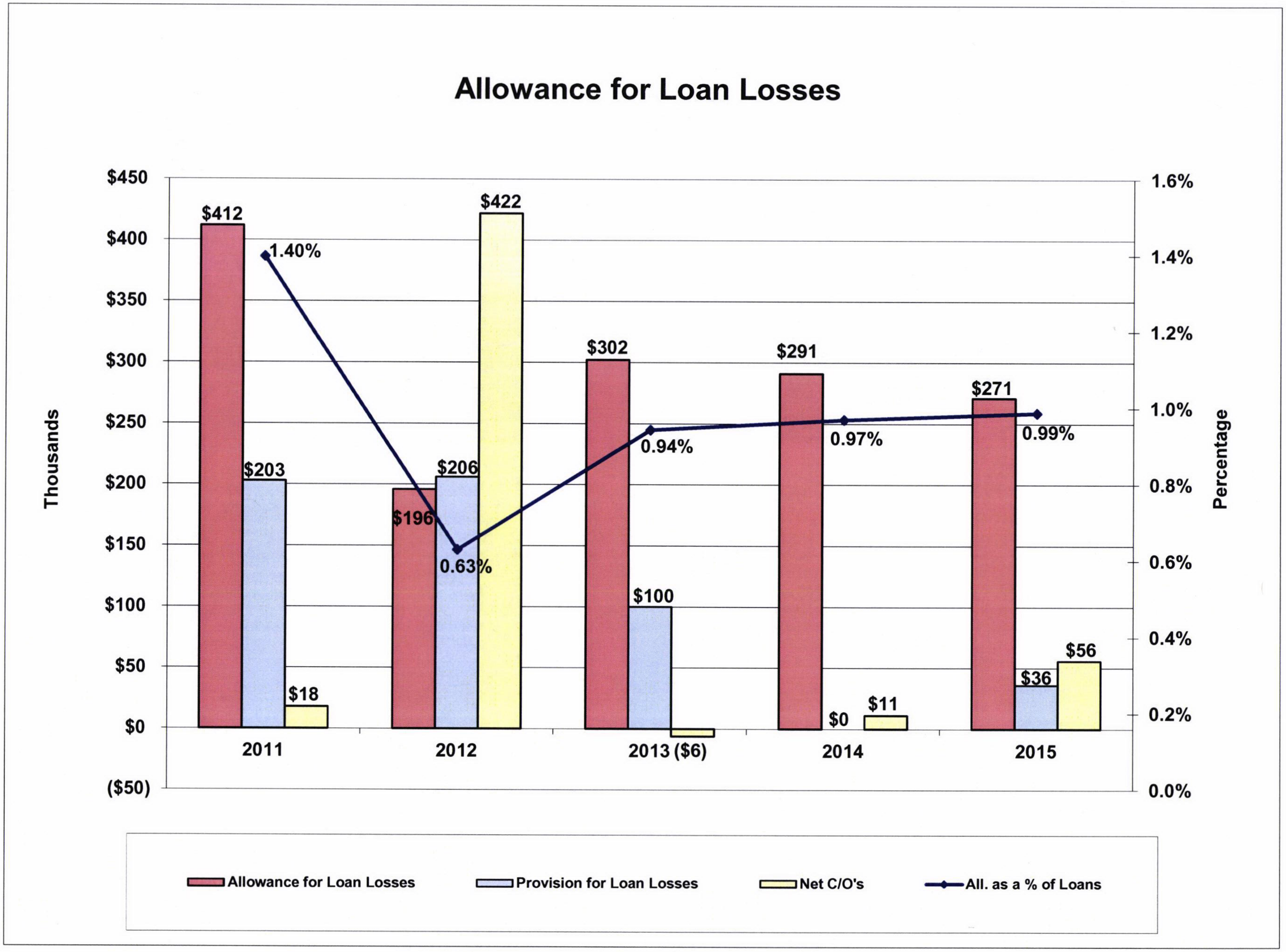


	2011	2012	2013	2014	2015
Interest Income	$3,640	$3,883	$3,951	$4,097	$4,038
Interest Expense	$123	$58	$54	$53	$53
Non-Interest Income	$1,434	$1,565	$1,691	$1,419	$1,585
Non-Interest Expense	$4,181	$4,314	$4,340	$3,922	$4,024
Net Income	$637	$839	$997	$1,215	$1,163
Return on Average Assets	0.59%	0.61%	0.66%	0.71%	0.68%
Return on Average Equity	3.97%	5.05%	6.31%	7.39%	6.46%

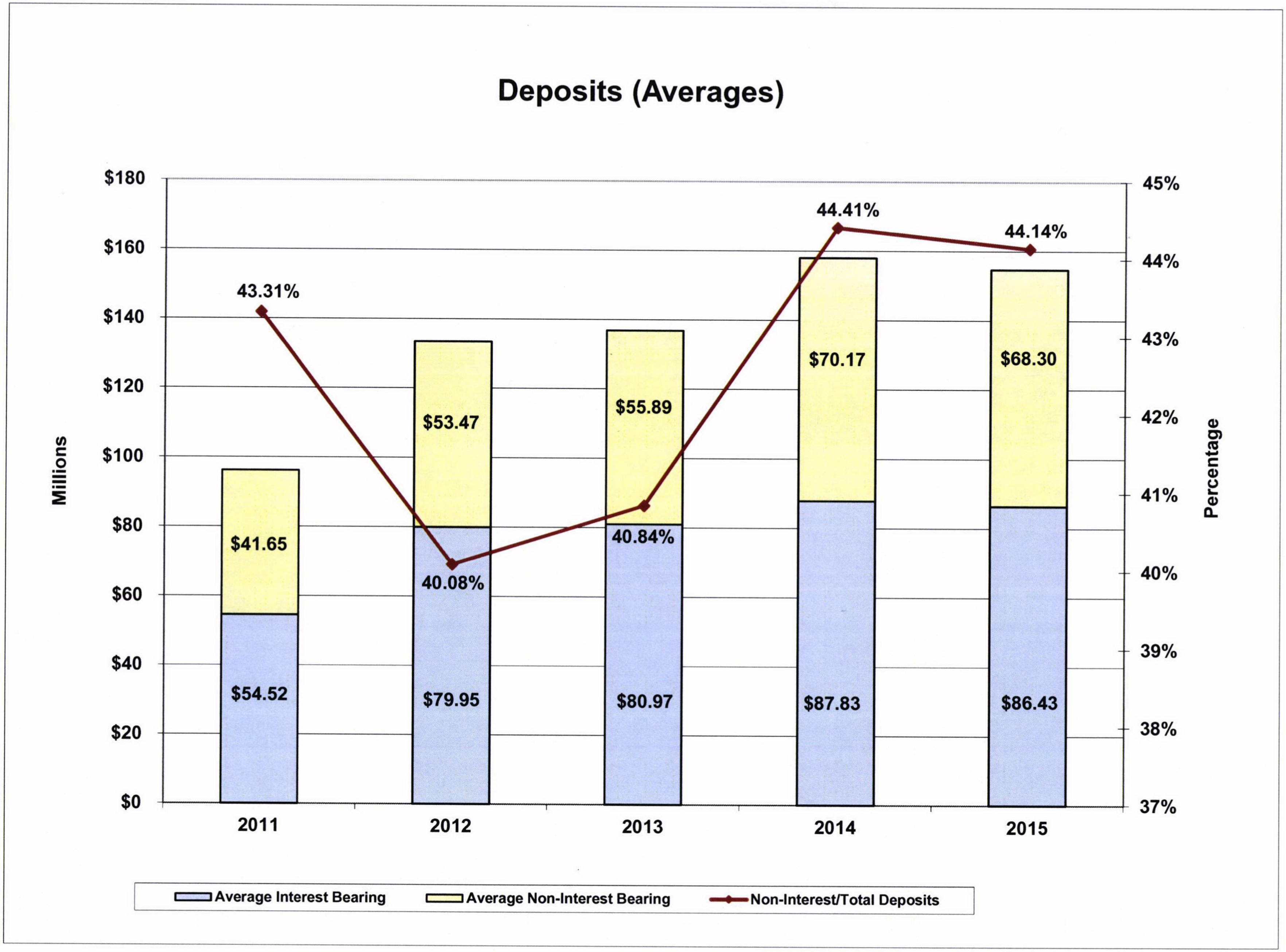
JOURDANTON STATE BANK



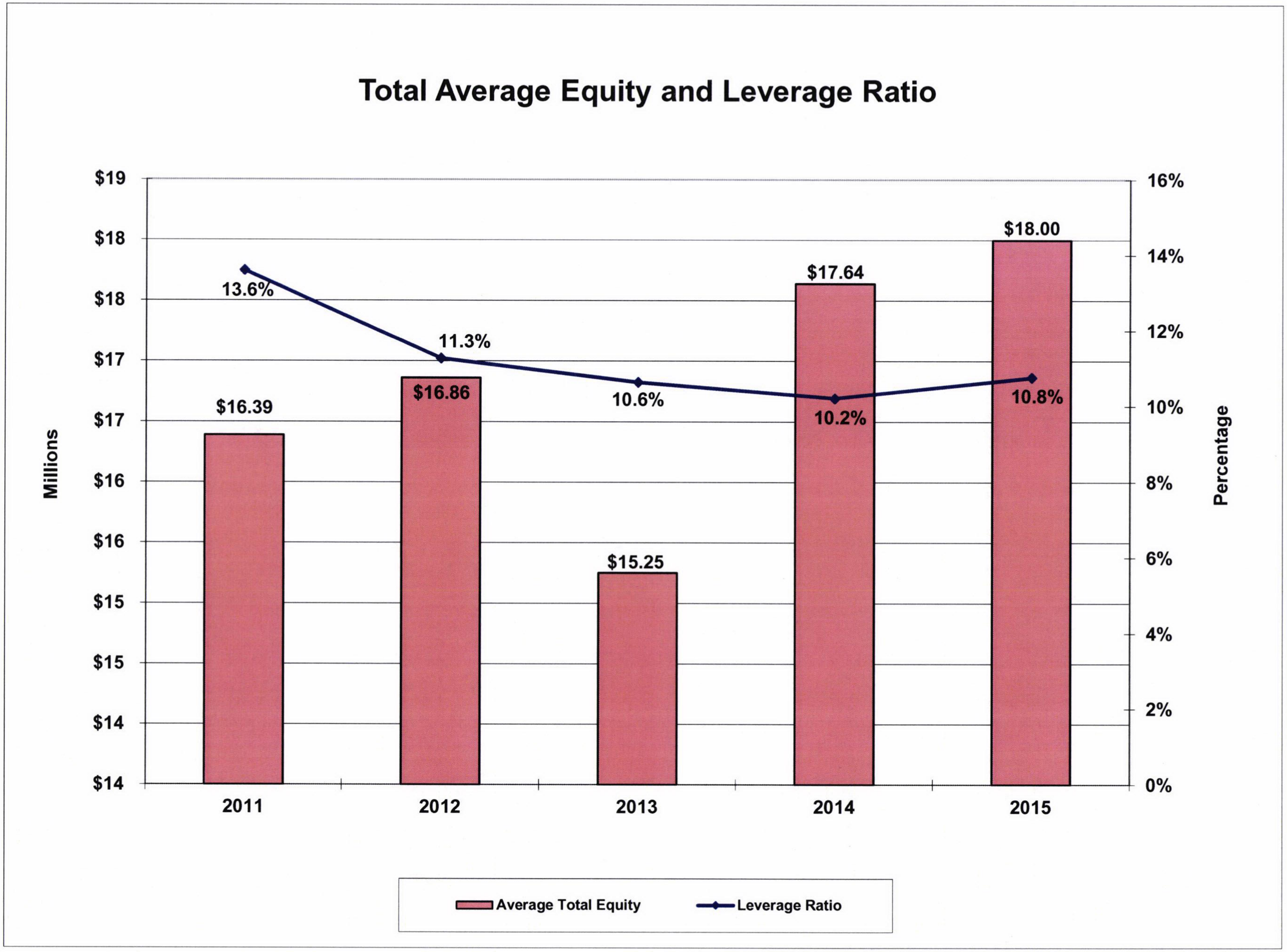
JOURDANTON STATE BANK



JOURDANTON STATE BANK



JOURDANTON STATE BANK



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