Board of Governors of the Federal Reserve System

Annual Report of Holding Companies—FR Y-6

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

This Report is required by law: Section 5(c)(1)(A) of the Bank Holding Company Act (12 U.S.C. § 1844(c)(1)(A)); sections 8(a) and 13(a) of the International Banking Act (12 U.S.C. §§ 3106(a) and 3108(a)); sections 11(a)(1), 25, and 25A of the Federal Reserve Act (12 U.S.C. §§ 248(a)(1), 602, and 611a); and sections 113, 165, 312, 618, and 809 of the Dodd-Frank Act (12 U.S.C. §§ 5361, 5365, 5412, 1850a(c)(1), and 5468(b)(1)). 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, top-tier savings and loan holding companies, and U.S. intermediate 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. If the holding company is an ESOP/ESOT formed as a corporation or is an LLC, see the General Instructions for the authorized individual who must sign the report.

I, A. C. Evans, Jr.
Name of the Holding Company Director and Official

President/CEO
Title of the Holding Company Director and Official

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

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

President/CEO
Signature of Holding Company Director and Official

3/8/2017
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 ________

C.I. ________

Date of Report (top-tier holding company's fiscal year-end):
December 31, 2016
Month / Day / Year

LEI: None
Reporter's Legal Entity Identifier (LEI) (20-Character LEI Code)

Reporter's Name, Street, and Mailing Address

FNB Company
Legal Title of Holding Company

2121 Hwy 190 West
(Mailing Address of the Holding Company) Street / P.O. Box

Livingston	Texas	77351
City	State	Zip Code

same
Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Danielle Marsh	VP/CFO
Name	Title

936-328-5581
Area Code / Phone Number / Extension

936-328-5497
Area Code / FAX Number

dmarsh@fnblivingston.com
E-mail Address

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

Is confidential treatment requested for any portion of this report submission? 0=No 1=Yes: 0

In accordance with the General Instructions for this report (check only one),

1. **a letter justifying this request is being provided along with the report** ☐
2. **a letter justifying this request has been provided separately** ☐

NOTE: Information for which confidential treatment is being requested must be provided separately and labeled as "confidential."

Public reporting burden for this information collection is estimated to vary from 1.3 to 101 hours per response, with an average of 5.50 hours per response, including time to gather and maintain data in the required form and to review instructions and complete the information collection. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to: Secretary, Board of Governors of the Federal Reserve System, 20th and C Streets, NW, Washington, DC 20551, and to the Office of Management and Budget, Paperwork Reduction Project (7100-0297), Washington, DC 20503.

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT

FNB COMPANY AND SUBSIDIARIES
Livingston, Texas

December 31, 2016 and 2015

AXLEY & RODE, LLP
CERTIFIED PUBLIC ACCOUNTANTS

C O N T E N T S

INDEPENDENT AUDITORS' REPORT

Board of Directors
FNB Company and Subsidiaries
Livingston, Texas

We have audited the accompanying consolidated financial statements of FNB Company and Subsidiaries (an S corporation), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of FNB Company and Subsidiaries as of December 31, 2016 and 2015, and the consolidated results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Axley & Rode LLP
CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas
February 17, 2017

FNB COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2016 and 2015

		2016		2015
ASSETS				
Cash on hand and in banks	$	3 223 847	$	3 405 610
Interest bearing demand accounts in banks		7 551 035		13 677 779
CASH AND CASH EQUIVALENTS		10 774 882		17 083 389
Interest-bearing time deposits in banks		66 124 000		59 569 000
Securities available for sale		146 259 596		140 936 482
Restricted equity securities		570 220		565 120
Loans, net of allowance for loan losses of $2,148,346 in 2016 and $2,071,920 in 2015		115 886 163		120 028 481
Bank premises and equipment, net		9 049 097		8 909 143
Accrued interest receivable		1 381 731		1 301 018
Goodwill, net		3 031 499		3 031 499
Other real estate owned		-		150 000
Other assets		1 031 933		1 026 466
TOTAL ASSETS	$	354 109 121	$	352 600 598

		2016		2015
LIABILITIES AND STOCKHOLDERS' EQUITY				
Liabilities:				
Deposits:				
Demand	$	114 613 290	$	112 565 815
Savings and interest bearing demand		138 515 740		138 594 550
Time		47 346 847		48 858 102
TOTAL DEPOSITS		300 475 877		300 018 467
Federal funds purchased		2 440 000		-
Accrued interest and other liabilities		1 123 207		1 250 037
Deferred Federal income taxes payable		-		12 397
TOTAL LIABILITIES		304 039 084		301 280 901
Stockholders' Equity:				
Common stock, $1 par value; 5,000,000 shares authorized; 130,028 issued, 128,498 and 128,698 outstanding		130 028		130 028
Surplus		21 401 004		21 401 004
Retained earnings		30 879 335		28 905 356
Treasury stock (1,530 and 1,330 shares at cost)		(435 938)		(375 168)
Accumulated other comprehensive income		(1 904 392)		1 258 477
TOTAL STOCKHOLDERS' EQUITY		50 070 037		51 319 697
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	354 109 121	$	352 600 598

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

FNB COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
For the Years Ended December 31, 2016 and 2015

		2016		2015
Interest Income:				
Interest and fees on loans	$	6 231 374	$	6 079 637
Interest on Investment Securities:				
Taxable		1 905 446		1 958 819
Exempt from Federal income tax		1 141 816		1 160 381
Interest on deposits in banks		976 797		817 255
TOTAL INTEREST INCOME		10 255 433		10 016 092
Interest expense on deposits		441 118		436 164
Interest on Federal funds purchased		1 205		83
NET INTEREST INCOME		9 813 110		9 579 845
Provision for loan losses		287 500		305 000
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES		9 525 610		9 274 845
Other Income:				
Service charges on deposit accounts		2 004 564		1 992 892
Other service charges and fees		1 574 871		1 605 585
Insurance commissions		453 074		421 881
Brokerage commissions (net)		1 615 549		1 464 524
Gain/(loss) other		-		(50 000)
Other income		75 497		59 974
TOTAL OTHER INCOME		5 723 555		5 494 856
Other Expenses:				
Salaries and employee benefits		5 883 560		5 514 316
Occupancy, insurance and equipment expense		1 339 360		1 249 137
ATM processing		631 549		694 646
Deposit insurance expense		113 500		172 800
Data processing		841 430		731 212
Directors fees		190 473		191 180
Postage and freight		116 361		146 762
Printing and office supplies		184 732		193 647
Legal and professional services		226 055		208 400
Telephone		119 713		117 940
Marketing		116 435		121 235
Other operating expenses		823 460		791 545
TOTAL OTHER EXPENSES		10 586 628		10 132 820
INCOME FROM CONTINUING OPERATIONS BEFORE FEDERAL INCOME TAXES		4 662 537		4 636 881
Federal income taxes from continuing operations		(19 494)		-
INCOME FROM CONTINUING OPERATIONS		4 682 031		4 636 881
Discontinued Operations:				
Income (loss) from discontinued Polk County Title Company, Inc.		-		(8 604)
INCOME (LOSS) ON DISCONTINUED OPERATIONS		-		(8 604)
NET INCOME	$	4 682 031	$	4 628 277

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

FNB COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2016 and 2015

	2016	2015
Net income	$ 4 682 031	$ 4 628 277
Other Comprehensive Income:		
Unrealized gains (losses) on available for sale securities arising during the period	(3 162 869)	(939 576)
TOTAL OTHER COMPREHENSIVE INCOME	(3 162 869)	(939 576)
COMPREHENSIVE INCOME	$ 1 519 162	$ 3 688 701

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

FNB COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the Years Ended December 31, 2016 and 2015

	COMMON STOCK SHARES	COMMON STOCK AMOUNT	CAPITAL SURPLUS	RETAINED EARNINGS	TREASURY STOCK	ACCUMULATED COMPREHENSIVE INCOME/(LOSS)	TOTAL EQUITY
Balance, December 31, 2014	130 028	$ 130 028	$ 21 401 004	$ 26 979 737	$ (375 168)	$ 2 198 053	$ 50 333 654
Net income	-	-	-	4 628 277	-	-	4 628 277
Other comprehensive loss	-	-	-	-	-	(939 576)	(939 576)
Cash distributions	-	-	-	(2 702 658)	-	-	(2 702 658)
Balance, December 31, 2015	130 028	130 028	21 401 004	28 905 356	(375 168)	1 258 477	51 319 697
Net income	-	-	-	4 682 031	-	-	4 682 031
Other comprehensive loss	-	-	-	-	-	(3 162 869)	(3 162 869)
Purchase of treasury stock (200 shares)	-	-	-	-	(60 770)	-	(60 770)
Cash distributions	-	-	-	(2 708 052)	-	-	(2 708 052)
Balance, December 31, 2016	130 028	$ 130 028	$ 21 401 004	$ 30 879 335	$ (435 938)	$ (1 904 392)	$ 50 070 037

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

FNB COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2016 and 2015

		2016		2015
Cash Flows from Operating Activities:				
Net income	$	4 682 031	$	4 628 277
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:				
Provision for loan losses		287 500		305 000
Provision for depreciation		566 733		556 372
Provision (benefit) for deferred taxes		(12 397)		-
Loss on impairment of other real estate		-		50 000
FHLB dividends paid in stock		(400)		(600)
Net amortization (accretion) on investment securities		616 472		485 631
(Increase) decrease in accrued interest receivable		(80 713)		(49 203)
Decrease in other assets		(5 467)		(423 696)
Increase (decrease) in accrued interest and other liabilities		(119 353)		(193 864)
NET CASH PROVIDED BY OPERATING ACTIVITIES		5 934 406		5 357 917
Cash Flows from Investing Activities:				
Purchases of interest-bearing time deposit in banks		(24 239 000)		(10 034 000)
Maturities of interest-bearing time deposit in banks		17 684 000		8 943 053
Purchases of available-for-sale securities		(94 119 554)		(52 907 087)
Payments received on mortgage backed securities		6 457 298		6 974 876
Proceeds from maturities/calls/sales of available-for-sale securities		78 560 000		35 815 000
Net decrease/(increase) in loans		3 854 818		(8 738 240)
Purchases of premises and equipment		(706 687)		(1 918 156)
Purchases of Federal Home Loan Bank Stock		(4 900)		-
Proceeds from sale of other real estate		150 000		-
NET CASH USED BY INVESTING ACTIVITIES		(12 364 025)		(21 864 554)
Cash Flows from Financing Activities:				
Net increase (decrease) in demand deposits, NOW accounts, and savings accounts		1 968 665		20 752 918
Net (decrease) increase in time deposits		(1 511 255)		(1 168 834)
Purchase of treasury stock		(60 770)		-
Purchase of Federal funds sold (net)		2 440 000		-
Distributions paid		(2 715 528)		(2 702 658)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES		121 112		16 881 426
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(6 308 507)		374 789
Cash and cash equivalents at beginning of year		17 083 389		16 708 600
CASH AND CASH EQUIVALENTS AT END OF YEAR	$	10 774 882	$	17 083 389
Supplemental Information:				
Cash Paid During the Year for:				
Interest	$	442 755	$	436 592
Non-Cash Investing and Financing Activities:				
Distributions declared but not paid	$	668 190	$	675 665
Increase (decrease) in securities available for sale due to unrealized gains/losses	$	(3 162 869)	$	(939 576)
Transfer of loans to other real estate	$	-	$	200 000

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FNB Company (the "Company"), is a holding company that owns all of the capital stock of The First National Bank of Livingston (the "Bank"), which in turn owns all the capital stock of Church Street Financial, ("Church") and Polk County Title Company, Inc., ("Polk") (Note 15). "Bank", "Church" and "Polk" are referred to as the subsidiaries in these statements. The Bank's main office is located in Livingston, Texas with branches located in Livingston, Texas, and Onalaska, Texas. The Bank represents approximately 88% of the total gross revenues on the consolidated statements of income at December 31, 2016 and 2015.

The accounting and reporting policies of the Company and its subsidiaries conform significantly to generally accepted accounting principles and practices within the banking industry. The following is a description of the more significant of those policies.

Principles of Consolidation:

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Nature of Operations:

The Company provides a variety of financial services to individuals and corporate customers through its subsidiaries in Polk County, Texas. The subsidiary Bank's primary deposit products are demand deposits and certificates of deposit. Its primary lending products are consumer, commercial, real estate and single family residential loans. Church provides investment services and up until 2016 was physically located on Bank property. During 2016, Church moved to a separate, newly constructed, building located adjacent to the Bank building.

Use of Estimates:

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

Material estimates that are particularly susceptible to significant change relate to the determination of the fair value of securities available for sale, the allowance for losses on loans and the valuation of other real estate owned. In connection with the determination of the allowances for losses on loans and valuation of other real estate owned, management may obtain independent appraisals.

A majority of the Bank's loan portfolio consists of loans in the above mentioned locations (see nature of operations). The regional economy depends heavily on the recreation and timber producing industries. Accordingly, the ultimate collectability of a substantial portion of the Bank's loan portfolio and the recovery of a substantial portion of the carrying amount of other real estate owned (if any) are susceptible to changes in local market conditions.

While management uses available information to recognize losses on loans and other real estate owned, future additions to the allowances may be necessary based on changes in local economic conditions, other risk characteristics applicable to portfolio segments or borrowers' circumstances. In addition, regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowances for losses on loans and foreclosed real estate. Such agencies may require the Bank to recognize additions to the allowances based on their judgments about information available to them at the time of their examination.

As a result of the changes inherent in the estimation process, management's estimate of the fair value of securities available for sale, the allowance for losses on loans and the valuation of other real estate owned may change in the near term.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Cash and Cash Equivalents:

Cash and cash equivalents, for purposes of the statement of cash flows, include cash and due from banks, Federal funds sold and certain investment securities and interest bearing deposits in banks with original maturities of three months or less.

Investment Securities Held-to-Maturity:

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

Investment Securities Available-for-Sale:

Available-for-sale securities consist of bonds, notes and mortgage backed securities not classified as held-to-maturity securities. These securities are recorded at fair value on the consolidated balance sheets.

Unrealized holding gains and losses, on available-for-sale securities are reported as a net amount in a separate component of stockholders' equity (accumulated other comprehensive income (loss)) until realized. Gains and losses on the sale of available-for-sale securities are determined using the specific identification method.

Declines in the fair value of individual held-to-maturity and available-for-sale securities below their cost, that are other than temporary, result in write-downs of the individual securities to their fair value. These write-downs are included in earnings as realized losses.

Investment securities are accounted for on a trade date basis.

Premiums and discounts are recognized in interest income using the interest method over the period to maturity (or to call date if premium and call date exists).

Loans:

Loans are stated at the amount of unpaid principal, reduced by the undisbursed portion of construction loans (construction loans in process), unearned discount and an allowance for loan losses. The major loan portfolio segments include Commercial, Real Estate, Installment, Overdrafts, Consumer and Other. Within these categories, loans are secured most significantly by real estate, but are also secured by account receivables, inventory, income producing commercial properties, personal properties such as vehicles and boats and other items of property, plant and equipment. A small segment of consumer loans are unsecured.

Unearned discount on installment loans is recognized as income over the terms of the loans by the interest method. Interest on other loans is calculated by using the simple interest method on the daily balances of the principal amounts outstanding. The recognition of income on a loan is discontinued, and previously accrued interest is reversed when, in the opinion of management, it is probable that the borrower will be unable to meet payments as they become due. This generally occurs when the loan becomes 90 days delinquent, but may occur sooner should borrower circumstance dictate.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Loan origination and commitment fees are recognized as income when received. Direct loan origination costs are expensed when paid. Financial Accounting Standards Board Codification Section 310.20 *Non-Refundable Fees and Costs* requires the net effect of loan origination and commitment fees and certain direct loan origination costs to be deferred and recognized over the life of the related loan as an adjustment of yield. FNB Company and Subsidiaries do not feel the application of this standard would have a material effect on the Bank's financial position or results of operations.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Other Real Estate Owned and Other Assets Acquired in Settlement of Loans:

Other real estate owned and other assets acquired in settlement of loans are recorded at the balance of the loan or at estimated fair value less cost of sale, whichever is less, at the date acquired, plus capital improvements made thereafter to facilitate sale. Adjustments are made to reflect declines, if any, in fair values below the recorded amounts at the date of foreclosure and charged to the allowance for losses on loans. Declines in value subsequent to repossession are charged to a loss provision which is included in other expenses on the consolidated statements of income. Costs of holding real estate and other assets acquired in settlement of loans are reflected in income currently. Gains on sales of such assets are taken into income based on the buyer's initial and continuing investment in the property and reflected as part of other income on the consolidated statements of income. Other assets acquired in settlement of loans consist primarily of reacquired personal property.

During 2015, one property (and related improvements) was acquired through foreclosure. This property had an approximate book value of $200,000. Subsequent to repossession, the valuation of this property declined to $150,000. The $50,000 reduction in valuation is reflected in the consolidated statement of income as "Gain/(loss) other" as part of total other income for the year ended December 31, 2015. This property sold during 2016 at the book value of $150,000.

During the years ended December 31, 2016 and 2015, investments in mortgage loans secured by residential real estate properties where formal foreclosure procedures were in process totaled $112,200 and $-0-, respectively.

Insignificant amounts of other assets acquired in settlement of loans were repossessed during 2016 and 2015.

Allowance for Loan Losses:

The Financial Accounting Standards Board issued disclosure guidance that addresses disclosure of loans and the related allowance. The accounting guidance defines a portfolio segment as the level at which an entity develops and documents a systematic methodology to determine the allowance for loan losses. The Company's portfolio segments are Commercial, Real Estate, Installment, Overdrafts, Consumer and Other. Under this accounting guidance, the allowance is estimated by portfolio segment as well as unallocated portions. The unallocated portion of the allowance reflects the margin of imprecision in the underlying assumptions used in the methodologies for estimating the allowance.

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. The allowance is maintained at a level adequate to absorb probable losses. Management determines the adequacy of the allowance based upon specific loans considered for impairment evaluation. In addition, management considers recent loss experience, risk characteristics and other pertinent factors of the remaining portion (not considered impaired) of various portfolio segments of loans in determining the remaining portion of the allowance. Risk characteristics applied to loan portfolio segments include internal factors such as changes in underwriting, staff experience levels, changes in loan quality, changes in the loan review system, changes in the nature and volume of loans and concentrations of credit as well as external factors such as economic conditions and regulatory environment. Loans deemed uncollectible are charged to the allowance. Provisions for credit losses and recoveries on loans previously charged off are added to the allowance.

The Bank requires that impaired loans be separately evaluated when estimating the allowance for loan losses. A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, financial condition of the borrower, collateral value, and the probability of collecting scheduled principal and interest payments when due.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan by loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

Interest income is generally recognized on impaired loans on the same basis as nonaccrual loans.

Bank Premises and Equipment:

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

Off-Balance Sheet Financial Instruments:

In the ordinary course of business the Bank has entered into off-balance sheet financial instruments consisting of commitments to extend credit, standby letters of credit and overdraft lines of credit. Such financial instruments are recorded in the financial statements when they are funded and at that time become subject to management's evaluation related to collectability.

Self-Insurance:

The Company is primarily self-insured for costs related to employee health care benefits, of which a portion is paid by the employees. Liabilities associated with these risks are estimated in part by considering historical claims experience and other assumptions. The Company has purchased stop loss coverage to limit exposure to claims. At December 31, 2016 and 2015, the Company had recorded approximately $-0- and $108,000, respectively, as an accrual for this liability.

The assumptions underlying the ultimate costs of existing claim losses are unpredictable, which can affect the liability recorded for such claims. Although the Company's estimates of liabilities incurred do not anticipate significant changes in historical trends for these variables, any changes could have a significant impact on future claim costs and current recorded liabilities.

Income Taxes:

Effective January 1, 2010, the Company elected to become a subchapter S corporation. Under subchapter S guidelines, all federal taxable income is attributable to the Company shareholders individually. (See Note 8)

The Company is required to pay tax to the State of Texas based on gross margin (as defined). This tax has been deemed an income tax by the Financial Accounting Standards Board and consequently requires accrual in the year the taxable gross margin is earned. For the years presented, the Consolidated Statements of Income reflects approximately $(4,000) and $14,000 as state income tax expense (benefit) included in "Other Operating Expenses".

Sales Taxes:

Sales and use taxes and other such pass through state taxes are not recorded in the consolidated statements of income, but are instead collected and remitted through a liability account.

Goodwill:

The Company does not amortize goodwill, but instead, evaluates goodwill for impairment at least annually and adjusts accordingly in accordance with generally accepted accounting principles. The Company does not believe any impairment of goodwill exists at December 31, 2016, based on its evaluation.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Brokerage Commissions:

Brokerage commissions paid to Church from its broker-dealer are net of various fees approximating $300,000 for each of the years presented.

Fair Values of Financial Instruments:

FASB Codification Section 825-10-50 requires disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instruments. This standard excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company.

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

Cash and Cash Equivalents: The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents approximate those assets' fair values (Level 1).

Interest Bearing Time Deposits in Banks: Fair values of interest bearing deposits in banks are estimated using discount cash flow analysis, based on rates currently being offered on certificates with terms approximating the remaining term of the certificates in the portfolio (Level 2).

Investment Securities and Restricted Equity Securities: Fair values for investment securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on discounted cash flow analysis based on observable inputs, except for restricted equity securities where fair value equals par value based on redemption value (Level 2).

Loans: Fair values for loans are estimated using discounted cash flow analysis, based on interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. Loan fair value estimates include judgments regarding future expected loss experience, prepayment and risk characteristics (Level 2).

Accrued Interest Receivable: The carrying amount of accrued interest receivable approximates its fair value (Level 2).

Deposits: The fair values disclosed for demand deposit accounts, NOW and money market deposit accounts, and savings accounts are, by definition, equal to the amount payable on demand at the reporting date (that is, their carrying amounts). The fair values for time deposits are estimated using a discounted cash flow calculation based on rates currently being offered on certificates with terms approximating the remaining term of the certificates in the portfolio (Level 2).

Accrued Interest Payable: The carrying amount of accrued interest payable approximates fair value (Level 2).

Federal Fund Purchased: Fair values for overnight borrowings approximate those liabilities' carrying amounts (Level 2).

Comprehensive Income:

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Restricted Equity Securities:

The Bank invests in stock of the Federal Reserve Bank, Texas Independent Bank and the Federal Home Loan Bank. No ready market exists for these stocks and they have no quoted market value. They are therefore carried at cost in the financial statements. The Bank is required to maintain certain stock balances in the Federal Reserve Bank and the Federal Home Loan Bank.

Uncertain Tax Positions:

FASB Codification Section 740 requires recognition, measurement and disclosure of uncertain tax positions. The Company currently accounts for uncertain tax positions based on the estimated likelihood of assessment and has determined that no tax positions (for interest, penalties or otherwise) require an accrual based on current standards of accounting. The Company is generally no longer subject to Federal tax examinations for years before 2013.

Advertising:

The Company expenses all advertising costs as incurred. These are included on the Consolidated Statements of Income as marketing expenses.

Reclassifications:

Certain reclassifications have been made to the prior period's financial statements in order to conform to the classifications used for the current year. These reclassifications had no effect on the capital, net income or net cash flows of the Bank.

Subsequent Events:

Management has evaluated subsequent events through February 17, 2017, the date the financial statements were available to be issued.

NOTE 2 - INVESTMENT SECURITIES

The carrying amount of investment securities as shown in the consolidated balance sheets of the Company and their fair values at December 31, 2016 and 2015, were as follows:

	AMORTIZED COST	GROSS UNREALIZED GAIN	GROSS UNREALIZED LOSSES	FAIR VALUE
Securities Available for Sale:				
December 31, 2016:				
U.S. agency securities	$ 70 946 741	$ 49 511	$ (1 964 624)	$ 69 031 628
State and municipal securities	51 541 223	772 003	(508 551)	51 804 675
Residential mortgage backed securities	25 676 024	222 703	(475 434)	25 423 293
Other securities	-	-	-	-
	$ 148 163 988	$ 1 044 217	$ (2 948 609)	$ 146 259 596
December 31, 2015:				
U.S. agency securities	$ 68 303 436	$ 90 617	$ (358 308)	$ 68 035 745
State and municipal securities	42 965 282	1 474 015	(42 758)	44 396 539
Residential mortgage backed securities	28 159 287	350 367	(256 526)	28 253 128
Other securities	250 000	1 070	-	251 070
	$ 139 678 005	$ 1 916 069	$ (657 592)	$ 140 936 482

No securities were sold in either period presented.

The carrying amount and fair value of investment securities at December 31, 2016, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

NOTE 2 - INVESTMENT SECURITIES - CONTINUED

The scheduled maturities of debt securities at December 31, 2016, were as follows:

	AVAILABLE-FOR-SALE SECURITIES	
	AMORTIZED COST	FAIR VALUE
Due in one year or less	$ 10 684 555	$ 10 731 044
Due from one to five years	44 647 497	44 704 738
Due from five to ten years	61 948 723	59 922 623
Over ten years	5 207 188	5 477 898
Mortgage-backed securities	25 676 025	25 423 293
	$ 148 163 988	$ 146 259 596

Investment securities with a fair value of approximately $34,799,000 and $31,134,000 at December 31, 2016 and 2015, respectively, were pledged to secure public deposits and for other purposes required or permitted by law.

Information pertaining to securities with gross unrealized losses at December 31, 2016 and 2015, aggregated by investment category and length of time that individual securities have been in a continuous loss position follows:

	LESS THAN 12 MONTHS		12 MONTHS OR GREATER		TOTAL	
Description of Securities:	FAIR VALUE	UNREALIZED LOSSES	FAIR VALUE	UNREALIZED LOSSES	FAIR VALUE	UNREALIZED LOSSES
December 31, 2016						
U.S. Agency Securities	$ 57 561 298	$ 1 964 624	$ -	$ -	$ 57 561 298	$ 1 964 624
State and municipal	$ 23 838 284	$ 499 571	$ 1 959 726	$ 8 980	$ 25 798 010	$ 508 551
Mortgage-backed securities	$ 18 934 713	$ 475 434	$ -	$ -	$ 18 934 713	$ 475 434
December 31, 2015						
U.S. Agency Securities	$ 43 187 195	$ 268 338	$ 8 153 266	$ 89 970	$ 51 340 461	$ 358 308
State and municipal	$ 5 489 116	$ 33 810	$ 2 215 626	$ 8 948	$ 7 704 742	$ 42 758
Mortgage-backed securities	$ 9 171 741	$ 50 608	$ 7 594 006	$ 205 918	$ 16 765 747	$ 256 526

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

Debt securities with unrealized losses have depreciated 2.80% and 0.86% from the Company's amortized cost basis at December 31, 2016 and 2015, respectively. These securities are guaranteed by the U.S. Government, agencies thereof or municipalities. These unrealized losses relate principally to current interest rates for similar types of securities. In analyzing an issuer's financial condition, management considers whether the securities are issued by the Federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition. As management has the ability to hold debt securities until maturity, or for the foreseeable future if classified as available-for-sale, no declines are deemed to be other-than-temporary.

NOTE 3 - LOANS

The tables below present an aged analysis of the Bank's loan portfolio by major loan classification as of December 31, 2016 and December 31, 2015.

	0-59 DAYS PAST DUE	60-89 DAYS PAST DUE	GREATER THAN 90 DAYS PAST DUE	TOTAL PAST DUE	CURRENT	BALANCE DECEMBER 31, 2016
Commercial	$ 428 711	$ -	$ -	$ 428 711	$ 12 134 528	$ 12 563 239
Real estate	4 521 393	86 925	120 367	4 728 685	85 278 587	90 007 272
Installment	-	-	-	-	1 985	1 985
Overdrafts	-	-	-	-	262 598	262 598
Consumer and other	1 095 879	18 750	-	1 114 629	16 464 301	17 578 930
	$ 6 045 983	$ 105 675	$ 120 367	$ 6 272 025	$ 114 141 999	120 414 024
Construction loans in process						(2 379 490)
Unearned discount						(25)
						118 034 509
Allowance for loan losses						(2 148 346)
						$ 115 886 163

	0-59 DAYS PAST DUE	60-89 DAYS PAST DUE	GREATER THAN 90 DAYS PAST DUE	TOTAL PAST DUE	CURRENT	BALANCE DECEMBER 31, 2015
Commercial	$ 2 562 646	$ -	$ -	$ 2 562 646	$ 10 468 509	$ 13 031 155
Real estate	1 818 437	222 660	-	2 041 097	92 278 295	94 319 392
Installment	-	-	-	-	6 941	6 941
Overdrafts	-	-	-	-	153 189	153 189
Consumer and other	967 495	12 104	-	979 599	16 517 812	17 497 411
	$ 5 348 578	$ 234 764	$ -	$ 5 583 342	$ 119 424 746	125 008 088
Construction loans in process						(2 907 352)
Unearned discount						(335)
						122 100 401
Allowance for loan losses						(2 071 920)
						$ 120 028 481

Real estate loans consist of residential (74% in 2016 and 65% in 2015) and commercial (26% in 2016 and 35% in 2015). All past due real estate loans are in the residential category at December 31, 2016 and 2015.

The Bank monitors credit quality within its major loan classifications. The results of this classification process is a factor in the risk characteristics used in establishing the allowance for loan losses. These loans are evaluated and internally classified by the Bank as pass, special mention, substandard, doubtful or loss.

Pass - An asset classified pass is one that does not possess any weaknesses by management sufficient to warrant a more adverse classification.

Special Mention - A *special mention* asset has potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the institution's credit position at some future date. Special mention assets are not adversely classified and do not expose an institution to sufficient risk to warrant adverse classification.

Substandard - A *substandard* asset is inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Assets so classified must have a well-defined weakness, or weaknesses, that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the bank will sustain some loss if the deficiencies are not corrected.

NOTE 3 - LOANS - CONTINUED

Doubtful - An asset classified *doubtful* has all the weaknesses inherent in one classified substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loss - Assets classified *loss* are considered uncollectible and of such little value that their continuance as bankable assets is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather that it is not practical or desirable to defer writing off this basically worthless asset even though partial recovery may be effected in the future. Amounts classified as loss are generally charged off to the allowance for loan losses upon such classification.

The remaining loans are classified as pass. The following presents the Bank's loan classification as of December 31, 2016 and 2015 by its major loan classifications.

	2016					
	PASS	SPECIAL MENTION	SUBSTANDARD	DOUBTFUL	LOSS	TOTAL
Commercial	$ 87 442 557	$ -	$ 185 225	$ -	$ -	$ 87 627 782
Real estate	10 626 709	27 179	1 909 351	-	-	12 563 239
Installment	1 960	-	-	-	-	1 960
Overdrafts	262 598	-	-	-	-	262 598
Consumer and other	17 032 199	35 862	496 018	14 851	-	17 578 930
TOTAL	$ 115 366 023	$ 63 041	$ 2 590 594	$ 14 851	$ -	$ 118 034 509

	2015					
	PASS	SPECIAL MENTION	SUBSTANDARD	DOUBTFUL	LOSS	TOTAL
Commercial	$ 12 631 558	$ -	$ 72 390	$ -	$ -	$ 12 703 948
Real estate	90 321 342	393 206	1 024 699	-	-	91 739 247
Installment	6 606	-	-	-	-	6 606
Overdrafts	153 189	-	-	-	-	153 189
Consumer and other	17 058 799	30 095	389 416	19 101	-	17 497 411
TOTAL	$ 120 171 494	$ 423 301	$ 1 486 505	$ 19 101	$ -	$ 122 100 401

The detail below reflects the changes in the allowance for loan losses by the Bank's major loan classifications for the years ended December 31, 2016 and 2015:

	COM-MERCIAL	REAL ESTATE	OVER-DRAFTS	CONSUMER AND OTHER	UN-ALLOCATED	TOTAL
ALLOWANCE FOR LOAN LOSSES DECEMBER 31, 2014	$ 120 389	$ 857 823	$ 101 410	$ 267 434	$ 608 369	$ 1 955 425
Loans charged off	-	(28 432)	(180 184)	(99 072)	-	(307 688)
Recoveries of loans previously charged off	-	-	94 974	24 209	-	119 183
NET CHARGE OFFS	-	(28 432)	(85 210)	(74 863)	-	(188 505)
Provision for loan and lease losses	25 706	243 958	85 486	132 349	(182 499)	305 000
ALLOWANCE FOR LOAN LOSSES DECEMBER 31, 2015	146 095	1 073 349	101 686	324 920	425 870	2 071 920
Loans charged off	(36 607)	-	(133 456)	(91 121)	-	(261 184)
Recoveries of loans previously charged off	-	-	38 357	11 753	-	50 110
NET CHARGE OFFS	(36 607)	-	(95 099)	(79 368)	-	(211 074)
Provision for loan and lease losses	43 136	28 266	90 751	134 024	(8 677)	287 500
ALLOWANCE FOR LOAN LOSSES DECEMBER 31, 2016	$ 152 624	$ 1 101 615	$ 97 338	$ 379 576	$ 417 193	$ 2 148 346

NOTE 3 - LOANS - CONTINUED

At December 31, 2016 and 2015, the total recorded investment in loans on nonaccrual amounted to approximately $285,000 and $81,000, respectively. The Bank did not have a material amount of loans past due over 90 days that were still accruing interest. Additionally, the Bank did not have a material amount of loans it considered impaired or that had been considered a troubled debt restructure during the periods presented. As a result, all significant amounts of the allowance for loan losses for each period presented relates to loans that are not considered impaired, a troubled debt restructure, or maintained on nonaccrual status by the Bank.

The average balance of loans considered impaired during the years ended December 31, 2016 and 2015 were approximately $516,000 and $126,000. Impaired loans were generally of the real estate and consumer category. The balances of loans evaluated for impairment at December 31, 2016 and 2015, amounted to approximately $820,000 and $117,000. Of these evaluated loans approximately $693,000 and $50,000 reflected reserves for impairment totaling $169,000 and $48,000 for the years presented.

There were no significant differences between interest earned on impaired loans for the years presented compared to interest that would have been earned on a full accrual basis.

The Bank is not committed to lend additional funds to debtors whose loans have been modified.

The aggregate amount of loans owed to the Bank by employees, directors and executive officers of the Bank and its subsidiaries and directors, executive officers and principal holders of the Company and their related entities totaled approximately $4,154,000 and $3,760,000 at December 31, 2016 and 2015, respectively. Activity during the years presented for these loans are approximately as follows:

	2016	2015
Balance, beginning of year	$ 3 760 000	$ 3 638 000
Advances	1 660 000	2 232 000
Repayments	(1 175 000)	(1 800 000)
Reductions - No longer employed	(91 000)	(310 000)
BALANCE END OF YEAR	$ 4 154 000	$ 3 760 000

NOTE 4 - BANK PREMISES AND EQUIPMENT

Major classifications of these assets as of December 31 are summarized as follows:

	2016	2015	USEFUL LIVES IN YEARS
Land	$ 2 959 635	$ 2 959 635	-
Building and improvements	9 478 137	7 552 054	5-40
Furniture and equipment	3 316 143	3 078 358	3-10
Computer software	365 914	1 018 195	3-5
Automobiles	105 906	105 906	3-4
Construction in progress	95 927	1 761 244	
Equipment in process	-	58 502	
TOTAL COST	16 321 662	16 533 894	
Accumulated depreciation	(7 272 565)	(7 624 751)	
NET BOOK VALUE	$ 9 049 097	$ 8 909 143	

Depreciation expense amounted to $566,733 and $556,372 in 2016 and 2015, respectively and is included as a component of occupancy and equipment expense on the consolidated statements of income.

NOTE 5 - DEPOSITS

The aggregate amount of time deposits with a minimum denomination of $100,000, was approximately $18,847,000 and $18,618,000 at December 31, 2016 and 2015. Total time deposits in excess of the Federal insurance amount of $250,000 totaled approximately $4,245,000 and $4,230,000 at December 31, 2016 and 2015, respectively.

Time deposits maturing in years ending December 31, are as follows:

2017	$	39 809 079
2018		3 317 118
2019		2 317 670
2020		1 040 342
2021		862 638
Thereafter		-
TOTAL	$	47 346 847

Deposits due to directors, officers, significant shareholders and their affiliates approximated $9,929,000 and $11,648,000 at December 31, 2016 and 2015, respectively.

Overdraft demand deposits of $262,598 and $153,189 respectively have been classified as loans in the accompanying financial statements.

NOTE 6 - LINE OF CREDIT

The Bank has two lines of credit to purchase Federal funds in the amount of $11,000,000 unsecured and $9,000,000 secured by certain investment securities that expires upon cancellation. The Bank had $2,440,000 and $-0- of Federal funds purchased drawn at December 31, 2016 and 2015, respectively.

NOTE 7 - RETIREMENT PLANS

The Company sponsors a 401(k) Retirement Plan ("Plan") for the Company and its subsidiaries, which is in effect for substantially all full-time employees (if they elect to be covered). The Company, at its discretion, may match a portion of each employee's contribution. The Company, at its discretion, may make an additional contribution as of each December 31. Contributions to the plan amounted to approximately $372,000 and $345,000 for 2016 and 2015, respectively and are included in salaries and employee benefits on the consolidated statements of income.

NOTE 8 - FEDERAL INCOME TAXES

Effective January 1, 2010, the Company elected to become a subchapter S corporation. Under subchapter S guidelines, all federal taxable income is attributable to the Company shareholders individually.

Entities that elect subchapter S status are potentially subject to "built in gains" tax based on the difference between the fair value and the tax basis of any asset (as of the date of conversion to subchapter S) disposed of within the ten year (five years for 2016 and 2015) period beginning with the first year of the subchapter S election. FNB Company and Subsidiaries has provided estimates for this "built in gains" tax at 2015 and reflected this as deferred Federal income tax liability on the consolidated balance sheets. The Company accrued $-0- and $-0- additional expense during the years ended December 31, 2016 and 2015 related to expected "built in gains" tax.

The five year built-in gain recognition period was made permanent with the enactment of the Protecting Americans From Tax Hikes Act of 2015. As a result the Company removed the estimate for built-in gains tax during 2016.

NOTE 9 - FINANCIAL INSTRUMENTS

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit and standby letters of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets. The contract or notional amounts of those instruments reflect the extent of involvement the Company has in particular classes of financial instruments.

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 notional 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.

The Company had financial instruments whose contract or notional amounts represent credit risk of approximately the following:

	DECEMBER 31,	
	2016	2015
Commitments to extend credit	$ 4 830 000	$ 2 969 000
Standby letters of credit	$ 1 037 000	$ 1 029 000
Overdraft lines of credit (unfunded)	$ 5 939 000	$ 6 214 000
Unfunded portion of construction loans	$ 2 379 000	$ 2 907 000

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses, are generally variable rate in nature 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 of collateral obtained, if it is deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral held varies, but may include real estate; accounts receivable; inventory; property, plant, and equipment; and income-producing commercial properties. Of the commitments to extend credit, approximately $490,000 and $584,000 were to related party borrowers at December 31, 2016 and 2015, respectively.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements. Standby letters of credit generally have fixed expiration dates 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. Collateral held for the standby letters of credit primarily consists of certificates of deposit.

Overdraft lines of credit represent amounts available for deposit customers to overdraft deposit accounts. Outstanding overdrafts as of December 31, 2016 and 2015 were approximately $263,000 and $153,000, respectively. Of these outstanding overdrafts, approximately $184,000 and $47,000 were amounts drawn on overdraft lines of credit as of December 31, 2016 and 2015.

NOTE 9 - FINANCIAL INSTRUMENTS - CONTINUED

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

	DECEMBER 31, 2016		DECEMBER 31, 2015	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Financial Assets:				
Cash and due from banks	$ 10 774 882	$ 10 774 882	$ 17 083 389	$ 17 083 389
Interest bearing time deposits in banks	66 124 000	65 824 624	59 569 000	59 609 828
Securities available-for-sale	146 259 596	146 259 596	140 936 482	140 936 482
Restricted equity securities	570 220	N/A	565 120	N/A
Loans receivable	115 886 163	116 028 334	120 028 481	119 990 768
Accrued interest receivable	1 381 731	1 381 731	1 301 018	1 301 018
Financial Liabilities:				
Deposit liabilities	300 475 877	300 561 184	300 018 467	300 676 612
Accrued interest payable	16 677	16 677	17 139	17 139
Federal funds purchased	2 440 000	2 440 000	-	-

There is no material difference between the notional amount and the estimated fair value of off-balance-sheet unfunded loan commitments which are generally priced at market at the time of funding. Letters of credit have an estimated fair value based on fees currently charged for similar agreements. Fees related to the unexpired term of the letters of credit are not significant. The Company has not incurred any losses on its commitments to extend credit or standby letters of credit during the years presented.

Fair values of assets and liabilities presented on the consolidated balance sheets measured on a recurring basis at December 31, 2016 and 2015 are as follows:

		FAIR VALUE MEASUREMENTS AT REPORTING DATE USING		
	FAIR VALUE	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS/ LIABILITIES (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
December 31, 2016				
Available-for-sale securities	$ 146 259 596	$ -	$ 146 259 596	$ -
December 31, 2015				
Available-for-sale securities	$ 140 936 482	$ -	$ 140 936 482	$ -

Fair market value of available for sale securities is based on a discounted cash flow analysis based on observable inputs reflective of Level 2 inputs. These inputs include market quotes for similar instruments, current market yields and offering sheets.

NOTE 9 - FINANCIAL INSTRUMENTS - CONTINUED

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

		FAIR VALUE MEASUREMENTS USING		
DESCRIPTION	DECEMBER 31, 2016	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Other real estate owned	$ -	$ -	$ -	$ -
Goodwill	$ 3 031 499	$ -	$ 3 031 499	$ -

		FAIR VALUE MEASUREMENTS USING		
DESCRIPTION	DECEMBER 31, 2016	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Other real estate owned	$ 150 000	$ -	$ 150 000	$ -
Goodwill	$ 3 031 499	$ -	$ 3 031 499	$ -

Fair market values of goodwill and other real estate owned are determined on a nonrecurring basis in order to determine if any impairment exists at December 31, 2016 and 2015. In order to estimate the fair values of these assets the bank uses observable inputs such as values of similar entities (goodwill) and tax appraisal values and estimated selling prices for other real estate owned.

NOTE 10 - CONTINGENT LIABILITIES

The Company and its subsidiary bank are periodically parties to litigation and claims arising in the normal course of business. Management, after consultation with legal counsel, believes that any liabilities arising from such litigation existing at December 31, 2016, will not be material to the consolidated financial position.

NOTE 11 - CONCENTRATION OF CREDIT RISK

The Company periodically carries certain assets with other financial institutions which are subject to credit risk by the amount such assets exceed Federal deposit insurance limits. From time to time, the Bank is also due amounts in excess of FDIC insurance limits for checks and transit items. The Federal Deposit Insurance Corporation (FDIC) provides deposit insurance coverage for amounts up to $250,000 for substantially all depository accounts. Management monitors the financial stability of correspondent banks and considers amounts advanced in excess of FDIC insurance limits to present no significant additional risk to the Bank.

NOTE 12 - REGULATORY MATTERS

The Bank is subject to various regulatory capital requirements administered by the Federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory - and possibly additional discretionary - actions by regulators that, if undertaken, could have a direct, material effect on the financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of Total, Common and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital (as defined) to average assets (as defined). Management believes, as of December 31, 2016, that the Bank meets all capital adequacy requirements to which it is subject.

NOTE 12 - REGULATORY MATTERS - CONTINUED

As of December 31, 2016 and 2015, the most recent notification from the Office of the Comptroller of Currency categorized the Bank as well-capitalized under the regulatory framework for prompt corrective action. To be categorized as well-capitalized, minimum total risk-based, Tier I risk based common equity Tier I risk based and Tier I leverage ratios as set forth in the table must be maintained. There are no conditions or events since that notification that management believes have changed the Bank's categories.

Actual capital amounts and ratios are presented in the table for the Bank (in thousands). Bank only amounts and percentages are presented as they do not differ materially from bank holding company amounts and percentages.

	ACTUAL		FOR CAPITAL ADEQUACY PURPOSES		TO BE WELL CAPITALIZED UNDER PROMPT CORRECTIVE ACTION PROVISIONS	
	AMOUNT	RATIO	AMOUNT	RATIO	AMOUNT	RATIO
As of December 31, 2016:						
Total Risk Based Capital (to Risk Weighted Assets)	$ 50 470	40.91%	$ ≥ 10 640	≥ 8.625%	$ ≥ 12 336	≥ 10.0%
Tier I Capital (to Risk Weighted Assets)	$ 48 921	39.66%	$ ≥ 8 173	≥ 6.625%	$ ≥ 9 869	≥ 8.0%
Common Equity Tier I Capital Ratio (to Risk Weighted Assets)	$ 48 921	39.66%	$ ≥ 6 322	≥ 5.125%	$ ≥ 8 018	≥ 6.5%
Tier I Leverage Capital (to Average Assets)	$ 48 921	13.67%	$ ≥ 14 315	≥ 4.000%	$ ≥ 17 894	≥ 5.0%
As of December 31, 2015:						
Total Risk Based Capital (to Risk Weighted Assets)	$ 48 772	34.91%	$ ≥ 11 177	≥ 8.000%	$ ≥ 13 971	≥ 10.0%
Tier I Capital (to Risk Weighted Assets)	$ 47 022	33.66%	$ ≥ 8 384	≥ 6.000%	$ ≥ 11 178	≥ 8.0%
Common Equity Tier I Capital Ratio (to Risk Weighted Assets)	$ 47 022	33.66%	$ ≥ 6 278	≥ 4.500%	$ ≥ 9 082	≥ 6.5%
Tier I Leverage Capital (to Average Assets)	$ 47 022	13.47%	$ ≥ 13 960	≥ 4.000%	$ ≥ 17 450	≥ 5.0%

The above 2016 risk-weighted capital ratios for capital adequacy purposes include a .625% capital conservation buffer. The capital conservation buffer will be phased in over four years to 2.50%. Financial institutions with a buffer greater than .625% (2016) are not subject to limits on capital distributions or discretionary bonus payments beyond those currently included in regulations. As reflected above, the Bank's capital was sufficient to exceed its minimum capital requirements including the required capital conservation buffer.

Although Federal Reserve regulations regarding specific capital requirements do not generally apply to Bank Holding Companies with consolidated assets of less than $500 million, the Federal Reserve may apply capital guidelines to the Company on a consolidated basis, regardless of asset size, if such action is warranted for supervisory purposes.

NOTE 13 - RESTRICTIONS ON DISTRIBUTIONS (DIVIDENDS)

The Bank is subject to certain restrictions on the amount of distributions that it may pay without prior regulatory approval. The Bank normally restricts distributions to a lesser amount. At December 31, 2016, retained earnings of approximately $5,700,000, were available to the Bank for the payment of distributions without prior regulatory approval. This amount available is reduced subsequent to December 31, 2016 to approximately $3,800,000 since it is based on the current year to date earnings retained plus the previous two years retained income. In addition, distributions may not be paid by the Bank without regulatory approval if capital requirements will not be met subsequent to the dividend.

As a subchapter S corporation, the Company may also be limited as to distributions based on previous retained subchapter S earnings or bank capital requirements as noted above.

NOTE 14 - RESTRICTION ON CASH AND DUE FROM BANKS

The Bank is required to maintain reserve funds in cash or on deposit with the Federal Reserve Bank. The required reserve at December 31, 2016, was approximately $5,613,000.

NOTE 15 - DISCONTINUED OPERATIONS

Effective December 31, 2010, the physical assets and related title and abstract business of Polk County Title Company, Inc. were sold. As a result, only minor close out expenses were incurred during the years presented. Polk County Title Company, Inc. will remain in existence for a period of years in accordance with certain legal requirements and may generate or expend insignificant amounts of cash flow during the remaining years of its existence.

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Board of Directors
FNB Company and Subsidiaries
Livingston, Texas

We have audited the consolidated financial statements of FNB Company and Subsidiaries as of and for the years ended December 31, 2016 and 2015, and our report thereon dated February 17, 2017, which expressed an unmodified opinion on those financial statements appears on page 3. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating 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 in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Axley & Rode LLP
CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas
February 17, 2017

CONSOLIDATING SUPPLEMENTARY INFORMATION

FNB COMPANY AND SUBSIDIARIES

FNB COMPANY AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEET
December 31, 2016

	FNB COMPANY	THE FIRST NATIONAL BANK OF LIVINGSTON
ASSETS		
Cash and cash equivalents	$ 16 781	$ 10 774 882
Interest bearing deposits in banks	-	66 124 000
Securities available for sale	-	146 259 596
Restricted equity securities	-	570 220
Investment in subsidiaries	50 053 310	-
Loans, less allowance for loan losses	-	115 886 163
Bank premises and equipment, net	-	9 049 097
Accrued interest receivable	-	1 381 731
Goodwill, net	-	3 031 500
Other assets	668 136	1 031 986
TOTAL ASSETS	$ 50 738 227	$ 354 109 175
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Demand	$ -	$ 114 630 071
Savings and interest bearing demand	-	138 515 740
Other time	-	47 346 847
TOTAL DEPOSITS	-	300 492 658
Federal funds purchased	-	2 440 000
Accrued interest and other liabilities	668 190	1 123 207
TOTAL LIABILITIES	668 190	304 055 865
Stockholders' Equity:		
Common stock	130 028	479 000
Surplus	21 401 004	12 612 340
Retained earnings	30 879 335	38 866 362
Treasury stock	(435 938)	-
Accumulated other comprehensive income	(1 904 392)	(1 904 392)
TOTAL STOCKHOLDERS' EQUITY	50 070 037	50 053 310
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 50 738 227	$ 354 109 175

See independent auditors' report on supplementary information.

ELIMINATING ENTRIES	CONSOLIDATED TOTALS
$ (16 781)	$ 10 774 882
-	66 124 000
-	146 259 596
-	570 220
(50 053 310)	-
-	115 886 163
-	9 049 097
-	1 381 731
-	3 031 500
(668 190)	1 031 932
$ (50 738 281)	$ 354 109 121
$ (16 781)	$ 114 613 290
-	138 515 740
-	47 346 847
(16 781)	300 475 877
-	2 440 000
(668 190)	1 123 207
(684 971)	304 039 084
(479 000)	130 028
(12 612 340)	21 401 004
(38 866 362)	30 879 335
-	(435 938)
1 904 392	(1 904 392)
(50 053 310)	50 070 037
$ (50 738 281)	$ 354 109 121

FNB COMPANY AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEET
December 31, 2015

	FNB COMPANY	THE FIRST NATIONAL BANK OF LIVINGSTON
ASSETS		
Cash and cash equivalents	$ 550	$ 17 083 389
Interest bearing deposits in banks	-	59 569 000
Securities available for sale	-	140 936 482
Restricted equity securities	-	565 120
Investment in subsidiaries	51 312 883	-
Loans, less allowance for loan losses	-	120 028 481
Bank premises and equipment, net	-	8 909 143
Accrued interest receivable	-	1 301 018
Goodwill, net	-	3 031 499
Other real estate owned	-	150 000
Other assets	677 459	1 024 672
TOTAL ASSETS	$ 51 990 892	$ 352 598 804
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Demand	$ -	$ 112 566 365
Savings and interest bearing demand	-	138 594 550
Other time	-	48 858 102
TOTAL DEPOSITS	-	300 019 017
Accrued interest and other liabilities	675 675	1 250 027
Deferred Federal income taxes payable	(4 480)	16 877
TOTAL LIABILITIES	671 195	301 285 921
Stockholders' Equity:		
Common stock	130 028	479 000
Surplus	21 401 004	12 612 340
Retained earnings	28 905 356	36 963 066
Treasury stock	(375 168)	-
Accumulated other comprehensive income	1 258 477	1 258 477
TOTAL STOCKHOLDERS' EQUITY	51 319 697	51 312 883
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 51 990 892	$ 352 598 804

See independent auditors' report on supplementary information.

ELIMINATING ENTRIES	CONSOLIDATED TOTALS
$ (550)	$ 17 083 389
-	59 569 000
-	140 936 482
-	565 120
(51 312 883)	-
-	120 028 481
-	8 909 143
-	1 301 018
-	3 031 499
-	150 000
(675 665)	1 026 466
$ (51 989 098)	$ 352 600 598
$ (550)	$ 112 565 815
-	138 594 550
-	48 858 102
(550)	300 018 467
(675 665)	1 250 037
-	12 397
(676 215)	301 280 901
(479 000)	130 028
(12 612 340)	21 401 004
(36 963 066)	28 905 356
-	(375 168)
(1 258 477)	1 258 477
(51 312 883)	51 319 697
$ (51 989 098)	$ 352 600 598

FNB COMPANY AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF INCOME
For the Year Ended December 31, 2016

	FNB COMPANY	THE FIRST NATIONAL BANK OF LIVINGSTON
Interest Income:		
Interest and fees on loans	$ -	$ 6 231 374
Interest on Investment Securities:		
Taxable	-	1 905 446
Exempt from Federal income tax	-	1 141 816
Interest on deposits in banks	-	976 797
TOTAL INTEREST INCOME	-	10 255 433
Interest expense on deposits	-	441 118
Interest on Federal funds purchased	-	1 205
NET INTEREST INCOME	-	9 813 110
Provision for loan losses	-	287 500
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	-	9 525 610
Other Income:		
Service charges on deposit accounts	-	2 004 564
Other service charges and fees	-	1 574 871
Equity in earnings of subsidiaries	4 674 568	-
Insurance commissions	-	453 074
Brokerage commissions (net)	-	1 615 549
Other income	17 441	58 056
TOTAL OTHER INCOME	4 692 009	5 706 114
Other Expenses:		
Salaries and employee benefits	-	5 883 560
Occupancy, insurance and equipment expense	-	1 339 360
ATM processing	-	631 549
Deposit insurance expense	-	113 500
Data processing	-	841 430
Directors fees	-	190 473
Postage and freight	-	116 361
Printing and office supplies	-	184 732
Legal and professional services	1 056	224 999
Telephone	-	119 713
Marketing	-	116 435
Other operating expenses	8 921	814 539
TOTAL OTHER EXPENSES	9 977	10 576 651
INCOME FROM CONTINUING OPERATIONS BEFORE FEDERAL INCOME TAXES	4 682 032	4 655 073
Federal income taxes from continuing operations	-	(19 494)
INCOME FROM CONTINUING OPERATIONS	4 682 032	4 674 567
Discontinued Operations:		
Income (loss) from operations of discontinued Polk County Title Company, Inc.	-	-
INCOME (LOSS) ON DISCONTINUED OPERATIONS	-	-
NET INCOME	$ 4 682 032	$ 4 674 567

See independent auditors' report on supplementary information.

ELIMINATING ENTRIES	CONSOLIDATED TOTALS
$ -	$ 6 231 374
-	1 905 446
-	1 141 816
-	976 797
-	10 255 433
-	441 118
-	1 205
-	9 813 110
-	287 500
-	9 525 610
-	2 004 564
-	1 574 871
(4 674 568)	-
-	453 074
-	1 615 549
-	75 497
(4 674 568)	5 723 555
-	5 883 560
-	1 339 360
-	631 549
-	113 500
-	841 430
-	190 473
-	116 361
-	184 732
-	226 055
-	119 713
-	116 435
-	823 460
-	10 586 628
(4 674 568)	4 662 537
-	(19 494)
(4 674 568)	4 682 031
-	-
-	-
$ (4 674 568)	$ 4 682 031

FNB COMPANY AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF INCOME
For the Year Ended December 31, 2015

	FNB COMPANY	THE FIRST NATIONAL BANK OF LIVINGSTON
Interest Income:		
Interest and fees on loans	$ -	$ 6 079 637
Interest on Investment Securities:		
Taxable	-	1 958 819
Exempt from Federal income tax	-	1 160 381
Interest on deposits in banks	-	817 255
TOTAL INTEREST INCOME	-	10 016 092
Interest expense on deposits	-	436 164
Interest on Federal funds purchased	-	83
NET INTEREST INCOME	-	9 579 845
Provision for loan losses	-	305 000
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	-	9 274 845
Other Income:		
Service charges on deposit accounts	-	1 992 892
Other service charges and fees	-	1 605 585
Equity in earnings of subsidiaries	4 630 294	-
Insurance commissions	-	421 881
Brokerage commissions (net)	-	1 464 524
Gain/(loss) other	-	(50 000)
Other income	-	59 974
TOTAL OTHER INCOME	4 630 294	5 494 856
Other Expenses:		
Salaries and employee benefits	-	5 514 316
Occupancy, insurance and equipment expense	-	1 249 137
ATM processing	-	694 646
Deposit insurance expense	-	172 800
Data processing	-	731 212
Directors fees	-	191 180
Postage and freight	-	146 762
Printing and office supplies	-	193 647
Legal and professional services	1 082	207 318
Telephone	-	117 940
Marketing	-	121 235
Other operating expenses	935	790 610
TOTAL OTHER EXPENSES	2 017	10 130 803
INCOME FROM CONTINUING OPERATIONS BEFORE FEDERAL INCOME TAXES	4 628 277	4 638 898
Federal income taxes from continuing operations	-	-
INCOME FROM CONTINUING OPERATIONS	4 628 277	4 638 898
Discontinued Operations:		
Income (loss) from operations of discontinued Polk County Title Company, Inc.	-	(8 604)
INCOME (LOSS) ON DISCONTINUED OPERATIONS	-	(8 604)
NET INCOME	$ 4 628 277	$ 4 630 294

See independent auditors' report on supplementary information.

ELIMINATING ENTRIES	CONSOLIDATED TOTALS
$ -	$ 6 079 637
-	1 958 819
-	1 160 381
-	817 255
-	10 016 092
-	436 164
-	83
-	9 579 845
-	305 000
-	9 274 845
-	1 992 892
-	1 605 585
(4 630 294)	-
-	421 881
-	1 464 524
-	(50 000)
-	59 974
(4 630 294)	5 494 856
-	5 514 316
-	1 249 137
-	694 646
-	172 800
-	731 212
-	191 180
-	146 762
-	193 647
-	208 400
-	117 940
-	121 235
-	791 545
-	10 132 820
(4 630 294)	4 636 881
-	-
(4 630 294)	4 636 881
-	(8 604)
-	(8 604)
$ (4 630 294)	$ 4 628 277

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CONSOLIDATING SUPPLEMENTARY INFORMATION

THE FIRST NATIONAL BANK OF LIVINGSTON AND SUBSIDIARIES

THE FIRST NATIONAL BANK OF LIVINGSTON AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEET
December 31, 2016

		THE FIRST NATIONAL BANK OF LIVINGSTON
ASSETS		
Cash and due from banks	$	10 774 882
Interest bearing deposits in banks		66 124 000
Securities available for sale		146 259 596
Restricted equity securities		570 220
Investment in subsidiaries		420 974
Loans, less allowance for loan losses		115 886 163
Bank premises and equipment, net		9 030 249
Accrued interest receivable		1 381 731
Goodwill, net		3 031 500
Other assets		1 015 708
TOTAL ASSETS	$	354 495 023
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Demand	$	115 083 821
Savings and NOW deposits		138 515 740
Other time		47 346 847
TOTAL DEPOSITS		300 946 408
Federal funds purchased		2 440 000
Accrued interest and other liabilities		1 055 305
TOTAL LIABILITIES		304 441 713
Stockholders' Equity:		
Common stock		479 000
Surplus		12 612 340
Retained earnings		38 866 362
Accumulated other comprehensive income		(1 904 392)
TOTAL STOCKHOLDERS' EQUITY		50 053 310
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	354 495 023

See independent auditors' report on supplementary information.

	CHURCH STREET FINANCIAL	POLK COUNTY TITLE COMPANY, INC.	ELIMINATING ENTRIES	CONSOLIDATED TOTALS
	$ 276 429	$ 36 172	$ (312 601)	$ 10 774 882
	-	-	-	66 124 000
	-	-	-	146 259 596
	-	-	-	570 220
	-	-	(420 974)	-
	-	-	-	115 886 163
	18 848	-	-	9 049 097
	-	-	-	1 381 731
	-	-	-	3 031 500
	156 597	-	(140 319)	1 031 986
	$ 451 874	$ 36 172	$ (873 894)	$ 354 109 175
	$ -	$ -	$ (453 750)	$ 114 630 071
	-	-	-	138 515 740
	-	-	-	47 346 847
	-	-	(453 750)	300 492 658
	-	-	-	2 440 000
	67 902	-	-	1 123 207
	67 902	-	(453 750)	304 055 865
	350 000	2 000	(352 000)	479 000
	-	111 795	(111 795)	12 612 340
	33 972	(77 623)	43 651	38 866 362
	-	-	-	(1 904 392)
	383 972	36 172	(420 144)	50 053 310
	$ 451 874	$ 36 172	$ (873 894)	$ 354 109 175

THE FIRST NATIONAL BANK OF LIVINGSTON AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEET
December 31, 2015

		THE FIRST NATIONAL BANK OF LIVINGSTON
ASSETS		
Cash and due from banks	$	17 083 389
Interest bearing deposits in banks		59 569 000
Securities available for sale		140 936 482
Restricted equity securities		565 120
Investment in subsidiaries		267 158
Loans, less allowance for loan losses		120 028 481
Bank premises and equipment, net		8 888 986
Accrued interest receivable		1 301 018
Goodwill, net		3 031 499
Other real estate owned		150 000
Other assets		998 931
TOTAL ASSETS	$	352 820 064
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Demand	$	112 844 660
Savings and NOW deposits		138 594 550
Other time		48 858 102
TOTAL DEPOSITS		300 297 312
Accrued interest and other liabilities		1 192 992
Deferred Federal income taxes payable		16 877
TOTAL LIABILITIES		301 507 181
Stockholders' Equity:		
Common stock		479 000
Surplus		12 612 340
Retained earnings		36 963 066
Accumulated other comprehensive income		1 258 477
TOTAL STOCKHOLDERS' EQUITY		51 312 883
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	352 820 064

See independent auditors' report on supplementary information.

CHURCH STREET FINANCIAL	POLK COUNTY TITLE COMPANY, INC.	ELIMINATING ENTRIES	CONSOLIDATED TOTALS
$ 242 123	$ 36 172	$ (278 295)	$ 17 083 389
-	-	-	59 569 000
-	-	-	140 936 482
-	-	-	565 120
-	-	(267 158)	-
-	-	-	120 028 481
20 157	-	-	8 909 143
-	-	-	1 301 018
-	-	-	3 031 499
-	-	-	150 000
25 071	-	670	1 024 672
$ 287 351	$ 36 172	$ (544 783)	$ 352 598 804

$ -	$ -	$ (278 295)	$ 112 566 365
-	-	-	138 594 550
-	-	-	48 858 102
-	-	(278 295)	300 019 017
57 035	-	-	1 250 027
-	-	-	16 877
57 035	-	(278 295)	301 285 921
350 000	2 000	(352 000)	479 000
-	111 795	(111 795)	12 612 340
(119 684)	(77 623)	197 307	36 963 066
-	-	-	1 258 477
230 316	36 172	(266 488)	51 312 883
$ 287 351	$ 36 172	$ (544 783)	$ 352 598 804

THE FIRST NATIONAL BANK OF LIVINGSTON AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF INCOME
For the Year Ended December 31, 2016

	THE FIRST NATIONAL BANK OF LIVINGSTON
Interest Income:	
Interest and fees on loans	$ 6 231 374
Interest on Investment Securities:	
Taxable	1 905 446
Exempt from Federal income tax	1 141 816
Interest on deposits in banks	976 797
TOTAL INTEREST INCOME	10 255 433
Interest expense on deposits	441 118
Interest on Federal funds purchased	1 205
NET INTEREST INCOME	9 813 110
Provision for loan losses	287 500
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	9 525 610
Other Income:	
Service charges on deposit accounts	2 004 564
Other service charges and fees	1 574 871
Equity in earnings of subsidiaries	664 956
Insurance commissions	-
Brokerage commissions (net)	-
Other income	188 056
TOTAL OTHER INCOME	4 432 447
Other Expenses:	
Salaries and employee benefits	4 842 093
Occupancy, insurance and equipment expense	1 298 615
ATM processing	631 549
Deposit insurance expense	113 500
Data processing	802 934
Directors fees	178 473
Postage and freight	112 768
Printing and office supplies	175 365
Legal and professional services	211 965
Telephone	107 051
Marketing	100 895
Other operating expenses	727 776
TOTAL OTHER EXPENSES	9 302 984
INCOME FROM CONTINUING OPERATIONS BEFORE FEDERAL INCOME TAXES	4 655 073
Federal income taxes from continuing operations	(19 494)
NET INCOME FROM CONTINUING OPERATIONS	4 674 567
Discontinued Operations:	
Income (loss) from operations of discontinued Polk County Title Company, Inc.	-
INCOME (LOSS) FROM DISCONTINUED OPERATIONS	-
NET INCOME	$ 4 674 567

See independent auditors' report on supplementary information.

CHURCH STREET FINANCIAL	POLK CO. TITLE COMPANY, INC.	ELIMINATING ENTRIES	CONSOLIDATED TOTALS
$ -	$ -	$ -	$ 6 231 374
-	-	-	1 905 446
-	-	-	1 141 816
-	-	-	976 797
-	-	-	10 255 433
-	-	-	441 118
-	-	-	1 205
-	-	-	9 813 110
-	-	-	287 500
-	-	-	9 525 610
-	-	-	2 004 564
-	-	-	1 574 871
-	-	(664 956)	-
453 074	-	-	453 074
1 504 099	-	111 450	1 615 549
-	-	(130 000)	58 056
1 957 173	-	(683 506)	5 706 114
1 041 467	-	-	5 883 560
170 745	-	(130 000)	1 339 360
-	-	-	631 549
-	-	-	113 500
38 496	-	-	841 430
12 000	-	-	190 473
3 593	-	-	116 361
9 367	-	-	184 732
13 034	-	-	224 999
12 662	-	-	119 713
15 540	-	-	116 435
86 764	-	(1)	814 539
1 403 668	-	(130 001)	10 576 651
553 505	-	(553 505)	4 655 073
-	-	-	(19 494)
553 505	-	(553 505)	4 674 567
-	-	-	-
-	-	-	-
$ 553 505	$ -	$ (553 505)	$ 4 674 567

THE FIRST NATIONAL BANK OF LIVINGSTON AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF INCOME
For the Year Ended December 31, 2015

	THE FIRST NATIONAL BANK OF LIVINGSTON
Interest Income:	
Interest and fees on loans	$ 6 079 637
Interest on Investment Securities:	
Taxable	1 958 819
Exempt from Federal income tax	1 160 381
Interest on deposits in banks	817 255
TOTAL INTEREST INCOME	10 016 092
Interest expense on deposits	436 164
Interest on Federal funds purchased	83
NET INTEREST INCOME	9 579 845
Provision for loan losses	305 000
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	9 274 845
Other Income:	
Service charges on deposit accounts	1 992 892
Other service charges and fees	1 605 585
Equity in earnings of subsidiaries	651 637
Insurance commissions	-
Brokerage commissions (net)	-
Gain/(loss) other	(50 000)
Other income	119 974
TOTAL OTHER INCOME	4 320 088
Other Expenses:	
Salaries and employee benefits	4 554 963
Occupancy, insurance and equipment expense	1 220 495
ATM processing	694 646
Deposit insurance expense	172 800
Data processing	703 172
Directors fees	178 659
Postage and freight	143 505
Printing and office supplies	185 611
Legal and professional services	199 396
Telephone	102 572
Marketing	109 305
Other operating expenses	699 515
TOTAL OTHER EXPENSES	8 964 639
INCOME FROM CONTINUING OPERATIONS BEFORE FEDERAL INCOME TAXES	4 630 294
Federal income taxes from continuing operations	-
NET INCOME FROM CONTINUING OPERATIONS	4 630 294
Discontinued Operations:	
Income (loss) from operations of discontinued Polk County Title Company, Inc.	-
INCOME (LOSS) FROM DISCONTINUED OPERATIONS	-
NET INCOME	$ 4 630 294

See independent auditors' report on supplementary information.

CHURCH STREET FINANCIAL	POLK CO. TITLE COMPANY, INC.	ELIMINATING ENTRIES	CONSOLIDATED TOTALS
$ -	$ -	$ -	$ 6 079 637
-	-	-	1 958 819
-	-	-	1 160 381
-	-	-	817 255
-	-	-	10 016 092
-	-	-	436 164
-	-	-	83
-	-	-	9 579 845
-	-	-	305 000
-	-	-	9 274 845
-	-	-	1 992 892
-	-	-	1 605 585
-	-	(651 637)	-
421 881	-	-	421 881
1 464 524	-	-	1 464 524
-	-	-	(50 000)
-	-	(60 000)	59 974
1 886 405	-	(711 637)	5 494 856
959 353	-	-	5 514 316
88 642	-	(60 000)	1 249 137
-	-	-	694 646
-	-	-	172 800
28 040	-	-	731 212
12 521	-	-	191 180
3 257	-	-	146 762
8 036	-	-	193 647
7 922	-	-	207 318
15 368	-	-	117 940
11 930	-	-	121 235
90 936	-	159	790 610
1 226 005	-	(59 841)	10 130 803
660 400	-	(651 796)	4 638 898
-	-	-	-
660 400	-	(651 796)	4 638 898
-	(8 604)	-	(8 604)
-	(8 604)	-	(8 604)
$ 660 400	$ (8 604)	$ (651 796)	$ 4 630 294

Form FR Y-6

FNB Company

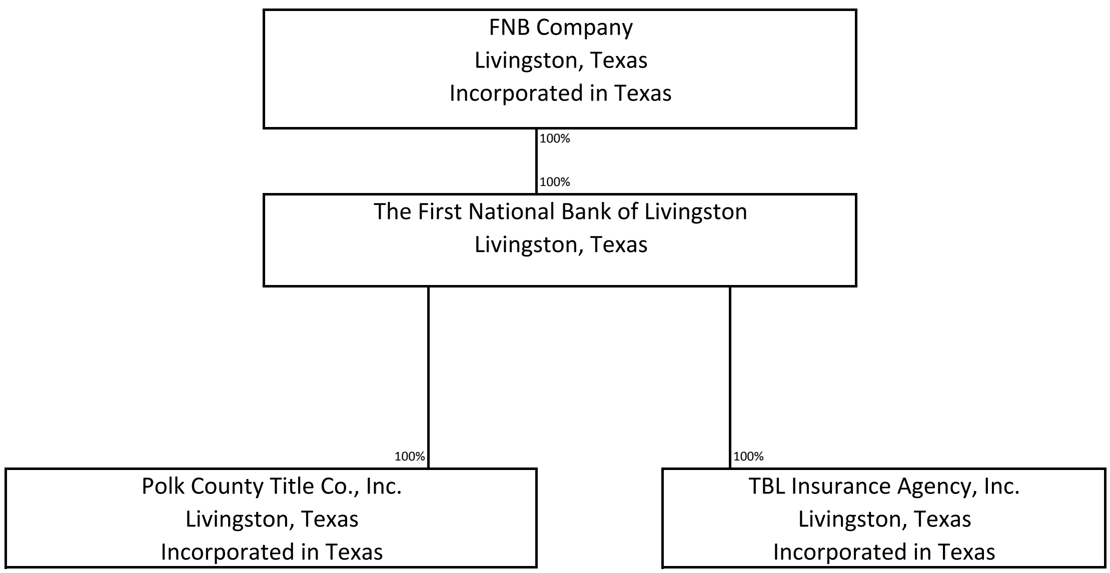
Livingston, Texas

Fiscal Year Ending December 31, 2016

Report Item

1: The BHC does prepare an annual report for its shareholders. Enclosed are two copies of the annual report.

2a: Organization Chart



No LEI is available for any entity listed above.

Results: A list of branches for your depository institution: FIRST NATIONAL BANK OF LIVINGSTON, THE (ID_RSSD: 630658).
This depository institution is held by FNB COMPANY (2504285) of LIVINGSTON, TX.
The data are as of 12/31/2016. Data reflects information that was received and processed through 01/10/2017.

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)	630658	FIRST NATIONAL BANK OF LIVINGSTON, THE	2121 HWY 190 WEST	LIVINGSTON	TX	77351	POLK	UNITED STATES	2141	0	FIRST NATIONAL BANK OF LIVINGSTON, THE	630658	
OK		Full Service	2114796	DOWNTOWN BRANCH	308 WEST CHURCH STREET	LIVINGSTON	TX	77351	POLK	UNITED STATES	465408	5	FIRST NATIONAL BANK OF LIVINGSTON, THE	630658	
OK		Full Service	1464234	ONALASKA BRANCH	14114 US HIGHWAY 190 WEST	ONALASKA	TX	77360	POLK	UNITED STATES	260272	4	FIRST NATIONAL BANK OF LIVINGSTON, THE	630658	

Form FR Y-6

FNB Company
Livingston, TX
Fiscal Year Ending December 31, 2016

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 12-31-2016			**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 12-31-2016**		
(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
Carey L. Cochran, Jr. Livingston, TX	USA	21,208 common 16.50%	N/A		
Ernest H. Cochran Bypass Trust B Judy Cochran & Malcolm Jones, Trustees Livingston, TX	USA	8,610 common 6.70%			
Ernest H Cochran Residuary Trust C Judy Cochran & Malcolm Jones, Trustees Livingston, TX	USA	11,124 common 8.66%			
The John Guy Slocomb Family Trust Connie Slocomb, Trustee Livingston, TX	USA	14,335 common 11.16%			
Constance Slocomb Livingston, TX	USA	19,421** common 15.11%			
Judy Cochran Livingston, TX	USA	21,354* common 16.62%			
Malcolm Jones Livingston, TX	USA	19,934* common 15.51%			

* Includes 19,734 shares common reported under Ernest H Cochran Trusts of which Mrs. Cochran & Mr. Jones are trustees.

** Includes 14,335 shares common reported under The John Guy Slocomb Family Trust of which Mrs. Slocomb is trustee.

AMENDED

Form FR Y-6

FNB Company
Livingston, TX
Fiscal Year Ending December 31, 2016

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

(1) Names & Address (City, State, Country)	(2) Principal Occupation if other than with holding company	(3)(a) Title & Position with holding company	(3)(b) Title & Position with Subsidiaries (include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (include names of other businesses)	(4)(a) Percentage of Voting Securities in holding company	(4)(b) Percentage of Voting Securities in Subsidiaries (include names of subsidiaries)	(4)(c) List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
Judy Cochran Livingston, Texas, USA	Investments	Director	Director-FNB	Pres-Livingston Lands, Inc. Director-JAR Partnership	16.62%	NONE	25% Livingston Lands, Inc.
C.L. Cochran, Jr. Livingston, Texas, USA	Merchant	Director	Director-FNB	Pres-Cochran Funeral Home	16.50%	NONE	100% Cochran Funeral Home
R. Malcolm Jones Livingston, Texas, USA	Attorney	Sr. Chm	Sr. Chm-FNB Director-TBL Ins.	N/A	15.51%	NONE	N/A
The John Guy Slocomb Family Trust Connie Slocomb, Trustee Livingston, Texas, USA	N/A	N/A	N/A	N/A	11.16%	NONE	N/A
Constance T. Slocomb Livingston, Texas, USA	Attorney/CPA	Director	Director-FNB	N/A	3.96%	NONE	N/A
Richard L. Gilbert Livingston, Texas, USA	Safety Advisor	Director	Director-FNB	N/A	3.98%	NONE	N/A
Linda Nadolski Livingston, Texas, USA	Retired/Interior Designer	Director	Director-FNB	N/A	3.33%	NONE	N/A
John Thompson Livingston, Texas, USA	Consultant	Director	Director-FNB	N/A	2.06%	NONE	N/A
Zonna Craig Livingston, Texas, USA	Retired/Banking	Director	Director-FNB	N/A	1.72%	NONE	N/A
John Haynes Livingston, Texas, USA	Equipment Manufacturing	Director	Director-FNB	Pres-L.B. Equipment, Inc. V.P.-Little Beaver, Inc.	1.48%	NONE	50% H & H Leasing; 50% L.B. Equipment, Inc; 50% Little Beaver
Roy C. "Joe" Thomas Livingston, Texas, USA	Retired/Building Materials	Director	Director-FNB	N/A	1.44%	NONE	N/A

AMENDED

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

(1) Names & Address (City, State, Country)	(2) Principal Occupation if other than with holding company	(3)(a) Title & Position with holding company	(3)(b) Title & Position with Subsidiaries (include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (include names of other businesses)	(4)(a) Percentage of Voting Securities in holding company	(4)(b) Percentage of Voting Securities in Subsidiaries (include names of subsidiaries)	(4)(c) List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
J.E. Peters, Jr. Livingston, Texas, USA	Investments/Ranching	Director	Director-FNB	Director-Peters Tractor & Equipment	1.15%	NONE	N/A
A.C. Evans, Jr. Livingston, Texas, USA	Banker	President CEO/Director Treasurer	President CEO/Director-FNB Director-TBL Ins	N/A	0.97%	NONE	N/A
Claud Thomas Livingston, Texas, USA	Building Materials	Director	Director-FNB	Pres-Thomas Supply, Inc.	0.86%	NONE	Thomas Supply, Inc.-52%
Craig Anderson Evans Livingston, Texas, USA	Insurance/Investments	Director	Director/Vice President-TBL Ins.	N/A	0.60%	NONE	N/A
H.E. Striedel Livingston, Texas, USA	Retired/Electric Power	Director	Director-FNB	N/A	0.16%	NONE	N/A
John Allen Slocomb Livingston, Texas, USA	Banker	Director	Director/Sr. Vice President-FNB	N/A	0.16%	NONE	N/A
Cindy Snook Livingston, Texas, USA	Banker	Director	Director/Sr. Vice President-FNB	N/A	0.16%	NONE	50% Snook Roofing and Sheet Metal, LLC
Kyle J. Kuntz Livingston, Texas, USA	Electric Power Distribution	Director	Director-FNB	CEO-Sam Houston Electric Co-op	0.16%	NONE	N/A
Russell Thomas Livingston, Texas, USA	Building Materials	Director	Director-FNB	Director-Thomas Supply	0.16%	NONE	Thomas Supply Inc- 48%