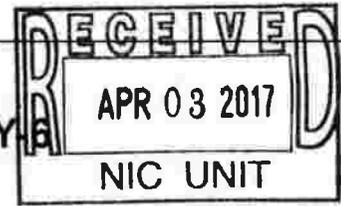


Board of Governors of the Federal Reserve System



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.

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

**December 31, 2016**

Month / Day / Year

N/A

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

Reporter's Name, Street, and Mailing Address

I, **Gary A Roberts Jr.**

Name of the Holding Company Director and Official

**President and Director**

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.

**Relationship Financial Corporation**

Legal Title of Holding Company

**1309 Bandera HWY**

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

**Kerrville**

**TX**

**78028**

City

State

Zip Code

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.

*Tony Robert*

Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

**Greg Shoultz**

**Secretary**

Name

Title

**830-792-1954**

Area Code / Phone Number / Extension

**830-257-1345**

Area Code / FAX Number

**gregs@guadalupenational.com**

E-mail Address

**www.guadalupenational.com**

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

Signature of Holding Company Director and Official

**03/21/2017**

Date of Signature

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

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

For Federal Reserve Bank Use Only

RSSD ID **3635560**  
 C.I. \_\_\_\_\_

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."



Relationship Financial Corp (Please see detail below)

Guadalupe National Bank (Please See detail below)

**Single Tier Holding Company**

2a(1)	Relationship Financial Corporation and Guadalupe National Bank
2a(2)	LEI: Relationship Financial Corporation and Guadalupe National Bank do not have a LEI Number
2a(3)	Kerrville, TX USA for both Relationship Financial Corp and Guadalupe National Bank
2a(4)	Relationship Financial Corp is anS Corporation incorporated in the State of Texas USA and Guadalupe National Bank is an Association formed in the State of Texas, USA.
2a(5)	Relationship Financial Corporation owns 100% of the voting shares of Guadalupe National Bank (Association located in Kerrville, TX USA). RFC does not have any other ownership interests.

**Guadalupe National Bank Locations 2b**

1 Main Branch  
Kerrville, TX USA

2 West Branch  
Kerrville, TX USA

3 Fredericksburg Branch  
Fredericksburg, TX USA

it became valid in the Effective Date column.

Effective Date column.

Delete, or Add.

State	Zip Code	County	Country	FDIC UNINUM*	Office Number*	Head Office	Head Office ID_RSSD*	Comments
TX	78028	KERR	UNITED STATES	Not Required	Not Required	GUADALUPE NATIONAL BANK	3635551	
TX	78624	GILLESPIE	UNITED STATES	Not Required	Not Required	GUADALUPE NATIONAL BANK	3635551	
TX	78028	KERR	UNITED STATES	Not Required	Not Required	GUADALUPE NATIONAL BANK	3635551	

**Results: A list of branches for your holding company: RELATIONSHIP FINANCIAL CORPORATION (3635560) of KERRVILLE, TX.**  
The data are as of 12/31/2016. Data reflects information that was received and processed through 04/05/2017.

#### 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

**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 **I**

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**, or **Delete**. 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.

<b>Data Action</b>	<b>Effective Date</b>	<b>Branch Service Type</b>	<b>Branch ID_RSSD*</b>	<b>Popular Name</b>	<b>Street Address</b>	<b>City</b>
OK		Full Service (Head Office)	3635551	GUADALUPE NATIONAL BANK	1309 BANDERA HIGHWAY	KERRVILLE
OK		Full Service	4901552	FREDERICKSBURG BRANCH	1027 HIGHWAY 16	FREDERICKSBURG
OK		Full Service	4236508	WEST BRANCH	1916 JUNCTION HIGHWAY	KERRVILLE

Relationship Financial Corporation  
 Shareholder Listing  
 12/31/2016

ID	NAME 1 NAME 2	CITY	ST	ZIP	Country of Residence	Country of Citizenship	Trustee	AJG SHARES	% Ownership
163	Gary A. Roberts Sr.	Kerrville	TX	78028	USA	USA		7,235	7.62%
85	Charles J. Whelan Cynthia A. Whelan	Kerrville	TX	78028	USA	USA		7,000	7.37%
64	Gary A. Roberts, Jr. Kimberly K. Roberts	Fredericksburg	TX	78624	USA	USA		5,000	5.26%
	<b>Grand Totals</b>							<b>94,968</b>	
Item 3(2)	Gary and Debra Roberts Trust*	Kerrville	TX	78028	USA	USA	Gary Roberts Sr.	7,235	7.62%

\* All of the Shares previously in the Gary and Debra Roberts Trust were transferred to Gary A. Roberts Sr.



(1), (2), (3)(a)(b) and (4)(a)(b)

(1) Name (2) Principal Occupation if other than with Bank Holding Company (3)(a) Title & Position with Bank Holding Company (3)(b) Title & Position with Subsidiaries (Include names of other subsidiaries) (4)(a) Percentage of Voting Shares in Bank Holding Company (4)(b) Percentages of Voting shares in Subsidiaries (Include names of subsidiaries) (4)(c)

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7
Gary Roberts, Sr.	Kerrville, TX USA N/A	COB	Director	Director Guadalupe National Bank	Premiere Land and Cattle Co. LLP/Ltd. Partner	7.620% None
Gary A. Roberts, Jr.	Kerrville, TX USA Home Builder/RE invest. Guadalupe National Bank Locations 2b	President Director	COB, CEO	Guadalupe National Bank	Kerrville Storage Ltd. / President R & D Real Estate Hold Ltd. / Ltd. Partner Aggelina, LLC President Brick & Mortar, LTD President	5.260% None
David Wampler	Kerrville, TX USA Investments	Director	Vice COB	Guadalupe National Bank	MDBA Investments, Inc. / President Kerrville Medical Plaza LLP / General Partner	3.160% None
William B Patterson	Kerrville, TX USA Veterinary	Director	Director	Guadalupe National Bank	Town & Country Animal Hospital / Partner	1.050% None
Albert D. Pattillo, II	Kerrville, TX USA Attorney at Law	Director	Director	Guadalupe National Bank	Patillo and Richards PC / Partner in Lawfirm Riveritas Ltd / Ltd. Partner Riveritas Mgmt LLC/President	1.050% None
Charles J. Whelan	Kerrville, TX USA Investments	Director	Director	Guadalupe National Bank	WP Remnants, Inc. / President (CCKL Ventures GP, Inc. / Gen. Partner/President	7.370% None
						49% Premiere Land and Cattle Co. LLP
						75% Kerrville Storage Ltd 100% R&D Real Estate Holding Ltd. 100% Aggelina LLC 100% Brick & Mortar, LTD
						100% MDBA Investments, Inc. 50% Kerrville Medical Plazaq LLP
						80% Town and Country Animal Hosp
						50% Patillo and Richards PC 50% Riveritas Ltd. 50% Riveritas Mgmt LLC
						100% WP Remnants, Inc 64% CCKL Ventures GP Inc.

We're embracing our history while inviting our customers to connect with us in new and innovative ways. Through our unique perspective we're bringing the very best of banking to the Hill Country.



GuadalupeNational

*Built By Locals, For Locals*

# Annual Report 2016

## Guadalupe National Bank

### ANNUAL SHAREHOLDER MEETING

January 19th, 2017

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Our values of **Respect,**  
**Relationship,** and **Confidence**  
lead us as we strive to fulfill  
our mission of reinventing  
our customers' perception  
of banking.

#### BOARD OF DIRECTORS

Tony Roberts, Chairman  
David Wampler, Vice Chairman  
Gary Roberts, Director  
Charley Whelan, Director  
Cuatro Patterson, Director  
Pat Pattillo, Director



## Dear Fellow Shareholders,

As you know, over the past several years, the Board of Directors and the Executive Committee have become more active in providing input and direction to management in how we operate the bank. I would like to take a moment to explain our thinking to you.

The fact is, these have been very challenging times. The bank was started with \$9 million of shareholder capital at the very beginning of the worst financial crisis since the Great Depression. Since then, we have experienced significantly increased regulatory pressure, historically low interest rates and low operating margins, diminished loan demand and greater competition than ever in our local market. Virtually every aspect of being in the banking business has been affected by one or more of these factors.

Yet, we have prevailed. During this very challenging time, you have helped us grow the bank to profitability that we believe is sustainable. Indeed, I am excited about the challenges and opportunities ahead. And I want you to know that I understand that it will take teamwork to continue to serve our customers and grow the bank.

In that regard, the Board will continue to provide guidance and support to management and we will continue to suggest operational and personnel adjustments that we believe are in the best interest of meeting our goals, serving our customers, growing the bank and increasing profits.

**The impact of technology has quickly accelerated since we opened just 8 short years ago. Now, smartphones, tablets and social media are revolutionizing our relationship with our customers.**

To continue advancing in this dynamic environment, we are bridging the digital and physical worlds to encourage customers to fully experience all the benefits of their banking relationship. We have launched a new website that is more user friendly, and made improvements to our mobile banking that increases ease and accessibility. Dedication to our customers will always be our top priority as we work to offer them the most out of their banking relationship.

To make this relationship with our customers even stronger means we need enthusiastic, dedicated and knowledgeable employees. We believe that investing in employees will directly support our business strategy and provide benefits to our customers. We have had several new additions to our staff that will put us in a strategic position to be not only the bank of choice for our customers but also the employer of choice for the Hill Country. Our success is created by the strength and determination of our people, and I am committed to attracting, retaining and inspiring the best talent in the Hill Country.

As we move into 2017, we are excited to expand our current Fredericksburg location into a larger branch building with a drive through to service our retail customers. Our new location will be across the street from Hill Country Memorial Hospital at 1037 S. Highway 16. We are hopeful that we will see a swift return from our investment in the new location.

To further support the expansion into Fredericksburg and growth in our established Kerrville market, we are launching a Branding Campaign that will span across the Hill Country. This campaign will give us the opportunity to tell “Our Story” to the Hill Country and allow us to get recognition in areas of the market that we had not previously penetrated. Our marketing and advertising initiatives will continue to represent us in a consistent way and promote the Partnership that we create with each customer.

Our 2016 performance was even better than the record setting year in 2015. In a highly competitive market, we are still growing. Our loans increased by about \$5.5 million giving us a total of over \$94 million in loans. Our deposits increased by over \$11 million totaling about \$126 million in deposits. This performance is the direct result of the team coming together with a clear focus and mission: to continue to innovate and offer the best customer experience while aggressively creating efficiencies and increasing revenue opportunities. Please know it is our mission to reinvent the way our customers view their banking experience while always following our guiding values of Respect, Relationship and Confidence. As always, I’m extraordinarily proud of our team members for these results. Please join me in thanking them.

Respectfully,

**Tony Roberts**

A handwritten signature in blue ink that reads "Tony Roberts". The signature is written in a cursive style with a large, stylized "R" and "B".

**Chairman**

**Guadalupe National Bank**

“We are expanding into Fredericksburg in order to improve our ability to serve the Hill Country. We know the people we are working for, and we’re genuinely interested in making sure they get what they need. With a larger building, we can create more jobs for the community and do more for our customers.”

—Tony Roberts

#### NEW LOOK, SAME SERVICE

We have developed a design that will ensure our new space feels like our current home in Kerrville. The Retail Bank will perfectly balance our Hill Country aesthetic with seamlessly integrated technology that allows our retail team to give the superior customer service that our customers have come to love. Our state of the art teller line features ticketless teller transactions and cash recyclers that make for the fastest transaction times in the Hill Country. We have installed a Deposit Image ATM so that our customers aren’t restricted to banking hours to make a deposit and gives them a later cutoff time for same day credit. All of this technology wouldn’t mean anything if we didn’t also offer the same amazing service in our lobby with a friendly smile and a cookie!

#### TWO LOCATIONS

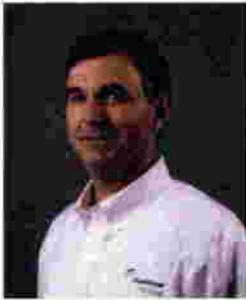
We will continue to operate our current location as a Loan Production Office and hope to soon add a permanent Mortgage Loan Officer to this location. The hours of operation at the loan production office are Monday—Friday 8am to 5pm. All retail banking will take place in our new location so that we can best serve our retail customers in the additional space and with the drive through. Our retail banking location lobby will be open Monday—Thursday from 9am to 5:30pm, and Friday from 9am to 6pm. The drive through will offer extended hours opening at 8am each morning and staying open as late as our lobby while also offering Saturday service from 9am to 12pm. Our two offices give us the ability to expand our operations in Fredericksburg and grow market share in a thriving market. Capturing the consumer market will be our main focus in the coming year.

#### EXPERIENCED AND LOCAL STAFF

Our staff has over 80 years of combined banking experience. The knowledge that our bankers can offer to our customers will ensure that we are serving them and creating a financial partner for life. Experienced banker Becky Melton told us “I enjoy building relationships with my customers and that’s something I know I can do with Guadalupe National Bank.” Not only do our team members have banking experience but most of them are Hill Country natives with roots in Fredericksburg. “My ancestors help settle Gillespie County in the 1850’s and I am excited about the opportunity to continue making Fredericksburg a great place to live, work and Bank.” says Loan Officer, David Geistweidt.

# INTRODUCING OUR FREDERICKSBURG TEAM

## LOAN PRODUCTION



**David Geistweidt**  
Senior Vice President

David has 26 years banking experience. Fredericksburg is where David started his banking career in 1991 after college graduation. He is active in numerous charitable organizations in Kerr, Kendall and Gillespie Counties including: Central Texas Board of Realtors, Kendall County Junior Livestock Show, Hill Country District Junior Livestock Show, & Kendall County Equestrian Center.



**Kimberlyn Billeiter**  
Loan Assistant

Kimberlyn is a 7th generation resident of the Hill Country. She is a Hill Country and German Native. Kimberlyn earned her B.S. in Business Administration at Sam Houston State University. She has been with the bank since July of 2016 and will be the loan assistant to David in our new loan production office.

## RETAIL BANK



**Ronette Walshak**  
Branch Manager

Ronette worked with Wells Fargo for 15 years prior to moving to the Hill Country in 2010. Upon moving to the Hill Country in 2010, she worked at Centennial Bank, as a Customer Service Representative. Ronette is involved in the Hill Country Group of the Financial Women in Texas, currently serving as Membership Chairman, as well as being involved with St. Mary's Acts teams.



**Becky Melton**  
Relationship Banker

Becky has been in banking since 1995 in the Fredericksburg community. She has worked with Head Start on their Empty Bowl Fund raiser for several years. She loves assisting all her customers with any of their needs. She looks forward to a lasting relationship with all her customers and is excited to have the opportunity to establish new relationships in the future.



**Erin Tatsch**  
Customer Relationship Representative

Erin graduated from Fredericksburg High School in 2009. After graduating she received a marketing degree from Angelo State University. She has recently moved back to the area with her husband and welcomed their new baby Hadley in August. She has been with Guadalupe National since July of 2016.



**Elizabeth Albiter**  
Customer Relationship Representative

Elizabeth was born in Fredericksburg. Raised in Mason, Texas. She moved to Fredericksburg in 1986. She worked for Wells Fargo as a Teller in Kerrville. Elizabeth brokered with United Country/ Cave Creek Realty in 1998.

This performance is the direct result of the team coming together with a clear focus and mission: to continue to **innovate** and offer the best customer experience while aggressively creating efficiencies and increasing revenue opportunities.

*Financial Report* **2016**

# Financial Highlights

Consolidated Guadalupe National Bank and Relationship Financial Corp.

	2016	2015	2014
<b>Net Income Bank</b>	1,543,423	1,349,855	1,269,748
<b>Net Income Consolidated</b>	1,455,621	1,083,383	1,194,098
<b>Per Common Share Data (Consolidated)</b>			
<b>Earnings per Share—Basic</b>	15.33	11.39	13.10
<b>Earnings per Common Share—Diluted</b>	15.26	11.34	12.69
<b>Cash Dividends</b>	582,248	433,353	482,035
<b>Book Value</b>	117.08	106.06	101.28
<b>Performance Ratios</b>			
<b>Return on Average Assets (Bank)</b>	1.17%	1.06%	1.07%
<b>Return on Average Common Equity (Bank)</b>	12.28%	11.82%	12.01%
<b>Net Interest Margin (Bank)</b>	3.82%	3.49%	3.39%
<b>Dividend Payout Ratio on Common Shares (RFC)</b>	40.00%	40.00%	40.37%
<b>Year End Balance Sheet Data (Bank Only)</b>			
<b>Loans (Net of Held for Sale)</b>	94,705,105	89,282,654	82,112,765
<b>Securities</b>	4,510,408	3,281,387	3,585,680
<b>Earning Assets</b>	113,542,155	116,107,198	109,775,643
<b>Total Assets</b>	138,760,909	126,400,163	119,935,388
<b>Non-interest-bearing Demand Deposits</b>	33,268,315	32,010,498	27,242,667
<b>Interest-bearing Deposits</b>	92,042,823	82,173,547	81,780,495
<b>Total Deposits</b>	125,311,138	114,184,045	109,023,162
<b>Long Term Debt and Other Borrowings</b>	0	0	0
<b>Share Holders' Equity</b>	13,173,947	12,042,291	10,755,095

# Balance Sheet

Consolidated Guadalupe National Bank and Relationship Financial Corp.

	Actual Dec 2016	Actual Dec 2015	Actual Dec 2014
<b>Assets</b>			
Cash and Due from Banks	2,991,257	2,124,982	2,126,442
Fed Funds sold & Repos	1,570,221	5,501,352	5,489,585
Investment CDs	14,193,000	1,221,000	12,972,000
Interest bearing Deposits with Banks	13,857,186	18,100,894	19,240,757
Investment Securities–Taxable	4,005,693	2,959,375	3,008,435
Investment Securities–Tax-exempt	504,715	322,012	577,245
Mortgage Loans held for Sale	281,355	1,273,409	478,000
Loans, Net of Unearned Income	94,705,105	89,282,654	82,112,765
Less: Allowance for Loan Losses	-1,382,120	-1,332,498	-1,131,144
Premises and Equipment, Net	4,336,091	4,550,326	4,485,332
Accrued Interest Receivable	306,399	278,352	3,288,737
Other Assets	3,392,007	3,339,305	3,288,737
<b>Total Assets</b>	<b>138,760,909</b>	<b>126,400,163</b>	<b>119,935,388</b>
<b>Liabilities</b>			
Non-Interest Bearing Deposits	33,268,315	32,010,498	27,242,667
Interest bearing Demand Deposits	24,665,767	16,092,687	13,321,758
Savings and Money Market Deposits	58,718,161	57,343,781	54,329,822
Time Deposits–Retail	8,658,895	8,737,079	14,128,915
<b>Total Deposits</b>	<b>125,311,138</b>	<b>114,184,045</b>	<b>109,023,161</b>
Accrued Expenses and other Liabilities	275,824	173,828	157,132
<b>Total Liabilities</b>	<b>125,586,962</b>	<b>114,357,873</b>	<b>109,180,293</b>
<b>Equity</b>			
Common Stock	3,600,000	3,600,000	3,600,000
Capital Surplus	6,500,000	6,500,000	6,500,000
Retained Earnings	1,533,469	616,989	-652,759
Accumulated other Comprehensive Income (loss)	-2947	-24,454	38,106
Net Income	1,543,425	1,349,755	1,269,748
<b>Total Equity</b>	<b>13,173,947</b>	<b>12,042,291</b>	<b>10,755,095</b>
<b>Total Liabilities &amp; Equity</b>	<b>138,760,909</b>	<b>126,400,163</b>	<b>119,935,388</b>

# Income Statement

Consolidated Guadalupe National Bank and Relationship Financial Corp.

	YTD Actual Dec 2016	YTD Actual Dec 2015	YTD Actual Dec 2014
<b>Bank Income Statement</b>			
Interest on Loans	4,519,281	4,358,826	3,920,045
Mortgage Loans Held For Sale	21,584	16,146	122,209
Fees on Loans	120,841	175,086	148,795
Interest on Federal Funds Sold	3,095	15,905	14,162
Interest on Deposits with Banks	256,405	74,524	124,367
Investment Securities–Taxable	37,441	44,072	54,029
Investment Securities–Tax-exempt	6,242	7,924	6,167
<b>Total Interest Income</b>	<b>4,964,889</b>	<b>4,692,483</b>	<b>4,389,774</b>
<b>Interest Expense</b>			
Interest bearing Demand Deposits	6,211	4,993	4,666
Savings and Money Market Deposits	120,106	119,387	105,067
Time Deposits–Retail	54,345	123,298	238,942
<b>Total Interest Expense on Deposits</b>	<b>180,662</b>	<b>247,678</b>	<b>348,676</b>
Interest on other Borrowings	108	2,042	0
<b>Total Interest Expense</b>	<b>180,770</b>	<b>249,721</b>	<b>348,676</b>
<b>Net Interest Income</b>	<b>4,784,119</b>	<b>4,442,762</b>	<b>4,041,098</b>
Provision for Loan Losses	57,081	194,430	29,000
<b>Net In. Inc. After Prov. for Loan Losses</b>	<b>4,727,038</b>	<b>4,248,332</b>	<b>4,012,098</b>
<b>Non Interest Income</b>			
Service Charges and Fees	268,581	524,863	512,333
Other Non Interest Income	1,106,271	505,732	604,346
<b>Total Non Interest Income</b>	<b>1,374,852</b>	<b>1,030,594</b>	<b>1,116,679</b>
<b>Non Interest Expense</b>			
Salaries and Employee Benefits	2,341,965	1,955,074	1,890,138
Occupancy	463,166	446,932	424,786
Other Non Interest Expense	1,753,336	1,593,112	1,544,105
<b>Total Non Interest Expense</b>	<b>4,558,467</b>	<b>3,995,117</b>	<b>3,859,029</b>
<b>Income Before Taxes</b>	<b>1,543,423</b>	<b>1,349,755</b>	<b>1,269,748</b>
<b>Net Income</b>	<b>1,543,423</b>	<b>1,349,755</b>	<b>1,269,748</b>

## NET INCOME, NET INTEREST MARGIN AND BALANCE SHEET

In 2016, Net Income at the Bank increased by \$194K (14.3%) to \$1.54M. This increase is primarily due to increasing the Net Interest Margin from 3.75% to 3.82%. The Bank increased Net Interest Margin by investing \$13M in short term investment CDs yielding over 1.2%. Furthermore, the Bank continued to let some of the high rate customer CDs run-off. Loan Balances also increased \$5.4M. While the Bank ended 2015 with a loan balance of \$89.2M, several large participation loans paid off by the end of the First Quarter of 2016, decreasing the loan balance to \$84.7M. However, the Loan Officers did an outstanding job increasing the loan balances \$10M from our low point in 2016 to end the year at \$94.7M. The Bank was able to increase the Net Interest Margin while continuing to add high quality loans. Deposits increased \$11.1M (9.7%), primarily in the Demand Deposit Category, helping to decrease the rate paid on deposits.

## NON-INTEREST INCOME

From 2015 to 2016, Non-Interest Income increased \$344K (33.4%). Mortgage Loans sold in the secondary market yielded the Bank a gross revenue of \$663K, compared to \$379K in 2015 (\$284K increase). The volume of loans sold in the secondary market increased from \$10M to over \$16M. Debit Card Interchange and ATM Fee revenue increased by over \$20K. This is a function of our new deposit account introduced in the second quarter of 2016. In addition, the number of new deposit accounts increased by over 30% from 2015. Merchant Card Fee revenue increased \$13K as a result of the Retail Banking Sales' efforts to obtain our customers' merchant services. Service Charges and NSF Fee Income increased \$5K from 2015, primarily due to the increased volume in new deposit accounts.

## OPERATING EXPENSES

Total Operating Expenses increased \$629K, from \$3.93M in 2015 to \$4.55M in 2016. Salaries and Benefits increased \$360K. Hiring additional employees for the new Fredericksburg Branch and hiring more qualified employees to fill existing positions accounted for a \$200K increase from 2015 to 2016. This additional payroll resulted in an increase of \$25K in payroll taxes. Commissions and Bonuses paid to employees increased \$97K. Health insurance expense increased \$23K. Additionally, the Bank began a 401K match, which accounted for a \$15K increase from 2015.

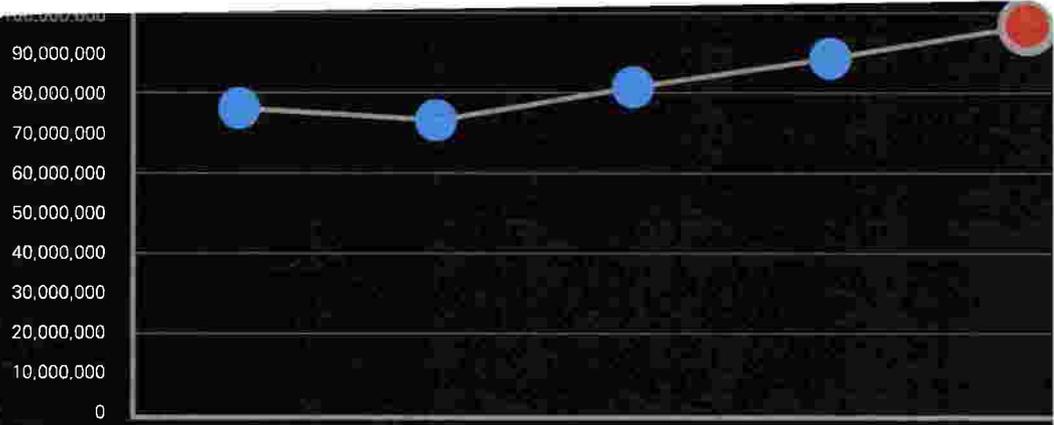
Occupancy Expense increased by \$16K from 2015 to \$463K in 2016, primarily due to increasing the Bank's Capital Expenditure threshold from \$500 to \$5,000 (\$6K increase). The Bank also incurred additional expenses related to the Main Branch AC repairs and lighting (\$4K increase). Depreciation expense increased \$6K, primarily due to having a full year of depreciation on some equipment purchased in mid-2015.

In 2015, the Bank had a credit of \$66K primarily due to the gain on sale of \$3M in Mortgage Back Securities. In 2016, the Bank incurred two one-time losses amounting to \$50K. Additional software expenses accounted for a \$57K increase. The Bank also made investments in Mobile and Internet Banking that other banks in our area have failed to invest in. Other IT Expenses related to the Fredericksburg Branch and additional ATM expenses accounted for an increase of \$31K.

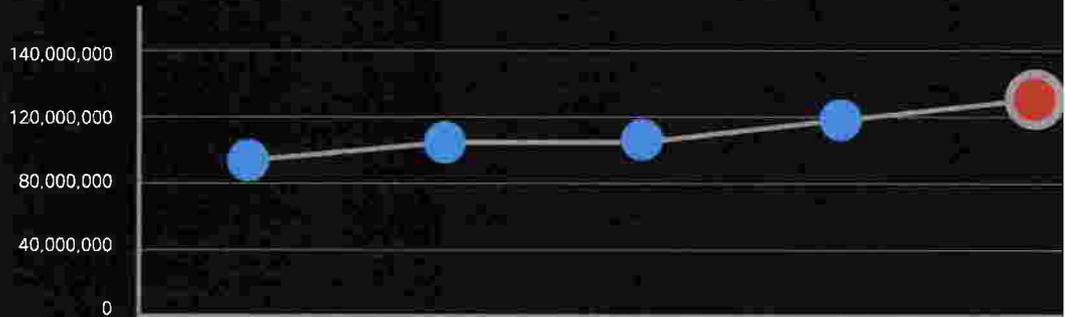
## RFC CONSOLIDATED FINANCIAL OVERVIEW

Relationship Financial Corporations' Net Income for 2016 improved, from \$1.08M in 2015 to \$1.46M in 2016 (\$372K increase). The primary reason for this improvement is that 2016 did not consist of any major legal expenses, as compared to \$178K in 2015. The remaining \$194K is the Bank's Net Income. Or "The Bank's Net Income comprises the remaining \$194K. The Holding Company Line of Credit Balance decreased from \$2.3M to \$2.1M from 2015 to 2016. The proceeds from the sale of Treasury Stock in early 2016 were used to pay down the Line of Credit.

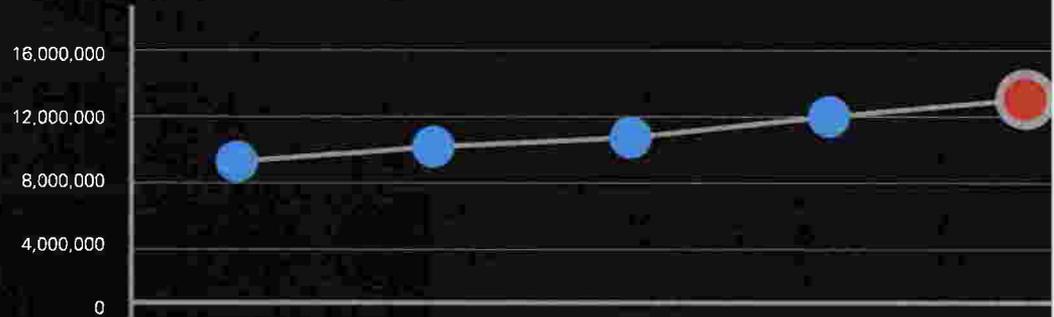
## LOANS



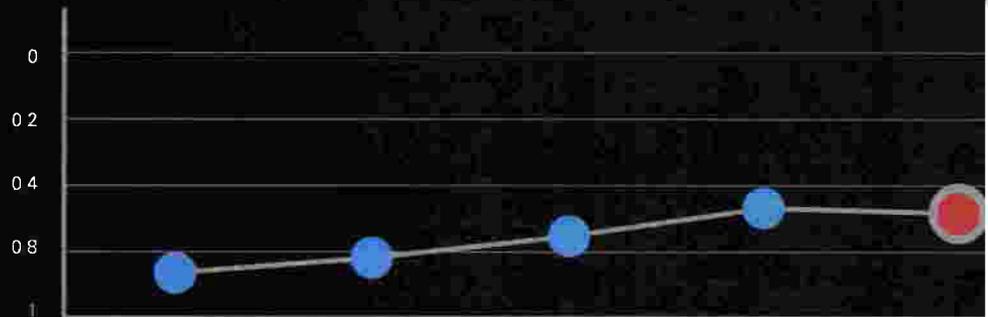
## DEPOSITS



## CAPITAL



## EFFICIENCY RATIO



2012

2013

2014

2015

2016

# Our Team

## LEADERSHIP



**Tony Roberts**  
Chairman



**Chad Stary**  
President



**Greg Shoultz**  
CFO



**James Maberry**  
SVP Deposit Ops



**Debbie Hewitt**  
SVP Loan Ops

**“Our success is created by  
the strength and determination  
of our people.”**

—Tony Roberts

## INGRAM



**Mireya Banuelas**  
Lobby Manager



**Jessica Cruces**  
Customer Relationship  
Representative



**Zachary Pierson**  
Branch Manager



**Sarah White**  
Relationship Banker

## KERRVILLE



**Dayna Avans**  
Customer Relationship  
Representative



**Leigh Ann Baker**  
Executive Assistant



**Tara Bock**  
Loan Clerk



**Sam Braswell**  
SVP Lending



**Andrew Buratowski**  
Loan Assistant



**Ariel Chavez**  
Customer Relationship  
Representative



**Charlie Dominguez**  
Lead Relationship  
Banker



**Crystal Garcia**  
Customer Relationship  
Representative



**Michelle Gray**  
Senior Loan Clerk



**Andrew Green**  
Deposit Operations



**Austin Lair**  
Mortgage Loan Officer



**Audra Moore**  
Deposit Operations



**Christi Stanton**  
Accounting Clerk



**Joy Thomas**  
Mortgage Processor



**Elliot Westra**  
Underwriter



**Erica Zuniga**  
Customer Relationship  
Representative

Relationship Financial Corporation is a financial holding company headquartered in Kerrville, Texas with \$135 million in assets as of December 31, 2018. Guadalupe National provides banking services to businesses and individuals in the Hill Country region of Texas. Since its inception in 2008, Guadalupe National has been dedicated to helping local residents with their banking needs using a unique perspective on banking and a friendly demeanor.