FPB FINANCIAL CORP.
AND SUBSIDIARIES

Audits of Consolidated Financial Statements

December 31, 2015 and 2014

LAPORTE
CPAs & BUSINESS ADVISORS

Contents

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Independent Auditor's Report

To the Board of Directors
FPB Financial Corp. and Subsidiaries

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of FPB Financial Corp. and Subsidiaries (the Company) which comprise the consolidated balance sheets as of December 31, 2015 and 2014, 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's 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 financial position of FPB Financial Corp. and Subsidiaries as of December 31, 2015 and 2014, and the 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.

LaPorte

A Professional Accounting Corporation

Metairie, LA
February 22, 2016

FPB FINANCIAL CORP. AND SUBSIDIARIES
Consolidated Balance Sheets
December 31, 2015 and 2014

	2015	2014
Assets		
Cash and Cash Equivalents		
Cash and Noninterest-Earning Deposits	**$ 8,576,609**	$ 5,817,306
Interest-Earning Deposits in Other Depository Institutions	**4,101,588**	4,759,095
Total Cash and Cash Equivalents	**12,678,197**	10,576,401
Certificates of Deposit	**498,000**	-
Investment Securities		
Available for Sale, at Fair Value	**64,379,584**	56,494,516
Held to Maturity, at Amortized Cost	**4,456,490**	5,689,479
Trading Securities, at Fair Value	**138,816**	149,909
Federal Home Loan Bank Stock, at Cost	**805,400**	1,040,600
First National Bankers Bank, at Cost	**300,000**	300,000
Loans Held for Sale	**2,005,900**	1,315,345
Loans, Net of Allowance for Loan Losses of $3,240,950 at December 31, 2015 and $2,901,886 at December 31, 2014	**139,891,500**	135,306,962
Accrued Interest Receivable	**989,037**	888,513
Premises and Equipment, Net	**8,818,959**	9,254,094
Foreclosed Assets	**40,680**	76,000
Deferred Tax Asset	**14,388**	-
Investment in Bank Owned Life Insurance	**4,279,608**	4,155,978
Other Assets	**1,344,370**	1,380,281
Total Assets	**$ 240,640,929**	$ 226,628,078

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

FPB FINANCIAL CORP. AND SUBSIDIARIES
Consolidated Balance Sheets (Continued)
December 31, 2015 and 2014

	2015	2014
Liabilities and Stockholders' Equity		
Deposits		
Deposits - Noninterest-Bearing	**$ 49,044,771**	$ 44,399,160
Deposits - Interest-Bearing	**100,238,707**	89,255,828
Time Deposits - $100,000 and Over	**29,814,722**	26,727,292
Other Time Deposits	**15,317,251**	16,504,766
Total Deposits	**194,415,451**	176,887,046
Accrued Interest Payable	**28,471**	21,544
Federal Home Loan Bank Advances	**16,078,000**	22,501,000
Subordinated Debentures/Trust Preferred Securities	**3,093,000**	3,093,000
Deferred Tax Liability	**-**	312,410
Other Liabilities	**806,394**	522,015
Total Liabilities	**214,421,316**	203,337,015
Stockholders' Equity		
Common Stock - $.01 Par Value, 5,000,000 Shares Authorized, 1,244,490 and 1,236,990 Shares Issued at December 31, 2015 and December 31, 2014, Respectively	**12,445**	13,127
Additional Paid-In Capital	**8,911,140**	8,470,021
Unearned MRP Trust Stock	**(4,263)**	(4,341)
Treasury Stock, at Cost -0- Shares at December 31, 2015 and 75,698 Shares at December 31, 2014	**-**	(1,783,468)
Retained Earnings	**17,068,113**	16,378,755
Accumulated Other Comprehensive Income	**232,178**	216,969
Total Stockholders' Equity	**26,219,613**	23,291,063
Total Liabilities and Stockholders' Equity	**$ 240,640,929**	$ 226,628,078

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

FPB FINANCIAL CORP. AND SUBSIDIARIES
Consolidated Statements of Income
For the Years Ended December 31, 2015 and 2014

	2015	2014
Interest and Dividend Income		
Interest and Fees on Loans	$ 9,992,795	$ 9,307,301
Interest and Dividends on Investment Securities and Other Interest-Earning Deposits	1,317,885	1,178,988
Total Interest and Dividend Income	11,310,680	10,486,289
Interest Expense		
Interest on Deposits	681,900	625,771
Interest on Borrowings	164,838	268,833
Interest on Subordinated Debentures	106,166	104,741
Total Interest Expense	952,904	999,345
Net Interest Income	10,357,776	9,486,944
Provision for Loan Losses	360,000	235,000
Net Interest Income After Provision for Loan Losses	9,997,776	9,251,944
Non-Interest Income		
(Loss) Gain on Sale of Investments	(6,597)	26,223
Loss on Trading Securities	(8,668)	(43,770)
Investment Impairment Loss	(892)	(20,390)
Service Charges on Deposits	786,256	811,527
Mortgage Banking Fees	1,198,348	532,527
Other Income	1,277,468	1,149,668
Total Non-Interest Income	3,245,915	2,455,785
Non-Interest Expense		
Compensation and Employee Benefits	5,366,743	5,035,515
Occupancy and Equipment	1,145,608	1,115,035
Technology and Information Processing	549,761	806,170
Professional Fees	311,659	261,661
Regulatory Fees	407,904	280,025
Other General and Administrative	1,402,677	1,343,605
Total Non-Interest Expense	9,184,352	8,842,011
Income Before Income Taxes	4,059,339	2,865,718
Income Tax Expense	1,245,947	802,390
Net Income	$ 2,813,392	$ 2,063,328
Earnings Per Share - Basic	$ 2.32	$ 1.72
Earnings Per Share - Diluted	$ 2.31	$ 1.71

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

FPB FINANCIAL CORP. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the Years Ended December 31, 2015 and 2014

	2015	2014
Net Income	**$ 2,813,392**	$ 2,063,328
Other Comprehensive Income, Net of Tax		
Unrealized Holding Gains Arising During the Period	**10,855**	1,081,989
Reclassification Adjustment for Losses (Gains) Included in Net Income	**4,354**	(17,307)
Total Other Comprehensive Income	**15,209**	1,064,682
Comprehensive Income	**$ 2,828,601**	$ 3,128,010

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

FPB FINANCIAL CORP. AND SUBSIDIARIES
Consolidated Statements of Changes in Stockholders' Equity
For the Years Ended December 31, 2015 and 2014

	Preferred Stock A	Preferred Stock B	Common Stock	Additional Paid-In Capital	Unearned MRP Trust Stock	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance - January 1, 2014	$ -	$ -	$ 13,127	$ 8,404,084	$ (7,481)	$ (1,783,468)	$ 14,652,139	$ (847,713)	$ 20,430,688
Net Income	-	-	-	-	-	-	2,063,328	-	2,063,328
Distribution of Stock for Management	-	-	-	65,937	3,140	-	-	-	69,077
Other Comprehensive Income, Net of Tax	-	-	-	-	-	-	-	1,064,682	1,064,682
Dividends Paid on Common Stock	-	-	-	-	-	-	(336,712)	-	(336,712)
Balance - December 31, 2014	-	-	13,127	8,470,021	(4,341)	(1,783,468)	16,378,755	216,969	23,291,063
Net Income	-	-	-	-	-	-	2,813,392	-	2,813,392
Option Exercised	-	-	75	59,925	-	-	-	-	60,000
Distribution of Stock for Management	-	-	-	381,194	78	-	-	-	381,272
Other Comprehensive Income, Net of Tax	-	-	-	-	-	-	-	15,209	15,209
Dividends Paid on Common Stock	-	-	-	-	-	-	(341,323)	-	(341,323)
Reclassification of Treasury Stock	-	-	(757)	-	-	1,783,468	(1,782,711)	-	-
Balance - December 31, 2015	$ -	$ -	$ 12,445	$ 8,911,140	$ (4,263)	$ -	$ 17,068,113	$ 232,178	$ 26,219,613

FPB FINANCIAL CORP. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2015 and 2014

	2015	2014
Cash Flows from Operating Activities		
Net Income	**$ 2,813,392**	$ 2,063,328
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Depreciation	**511,054**	468,984
Net Gain on Sale of Foreclosed Assets	**(75,051)**	(45,621)
Provision for Loan Losses	**360,000**	235,000
Amortization of Investment Security Premiums	**413,556**	1,041,917
Loss (Gain) on Sale of Investments	**6,597**	(26,223)
Loss on Sale of Premises and Equipment	**-**	4,437
Deferred Tax Provision	**(334,631)**	127,160
Increase in Cash Surrender Value of Bank Owned Life Insurance	**(123,630)**	(144,860)
Management Recognition and Retention Plan Expense	**381,272**	69,077
Stock Dividends on Federal Home Loan Bank Stock	**(3,200)**	(3,800)
Changes in Operating Assets and Liabilities		
Accrued Interest Receivable	**(100,524)**	(9,990)
Trading Securities	**11,093**	43,771
Loans Held for Sale	**(690,555)**	(239,443)
Other Assets	**35,911**	(356,994)
Accrued Interest Payable	**6,927**	(17,529)
Other Liabilities	**284,378**	(69,034)
Deferred Loan Origination and Commitment Costs	**7,916**	(12,797)
Net Cash Provided by Operating Activities	**3,504,505**	3,127,383
Cash Flows from Investing Activities		
Loan Originations and Principal Collections, Net	**(5,236,097)**	(20,944,120)
Proceeds from Sale of Premises and Equipment	**21,036**	-
Purchase of Premises and Equipment	**(96,954)**	(655,454)
Proceeds from Sale of Foreclosed Assets	**394,014**	870,189
Purchase of Federal Home Loan Bank Stock	**(34,160,600)**	(2,061,300)
Proceeds from Sale of Federal Home Loan Bank Stock	**34,399,000**	1,964,900
Purchase of First National Bankers Bank Stock	**-**	(300,000)
(Increase) Decrease in Certificates of Deposit	**(498,000)**	747,000
Purchase of Held-to-Maturity Securities	**(1,500,000)**	(1,200,000)
Maturities of Investment Securities - Held-to-Maturity	**3,200,000**	-
Purchase of Investment Securities - Available-for-Sale	**(21,866,825)**	(10,028,829)
Proceeds from Sale of Investment Securities - Available-for-Sale	**2,708,268**	5,737,184
Maturities of Investment Securities - Available-for-Sale	**1,200,000**	-
Principal Payments from Investment Securities - Available-for-Sale	**9,209,367**	8,641,832
Net Cash Used in Investing Activities	**(12,226,791)**	(17,228,598)

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

FPB FINANCIAL CORP. AND SUBSIDIARIES
Consolidated Statements of Cash Flows (Continued)
For the Years Ended December 31, 2015 and 2014

	2015	2014
Cash Flows from Financing Activities		
Proceeds from Stock Options Exercised	59,925	-
Net Increase in Deposits	17,528,405	14,518,994
Repayment of Federal Home Loan Bank Advances	(1,446,783,331)	(497,806,517)
Advances from Federal Home Loan Bank	1,440,360,331	500,916,017
Proceeds from Sale of Common Stock	75	-
Dividends Paid on Common Stock	(341,323)	(336,712)
Net Cash Provided by Financing Activities	10,824,082	17,291,782
Net Increase Cash and Cash Equivalents	2,101,796	3,190,567
Cash and Cash Equivalents, Beginning of Year	10,576,401	7,385,834
Cash and Cash Equivalents, End of Year	$ 12,678,197	$ 10,576,401
Supplemental Disclosures of Cash Flow Information		
Cash Paid for:		
Interest	$ 945,977	$ 1,016,874
Income Taxes	$ 1,225,000	$ 986,000
Market Value Adjustment for Loss on Securities - Available-for-Sale	$ 23,043	$ 1,613,155
Supplemental Disclosure of Noncash Investing and Financing Activities		
Transfers of Loans to Foreclosed Assets	$ 283,643	$ 322,500

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

Note 1. Summary of Significant Accounting Policies

The accounting and reporting policies of FPB Financial Corp. and Subsidiaries conform to accounting principles generally accepted in the United States of America and to general practices within the banking industry. The following is a description of the more significant policies.

Nature of Operations
FPB Financial Corp. (the Company) is a Louisiana thrift holding company in Hammond, Louisiana. The Company's subsidiary is Florida Parishes Bank (the Bank), which has been in continuous operation since 1922, and represents virtually all of the operations and net income of the Company. During 2000, the Bank established and incorporated FPB Insurance and Investments, Inc. (FPBII), which is wholly-owned by the Bank.

The Bank provides a variety of deposit products and a mixture of fixed and adjustable rate mortgages, with the largest loan category being first mortgages on single-family residences, various types of consumer loans, and lines of credit. It operates from locations in Hammond, Ponchatoula, Covington and Amite, Louisiana, and all of its mortgages are secured by properties located primarily in Tangipahoa Parish and the surrounding areas.

FPBII was created to conduct securities brokerage and investment advisor activities and insurance activities through a contractual agreement with a third-party financial services corporation.

On June 28, 2003, FPB Financial Statutory Trust I was formed as a subsidiary of the Company to issue mandatorily redeemable capital securities to the public (see Note 2). The Company applies the provisions of U.S. Generally Accepted Accounting Principles (GAAP) requiring the deconsolidation of certain entities. In accordance with these provisions, the consolidated financial statements do not include the accounts of FPB Financial Statutory Trust I.

Basis of Presentation and Consolidation
The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Florida Parishes Bank. All significant intercompany balances and transactions have been eliminated. Certain prior year amounts have been reclassified to conform to presentation in the current year.

Use of Estimates
In preparing consolidated financial statements in conformity with U.S. GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

Note 1. Summary of Significant Accounting Policies (Continued)

Use of Estimates (Continued)

The Bank's loans are generally secured by specific items of collateral including real property, consumer assets, and business assets. Although the Bank has a diversified loan portfolio, a substantial portion of its debtors' ability to honor their contracts is dependent on local economic conditions.

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

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, cash and cash equivalents include cash and balances due from banks, federal funds sold and securities purchased under agreements to resell, all of which have an original maturity within ninety days.

The Bank is subject to the reserve requirements of the Board of Governors of the Federal Reserve System (the Federal Reserve Board) as codified in Regulation D. Regulation D defines institutions that are subject to the reserve requirement; the liabilities that are reservable; and the reporting, reserve calculation and maintenance requirements. For the reserve maintenance period ended December 31, 2015, the reserve requirement was $4,601,000.

Securities

Investment securities that management has the positive intent and ability to hold to maturity are classified as “held-to-maturity” and recorded at amortized cost. Securities not classified as “held-to-maturity” or “trading” are classified as “available-for-sale” and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income. Securities classified as “trading securities” are recorded at fair value, with unrealized gains and losses included in earnings.

Purchase premiums and discounts are recognized in interest income over the terms of the securities. Gains and losses on the sale of investment securities are recorded on the trade date and are determined using first-in, first-out or weighted average methods.

Loans

The Company, through its subsidiary bank, grants mortgage, commercial, and consumer loans, and lines of credit to customers. A substantial portion of the loan portfolio is represented by mortgage loans throughout Tangipahoa Parish. The ability of the Company's debtors to honor their contracts is dependent upon the real estate and general economic conditions in this area.

Note 1. Summary of Significant Accounting Policies (Continued)

Loans (Continued)

Loans are reported at their outstanding unpaid principal balances adjusted for charge-offs and the allowance for loan losses. Any deferred fees or costs on origination and commitment fees, as well as certain direct origination costs, are deferred and amortized as a yield adjustment over the lives of the related loans using the level yield method. Amortization of net deferred loan fees or costs is discontinued when a loan is placed on nonaccrual status.

Unless there are specific circumstances evaluated by management, the accrual of interest income on loans is discontinued at the time the loan becomes 90 days past due. At that time, uncollected interest previously recorded is reversed. If the delinquent interest is subsequently collected, it is credited to income in the period collected. Interest on impaired loans is discontinued when, in management's opinion, the borrower may be unable to meet payments as they become due.

Loans Held for Sale

Loans originated and intended for sale in the secondary market are carried at the lower of aggregate cost or fair value. Mortgage loans held for sale are sold with the mortgage servicing rights released by the Company.

Gains and losses on the sale of loans are accounted for by imputing gain or loss by charging a varying premium and servicing fee to the buyer. The gain or loss is increased or reduced by the amount of fees carried on the loan. Such gains and losses are recognized as loan fees in the consolidated financial statements for the year of sale.

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Interest payments received on impaired loans are recorded as interest income unless collection of the remaining recorded investment is doubtful, at which time payments received are recorded as reductions of principal.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the Bank's past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to pay, the estimated value of any underlying collateral, and prevailing economic conditions. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available.

Note 1. Summary of Significant Accounting Policies (Continued)

Allowance for Loan Losses (Continued)

A loan is considered impaired when, based on current information and events, it is probable the Bank will be unable to collect the scheduled payment of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. 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.

Premises and Equipment

Land is carried at cost. Buildings and equipment are carried at cost, less accumulated depreciation computed on the straight-line and accelerated methods over the estimated useful lives of the assets. The estimated useful live of office buildings is 30 years, and furniture and equipment ranges from five to ten years. Maintenance and repairs are expensed as incurred while major additions and improvements are capitalized. Gains and losses on dispositions are included in current operations.

Foreclosed Assets

Assets acquired through, or in lieu of, loan foreclosure are initially recorded at the lower of the related loan balance or fair value less estimated cost to sell at the date of foreclosure, establishing a new cost basis. Management periodically performs valuations, and the assets are carried at the lower of carrying amount or fair value less cost to sell. Costs related to improvement of the property are capitalized, whereas costs related to holding the property are charged to operations.

Bank Owned Life Insurance

The Bank purchased single-premium life insurance on certain employees of the Bank. Appreciation in value of the insurance policies is classified as noninterest income.

Revenue Recognition

Interest on loans is recognized over the terms of the loans and is calculated on the effective interest method.

Income Taxes

The Company and its wholly-owned subsidiary, Florida Parishes Bank, file a consolidated Federal income tax return. Each entity pays its pro rata share of income taxes in accordance with a written tax-sharing agreement.

Deferred income tax assets and liabilities are determined using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is determined based on the tax effects of the temporary differences between the book and tax bases of the various balance sheet assets and liabilities and gives current recognition to changes in tax rates and laws.

Note 1. Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. The Company believes that it has appropriate support for any tax positions taken, and management has determined that there are no uncertain tax positions that are material to the financial statements.

The Company had no amount of interest and/or penalties recognized in the consolidated statements of income for neither the years ended December 31, 2015 and 2014, respectively, nor any amount of interest and/or penalties payable that were recognized in the consolidated balance sheets as of December 31, 2015 or 2014, in relation to its income tax returns. Any penalties or interest would be recognized in income tax expense.

Off-Balance Sheet Financial Statements

In the ordinary course of business, the Bank has entered into off-balance sheet financial instruments consisting of commitments to extend credit, commercial letters-of-credit and standby letters-of-credit. Such financial instruments are recorded in the financial statements when they become payable.

Stock Compensation Plans

ASC 718 *Stock Compensation* requires the Company to recognize in the income statement the cost of employee services received in exchange for an award of equity instruments based on the grant date fair value of the award. The amount of expense associated with options which vested during 2015 and 2014 was considered to be immaterial for financial reporting purposes.

Advertising Costs

Advertising costs are charged to operations as incurred. Advertising costs were $133,982 and $188,954 for the years ended December 31, 2015 and 2014, respectively.

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 consolidated balance sheets, such items, along with net income, are components of comprehensive income.

Stockholders' Equity

On January 1, 2015 Louisiana Business Corporation Act (the Act) became effective. Under the provisions of the Act, there is no concept of "Treasury Shares". Rather, shares purchased by the Company constitute authorized but unissued shares. Under Accounting Standards Codification (ASC) 505-30, *Treasury Stock,* accounting for treasury stock shall conform to state law. Accordingly, the Company's consolidated balance sheet as of December 31, 2015 reflects this change. The cost of shares purchased by the Company has been allocated to common stock and retained earnings balances.

Note 1. Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606): *Revenue from Contracts with Customers.* The amendments in ASU 2014-09 supersede the revenue recognition requirements in Topic 605, *Revenue Recognition,* and most industry-specific guidance. The general principle of ASU 2014-09 requires an entity to recognize revenue upon the transfer of promised goods or services to customers in an amount that reflects the consideration of which the entity expects to be entitled in exchange for those goods or services. The guidance sets forth a five step approach to be utilized for revenue recognition. The amendments are effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Management is currently assessing the impact to the Company's consolidated financial statements.

In June 2014, the FASB issued ASU 2014-12, Compensation – Stock Compensation (Topic 718): *Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period.* This guidance requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. ASU 2014-12 is effective for annual and interim periods beginning after December, 15, 2015. The adoption of this guidance is not expected to have a material effect on the Company's consolidated financial statements.

In August 2014, the FASB issued ASU 2014-13, Consolidation (Topic 810): *Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity.* The amendments of ASU 2014-13 allow for a reporting entity that consolidates a collateralized financing entity within the scope of the guidance to elect to measure the financial assets and the financial liabilities of that collateralized financing entity using the measurement alternative. Under the measurement alternative, the reporting entity should measure both the financial assets and the financial liabilities of that collateralized financing entity in its consolidated financial statements using the more observable of the fair value of the financial assets and the fair value of the financial liabilities. The amendments are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. The adoption of this guidance is not expected to have a material effect on the Company's consolidated financial statements.

In January 2015, the FASB issued ASU 2015-01, *Income Statement—Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items*, which eliminates the concept of extraordinary item from U.S. GAAP and the need for entities to evaluate whether transactions or events are both unusual in nature and infrequently occurring. However, the ASU does not affect the reporting and disclosure requirements for an event or transaction that is unusual in nature or that occurs infrequently. The amendments in Update 2015-01 are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. The adoption of this guidance is not expected to have a material effect on the Company's consolidated financial statements.

Note 1. Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements (Continued)

In September 2015, the FASB issued ASU 2015-16, *Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments*. This ASU eliminates the requirement to retrospectively account for changes to provisional amounts initially recorded in a business combination. ASU 2015-16 requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustments are determined, including the effect of the change in provisional amount as if the accounting had been completed at the acquisition date. The provisions of this ASU are effective for fiscal years beginning after December 15, 2015, and should be applied prospectively to adjustments to provisional amounts that occur after the effective date. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments*. The amendments in this Update supersede the guidance to classify equity securities with readily determinable fair values into different categories and require equity securities to be measured at fair value with changes in the fair value recognized through net income. The amendments allow equity investments that do not have readily determinable fair values to be remeasured at fair value either upon the occurrence of an observable price change or upon identification of an impairment. The amendments in this Update also simplify the impairment assessment of equity investments without readily determinable fair values by requiring assessment for impairment qualitatively at each reporting period. In addition, the amendments supersede the requirement to disclose the methods and significant assumptions used in calculating the fair value of financial instruments required to be disclosed for financial instruments measured at amortized cost on the balance sheet. The amendments in this Update require public business entities that are required to disclose fair value of financial instruments measured at amortized cost on the balance sheet to measure that fair value using the exit price notion consistent with Topic 820, *Fair Value Measurement*.

The provisions within this Update require an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option. This amendment excludes from net income gains or losses that the entity may not realize because those financial liabilities are not usually transferred or settled at their fair values before maturity. The amendments in this Update require separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (that is, securities or loans and receivables) on the balance sheet or in the accompanying notes to the financial statements.

The amendments in ASU 2016-01 are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

Note 2. Subordinated Debentures/Trust Preferred Securities

In June 2003, the Company, through its wholly-owned subsidiary FPB Financial Statutory Trust I, issued mandatorily redeemable capital securities to the public. The capital securities consisted of 3,000 capital securities with a $1,000 liquidation amount for each capital security, for total gross proceeds of $3,000,000. The capital securities are fully guaranteed by the Company. Through June 26, 2008, each capital security paid a quarterly interest payment at the annual rate of 5.55%. Subsequent to June 26, 2008, each capital security pays a quarterly interest payment at a rate equal to the three-month LIBOR plus 3.10%. Each capital security represents an undivided preferred beneficial interest in the assets of FPB Financial Statutory Trust I. FPB Financial Statutory Trust I used the proceeds of the above sale and the proceeds of its issuance of common securities to the Company to buy $3,093,000 of subordinated debentures issued by the Company. These subordinated debentures have the same interest rate structure as do the capital securities. The subordinated debentures have a stated term of 30 years and have the same financial terms as the capital securities.

The Company's obligations under the subordinated debentures are unsecured and rank junior to all of the Company's other borrowings, except borrowings that by their terms rank equal or junior to the subordinated debentures. The Company has guaranteed the payment by FPB Financial Statutory Trust I of the amounts that are required to be paid on the capital securities, to the extent that FPB Financial Statutory Trust I has funds available for such payments.

Note 3. Investment Securities

The amortized costs and fair values of securities available-for-sale and held-to-maturity, with gross unrealized gains and losses, follow:

	December 31, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Securities Available-for-Sale				
U.S. Government Agency Mortgage - Backed Securities	$ 19,370,882	$ 128,539	$ 95,796	$ 19,403,625
U.S. Government Agency Notes	380,535	-	2,249	378,286
State and Municipal Obligations	12,477,751	184,546	49,491	12,612,806
U.S. Agency - SBA Loan Pool	31,798,632	290,920	104,685	31,984,867
Total Securities Available-for-Sale	$ 64,027,800	$ 604,005	$ 252,221	$ 64,379,584
Securities Held-to-Maturity				
U.S. Agency - SBA Loan Pool	$ 980,253	$ -	$ 18,344	$ 961,909
U.S. Government Agency Notes	3,476,237	-	35,511	3,440,726
Total Securities Held-to-Maturity	$ 4,456,490	$ -	$ 53,855	$ 4,402,635

Note 3. Investment Securities (Continued)

	December 31, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Securities Available-for-Sale				
U.S. Government Agency Mortgage - Backed Securities	$ 23,115,458	$ 226,785	$ 76,348	$ 23,265,895
U.S. Government Agency Notes	2,063,068	16,483	1,177	2,078,374
State and Municipal Obligations	8,830,273	83,867	55,166	8,858,974
U.S. Agency - SBA Loan Pool	22,156,976	271,609	137,312	22,291,273
Total Securities Available-for-Sale	$ 56,165,775	$ 598,744	$ 270,003	$ 56,494,516
Securities Held-to-Maturity				
U.S. Agency - SBA Loan Pool	$ 1,004,768	$ -	$ 20,772	$ 983,996
U.S. Government Agency Notes	4,684,711	11,986	57,132	4,639,565
Total Securities Held-to-Maturity	$ 5,689,479	$ 11,986	$ 77,904	$ 5,623,561

At December 31, 2015 and 2014, investments with a total market value of $10,989,978 and $9,885,420, respectively, were pledged to secure public deposits.

The amortized cost and fair value of investment securities available-for-sale and held-to-maturity by contractual maturity at December 31, 2015, follows:

	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Amounts Maturing in:				
Within One Year	$ -	$ -	$ -	$ -
One to Five Years	4,222,709	4,256,522	2,000,000	1,979,797
Five to Ten Years	17,800,024	17,927,224	-	-
Over Ten Years	42,005,067	42,195,838	2,456,490	2,422,838
	$ 64,027,800	$ 64,379,584	$ 4,456,490	$ 4,402,635

Proceeds from sales of available-for-sale securities during years 2015 and 2014 were $2,708,268 and $5,737,184, respectively. Gross realized losses on sales totaled $6,597 for the year ended December 31, 2015. Gross realized gains on sales totaled $26,223 for the year ended December 31, 2014. No held-to-maturity securities were sold during 2015 or 2014.

Note 3. Investment Securities (Continued)

The following presents by type, the securities which were in a loss position for greater than twelve months:

December 31, 2015	Less Than 12 Months Fair Value	Less Than 12 Months Gross Unrealized Losses	12 Months or More Fair Value	12 Months or More Gross Unrealized Losses	Total Fair Value	Total Gross Unrealized Losses
Securities Available-for-Sale:						
U.S. Government Agency Mortgage - Backed Securities	$ 10,649,012	$ (80,408)	$ 1,236,232	$ (15,388)	$ 11,885,244	$ (95,796)
U.S. Government Agency Notes	380,535	(2,249)	-	-	380,535	(2,249)
State and Municipal Obligations	2,655,601	(35,023)	587,707	(14,468)	3,243,308	(49,491)
U.S. Agency - SBA Loan Pool	10,155,175	(50,265)	2,991,685	(54,420)	13,146,860	(104,685)
Securities Held-to-Maturity:						
U.S. Agency - SBA Loan Pool	-	-	961,909	(18,344)	961,909	(18,344)
U.S. Government Agency Notes	2,487,877	(23,871)	988,360	(11,640)	3,476,237	(35,511)
Total	$ 26,328,200	$ (191,816)	$ 6,765,893	$ (114,260)	$ 33,094,093	$ (306,076)

These unrealized losses on the Company's investments were caused by interest rate increases. Accordingly, it is expected that the securities would not be settled at a price less than the amortized cost of the Company's investment. Because the decline in market value is attributable to changes in interest rates and not credit quality, and because the Company has the ability and intent to hold these investments until a recovery of fair value, which may be maturity, the Company does not consider these investments to be other-than-temporarily impaired at December 31, 2015.

At December 31, 2014, one state and municipal obligation was in a loss position for greater than 12 months and was determined by management to be other-than-temporarily impaired. As a result, impairment losses totaling $20,390 were recognized for the year ended December 31, 2014. The following table rolls forward the other-than-temporary impairment (OTTI) recognized in earnings on the above mentioned debt security held by the Company for the years ended December 31, 2015 and 2014.

	Year Ended December 31, 2015	Year Ended December 31, 2014
Balance, Beginning of Year	**$ 20,390**	$ -
Reductions from Sales	**(21,282)**	-
Credit Losses Not Previously Recognized	**-**	20,390
Additional Credit Losses	**892**	-
Balance, End of Year	**$ -**	$ 20,390

Note 4. Loans and Allowances for Loan Losses

The summary of the balances of loans follows:

	December 31,	
	2015	2014
Real Estate Loans		
Residential		
One-to-Four Family Residences and Home Equity Loans	**$ 43,875,485**	$ 43,701,145
Multi-Family	**3,697,519**	4,750,571
Second Mortgages	**3,118,941**	2,965,166
Construction for One-to-Four Family Residences	**15,287,041**	13,895,008
Construction for Multi-Family Residences	**245,003**	369,603
Total Residential Real Estate Loans	**66,223,989**	65,681,493
Commercial		
Construction for Commercial Real Estate	**2,926,775**	2,409,196
Commercial Real Estate	**37,784,486**	37,251,166
Total Commercial Real Estate Loans	**40,711,261**	39,660,362
Other		
Land	**16,555,226**	16,881,187
Total Real Estate Loans	**123,490,476**	122,223,042
Consumer Loans		
Secured		
Loans Secured by Certificates of Deposit	**2,037,760**	2,073,993
Automobile	**1,052,638**	1,464,750
Secured - Other	**384,644**	806,693
Unsecured		
Unsecured - Other	**2,472,334**	2,274,474
Bankcards	**1,253,444**	1,093,086
Total Consumer Loans	**7,200,820**	7,712,996
Commercial Loans		
Secured, Other than Mortgages	**9,473,613**	5,601,946
Unsecured	**2,989,351**	2,684,757
Total Commercial Loans	**12,462,964**	8,286,703
Total Loans	**143,154,260**	138,222,741
Allowance for Loan Losses	**(3,240,950)**	(2,901,886)
Net Deferred Loan Origination (Fees) Costs	**(21,810)**	(13,893)
Loans, Net	**$ 139,891,500**	$ 135,306,962

Note 4. Loans and Allowances for Loan Losses (Continued)

An analysis of the allowance for loan losses for the years ended December 31st follows:

	December 31, 2015	December 31, 2014
Balance, Beginning of Year	**$ 2,901,886**	$ 3,003,948
Provision Charged to Operations	**360,000**	235,000
Loans Charged-Off	**(117,132)**	(402,969)
Recoveries Credited to Allowance	**96,196**	65,907
Balance, End of Year	**$ 3,240,950**	$ 2,901,886

The following presents by portfolio segment the activity in the allowance for the year ended December 31, 2015 and 2014. The following also presents by portfolio segment the balance in the allowance disaggregated on the basis of the Bank's impairment measurement method and the related recorded investment in loans as of December 31, 2015 and 2014.

December 31, 2015	Real Estate Loans - Residential	Real Estate Loans - Commercial	Real Estate Loans - Other	Consumer Loans	Commercial Loans	Total
Allowance for Loan Losses:						
Beginning Balances	$ 1,090,286	$ 560,819	$ 511,015	$ 123,922	$ 615,844	$ 2,901,886
Charge-Offs	-	-	-	(102,303)	(14,829)	(117,132)
Recoveries	35,249	1,623	-	47,331	11,993	96,196
Current Provision	135,258	69,574	63,395	15,373	76,400	360,000
Ending Balances	$ 1,260,793	$ 632,016	$ 574,410	$ 84,323	$ 689,408	$ 3,240,950
Ending Balance Allocated to:						
Individually Evaluated for Impairment	$ 326,437	$ -	$ 32,082	$ 25,744	$ -	$ 384,263
Collectively Evaluated for Impairment	934,356	632,016	542,328	58,579	689,408	2,856,687
	$ 1,260,793	$ 632,016	$ 574,410	$ 84,323	$ 689,408	$ 3,240,950
Ending Loans Receivable						
Disaggregated by Evaluation Method:						
Ending Balances:						
Individually Evaluated for Impairment	$ 2,143,856	$ 800,594	$ 656,227	$ 34,261	$ 100,900	$ 3,735,838
Collectively Evaluated for Impairment	64,080,133	39,910,667	15,898,999	7,166,559	12,362,064	139,418,422
Ending Balance - Total	$ 66,223,989	$ 40,711,261	$ 16,555,226	$ 7,200,820	$ 12,462,964	$ 143,154,260

Note 4. Loans and Allowances for Loan Losses (Continued)

December 31, 2014	Real Estate Loans - Residential	Real Estate Loans - Commercial	Real Estate Loans - Other	Consumer Loans	Commercial Loans	Total
Allowance for Loan Losses:						
Beginning Balances	$ 1,064,785	$ 639,910	$ 481,303	$ 223,127	$ 594,823	$ 3,003,948
Charge-Offs	(82,649)	(129,351)	(9,223)	(149,833)	(31,913)	(402,969)
Recoveries	24,851	200	1,282	33,173	6,401	65,907
Current Provision	83,299	50,060	37,653	17,455	46,533	235,000
Ending Balances	$ 1,090,286	$ 560,819	$ 511,015	$ 123,922	$ 615,844	$ 2,901,886
Ending Balance Allocated to:						
Individually Evaluated for Impairment	$ 297,449	$ 434,309	$ 231,434	$ 36,874	$ 39,703	$ 1,039,769
Collectively Evaluated for Impairment	792,837	126,510	279,581	87,048	576,141	1,862,117
	$ 1,090,286	$ 560,819	$ 511,015	$ 123,922	$ 615,844	$ 2,901,886
Ending Loans Receivable						
Disaggregated by Evaluation Method:						
Ending Balances:						
Individually Evaluated for Impairment	$ 2,384,384	$ 811,846	$ 473,800	$ 39,452	$ 135,528	$ 3,845,010
Collectively Evaluated for Impairment	63,297,109	38,848,516	16,407,387	7,673,544	8,151,175	134,377,731
Ending Balance - Total	$ 65,681,493	$ 39,660,362	$ 16,881,187	$ 7,712,996	$ 8,286,703	$ 138,222,741

Credit Quality Indicators

The Bank uses several credit quality indicators to manage credit risk in an ongoing manner. The Bank's primary credit quality indicators are to use an internal credit risk rating system that categorizes loans into pass, special mention, substandard, or doubtful categories. Credit risk ratings are applied individually to those classes of loans that have significant or unique credit characteristics that benefit from a case-by-case evaluation. Groups of loans and leases that are underwritten and structured using standardized criteria and characteristics, such as statistical models (e.g., credit scoring or payment performance), are typically risk rated and monitored collectively.

The following are the definitions of the Bank's credit quality indicators:

Pass: Loans that comply in all material respects with the Bank's loan policies are adequately secured with conforming collateral and are extended to borrowers with documented cash flow and/or liquidity to safely cover their total debt service requirements.

Pass/Watch: Loans that represent an acceptable level of loss exposure to the Bank. A definite possibility of rapid financial deterioration exists if adverse factors prevail. The Bank remains protected by sound, but less liquid net worth of the borrower. Unsecured loans lacking definite and specific repayment plans, but with identified sources of repayment, may also fall into this category.

Special Mention: Loans that have potential weaknesses that, if left uncorrected, may result in deterioration of repayment prospects for the asset or in the Bank's credit position at some future date. These assets are not adversely classified and do not expose the Bank to sufficient risk to warrant adverse classification. Performing loans with a collateral agreement not properly executed may also fall into this category.

Note 4. Loans and Allowances for Loan Losses (Continued)

Credit Quality Indicators (Continued)

Substandard: Loans that are inadequately protected by the current net worth and paying capacity of the obligor or the by the collateral pledged. These assets have a well defined weakness or weaknesses. The Bank has a distinct possibility to sustain some loss if the deficiencies are not corrected.

Doubtful: Loans that have the weaknesses of those classified Substandard, with the added characteristic that the weaknesses make the collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. The likelihood of a loss on an asset is high.

The following presents by class and by credit quality indicator, the recorded investment in the Bank's loans as of December 31, 2015 and 2014:

December 31, 2015	Pass	Pass/Watch	Special Mention	Substandard	Doubtful	Total
Real Estate Loans - Residential	$ 62,045,406	$ 1,628,632	$ 721,410	$ 1,828,541	$ -	$ 66,223,989
Real Estate Loans - Commercial	36,752,963	2,859,173	795,389	303,736	-	40,711,261
Real Estate Loans - Other	14,916,577	136,615	930,257	571,777	-	16,555,226
Consumer Loans	7,044,444	36,198	52,619	67,559	-	7,200,820
Commercial Loans	12,285,202	23,811	69,428	84,523	-	12,462,964
Total	$ 133,044,592	$ 4,684,429	$ 2,569,103	$ 2,856,136	$ -	$ 143,154,260

December 31, 2014	Pass	Pass/Watch	Special Mention	Substandard	Doubtful	Total
Real Estate Loans - Residential	$ 60,993,148	$ 2,729,898	$ 401,462	$ 1,556,985	$ -	$ 65,681,493
Real Estate Loans - Commercial	36,459,122	2,659,687	275,492	266,061	-	39,660,362
Real Estate Loans - Other	13,652,519	2,288,489	554,049	386,130	-	16,881,187
Consumer Loans	7,465,325	124,196	75,918	47,557	-	7,712,996
Commercial Loans	8,160,420	69,540	12,001	44,742	-	8,286,703
Total	$ 126,730,534	$ 7,871,810	$ 1,318,922	$ 2,301,475	$ -	$ 138,222,741

The Bank's credit quality indicators are periodically updated on a case-by-case basis.

Note 4. Loans and Allowances for Loan Losses (Continued)

Impaired Loans

The following presents by class, information related to impaired loans as of and for the year ended December 31, 2015 and 2014:

December 31, 2015	Unpaid Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
Real Estate Loans - Residential	$ 2,143,856	$ 1,414,853	$ 729,003	$ 2,143,856	$ 326,437	$ 2,215,358
Real Estate Loans - Commercial	800,594	800,594	-	800,594	-	805,798
Real Estate Loans - Other	656,227	482,165	174,062	656,227	32,082	634,852
Consumer Loans	34,261	8,395	25,866	34,261	25,744	52,605
Commercial Loans	100,900	100,900	-	100,900	-	137,105
Total	$ 3,735,838	$ 2,806,907	$ 928,931	$ 3,735,838	$ 384,263	$ 3,845,718

December 31, 2014	Unpaid Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
Real Estate Loans - Residential	$ 2,384,384	$ 1,425,521	$ 958,863	$ 2,384,384	$ 297,449	$ 2,690,330
Real Estate Loans - Commercial	811,846	545,784	266,062	811,846	434,309	863,099
Real Estate Loans - Other	473,800	293,780	180,020	473,800	231,434	601,054
Consumer Loans	39,452	17,239	22,213	39,452	39,703	66,270
Commercial Loans	135,528	87,971	47,557	135,528	36,874	139,617
Total	$ 3,845,010	$ 2,370,295	$ 1,474,715	$ 3,845,010	$ 1,039,769	$ 4,360,370

The amount of interest income that would have been recorded on impaired loans for the years ended December 31, 2015 and 2014, was approximately $19,681 and $61,118, respectively.

The Bank is not committed to lend additional funds to debtors whose loans are on nonaccrual status, or loans that have been modified in troubled debt restructurings, at December 31, 2015.

Note 4. Loans and Allowances for Loan Losses (Continued)

Non-Accrual Loans

The following presents by class, the recorded investment in loans on non-accrual status as of December 31, 2015 and 2014:

	December 31, 2015	December 31, 2014
Real Estate Loans - Residential	**$ 1,181,768**	$ 813,571
Real Estate Loans - Commercial	**-**	-
Real Estate Loans - Other	**174,062**	12,722
Consumer Loans	**487**	7,028
Commercial Loans	**68,348**	-
Total	**$ 1,424,665**	$ 833,321

Aging Analysis of Past Due Loans

The following presents by class, an aging analysis and the recorded investment in loans as of December 31, 2015 and 2014:

			Greater than 90 Days				
December 31, 2015	30-59 Days Past Due	60-89 Days Past Due	Nonaccrual	Recorded Investment > 90 Days and Accruing	Total Past Due	Current	Total Loans Receivable
Real Estate Loans - Residential	$ 268,496	$ 80,000	$ 1,181,768	$ 178,064	$ 1,708,328	$ 64,515,661	$ 66,223,989
Real Estate Loans - Commercial	-	31,540	-	-	31,540	40,679,721	40,711,261
Real Estate Loans - Other	219,809	-	174,062	161,142	555,013	16,000,213	16,555,226
Consumer Loans	26,505	-	487	-	26,992	7,173,828	7,200,820
Commercial Loans	16,175	-	68,348	-	84,523	12,378,441	12,462,964
Total	$ 530,985	$ 111,540	$ 1,424,665	$ 339,206	$ 2,406,396	$140,747,864	$ 143,154,260

Note 4. Loans and Allowances for Loan Losses (Continued)

Aging Analysis of Past Due Loans (Continued)

December 31, 2014	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days: Nonaccrual	Greater than 90 Days: Recorded Investment > 90 Days and Accruing	Total Past Due	Current	Total Loans Receivable
Real Estate Loans - Residential	$ 357,964	$ -	$ 813,571	$ -	$ 1,171,535	$ 64,509,958	$ 65,681,493
Real Estate Loans - Commercial	72,962	-	-	-	72,962	39,587,400	39,660,362
Real Estate Loans - Other	195,382	-	12,722	-	208,104	16,673,083	16,881,187
Consumer Loans	26,420	-	7,028	-	33,448	7,679,548	7,712,996
Commercial Loans	-	-	-	-	-	8,286,703	8,286,703
Total	$ 652,728	$ -	$ 833,321	$ -	$ 1,486,049	$136,736,692	$ 138,222,741

Troubled Debt Restructurings

Troubled debt restructurings (TDR's) are modified loans in which a concession is provided to a borrower experiencing financial difficulties. Loan modifications are considered TDR's when the concessions provided are not available to the borrower through either normal channels or other sources. However, not all loan modifications are TDR's.

Each potential loan modification is reviewed individually and the terms of the loan are modified to meet a borrower's specific circumstances at a point in time. The types of concessions provided to borrowers include interest rate adjustment or extension of the maturity date. All TDR's in each portfolio segment are placed on the watch list and evaluated individually for any potential loss and the allowance is adjusted accordingly.

The following table presents TDR's modified during the year ended December 31, 2015 and 2014:

	December 31, 2015			December 31, 2014		
	Number of Contracts	**Pre-Modification Recorded Investment**	**Post-Modification Recorded Investment**	**Number of Contracts**	**Pre-Modification Recorded Investment**	**Post-Modification Recorded Investment**
Real Estate Loans - Residential	**2**	**$ 125,463**	**$ 125,463**	8	$ 1,118,512	$ 1,118,512
Real Estate Loans - Commercial	**0**	**-**	**-**	1	266,061	266,061
Real Estate Loans - Other	**1**	**68,499**	**68,499**	2	87,643	87,643
Commercial Loans	**1**	**16,384**	**16,384**	1	20,050	20,050
Consumer Loans	**0**	**-**	**-**	1	1,321	1,321
Total		**$ 210,346**	**$ 210,346**		$ 1,493,587	$ 1,493,587

Note 4. Loans and Allowances for Loan Losses (Continued)

Troubled Debt Restructurings (Continued)

There was one TDR modified within the previous twelve months that subsequently redefaulted during the year ended December 31, 2015, totaling $14,829. The remaining three loans are performing in accordance with the modified terms.

At December 31, 2015, there are no commitments to lend additional funds to any borrower whose loan terms have been modified in a troubled debt restructuring.

Related Party Loans

In the ordinary course of business, the Bank has granted loans to principal officers and directors and entities for which they have significant ownership or management position. An analysis of the changes in loans to such borrowers follows:

	Year Ended December 31,	
	2015	2014
Balance, Beginning of Year	**$ 851,153**	$ 1,313,097
Additions	**700,364**	403,848
Payments and Renewals	**(320,768)**	(865,792)
Balance, End of Year	**$ 1,230,749**	$ 851,153

Note 5. Accrued Interest Receivable

Accrued interest receivable consists of the following:

	December 31,	
	2015	2014
Loans Receivable	**$ 508,251**	$ 479,142
Securities	**480,786**	409,371
Total	**$ 989,037**	$ 888,513

Note 6. Premises and Equipment

A summary of the cost and accumulated depreciation of premises and equipment follows:

	December 31, 2015	December 31, 2014
Land	**$ 2,261,972**	$ 2,261,972
Buildings	**7,019,051**	7,052,956
Furniture and Equipment	**2,720,287**	2,762,526
	12,001,310	12,077,454
Less: Accumulated Depreciation	**(3,182,351)**	(2,823,360)
Net Book Value	**$ 8,818,959**	$ 9,254,094

Depreciation expense for the years ended December 31, 2015 and 2014, was $511,054 and $468,984, respectively.

Note 7. Deposits

Interest-Bearing Deposits
Interest-bearing demand deposits were as follows:

	December 31, 2015	December 31, 2014
NOW Accounts	**$ 78,630,383**	$ 68,132,546
Savings Accounts	**11,519,583**	10,712,505
Money Market Accounts	**10,088,741**	10,410,777
Total	**$ 100,238,707**	$ 89,255,828

Time Deposits
Time deposits with a minimum denomination of $100,000 were $29,814,722 and $26,727,292, at December 31, 2015 and 2014, respectively. At December 31, 2015, scheduled maturities of time deposits are as follows:

Year Ended December 31,	**Amount**
2016	$ 27,538,117
2017	7,514,842
2018	5,843,833
2019	1,891,378
2020	2,339,603
Thereafter	4,200
Total	$ 45,131,973

Note 7. Deposits (Continued)

Deposits with Related Parties

The Bank held deposits of $7,145,505 and $6,279,522 for officers, directors, and entities for which they have significant ownership or management position at December 31, 2015 and 2014, respectively.

Overdrafts

At December 31, 2015 and 2014, the Bank had deposit accounts in an overdraft position totaling $109,842 and $153,100, respectively. For financial reporting purposes, these amounts were reclassified as loans receivable.

Note 8. Borrowings

Pursuant to collateral agreements with the Federal Home Loan Bank (FHLB), advances are secured by a blanket floating lien on first mortgage loans. Total interest expense recognized in 2015 and 2014, was $164,838 and $268,833, respectively.

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

	Advance Total	
Contract Rate	**2015**	2014
0.00% to 1.99%	**$ 14,560,000**	$ 16,383,000
2.00% to 2.99%	**-**	3,600,000
3.00% to 3.99%	**1,500,000**	2,500,000
4.00% to 4.99%	**18,000**	18,000
Total	**$ 16,078,000**	$ 22,501,000

Contractual maturities of advances at December 31, 2015, are as follows:

Year Ended December 31,	**Amount**
2016	$ 10,378,000
2017	3,250,000
2018	700,000
2019	500,000
2020	1,250,000
After 2021	-
Total	$ 16,078,000

Note 9. Income Taxes

The provision for income taxes for 2015 and 2014 consists of the following:

	2015	2014
Current	**$ 1,580,578**	$ 700,230
Deferred	**(334,631)**	102,160
	$ 1,245,947	$ 802,390

Note 9. Income Taxes (Continued)

The components of the net deferred tax asset (liability) at December 31, 2015 and 2014, are as follows:

	2015	2014
Deferred Tax Assets:		
Capital Loss - ARM Fund	**$ -**	$ 175,564
Allowance for Loan Losses	**1,101,923**	986,641
Deferred Income	**5,440**	5,440
Deferred Loan Costs/Fees	**44,082**	-
Other	**43,702**	67,412
Total Deferred Tax Assets	**1,195,147**	1,235,057
Valuation Allowance	**-**	(175,564)
Net Deferred Tax Asset	**1,195,147**	1,059,493
Deferred Tax Liabilities:		
FHLB Stock Dividends	**(204)**	(2,989)
Deferred Loan Costs/Fees	**-**	(51,880)
Net Unrealized Gain on Securities Available-for-Sale	**(119,606)**	(111,772)
Fixed Assets	**(1,034,574)**	(1,176,742)
Prepaid Expenses	**(26,375)**	(28,520)
Total Deferred Tax Liabilities	**(1,180,759)**	(1,371,903)
Net Deferred Tax Asset (Liability)	**$ 14,388**	$ (312,410)

The provision for Federal income taxes differs from that computed at the statutory 34% corporate tax rate, as follows:

	Years Ended December 31,			
	2015		2014	
	Amount	**Effective Rate %**	Amount	Effective Rate %
Tax at Statutory Rate	**$1,380,175**	**34.00**	$ 979,344	34.00
Other	**(134,228)**	**(3.31)**	(171,954)	(6.00)
	$1,245,947	**30.69**	$ 802,390	28.00

Note 9. Income Taxes (Continued)

Included in retained earnings at December 31, 2015 and 2014, is $502,946 in bad debt reserves for which no deferred Federal income tax liability has been recorded. These amounts represent allocations of income to bad debt deductions for tax purposes only. Reduction of these reserves for purposes other than tax bad debt losses or adjustments arising from carryback of net operating losses would create income for tax purposes, which would be subject to the then-current income tax rate. The unrecorded deferred liability on these amounts was approximately $171,000 at December 31, 2015 and 2014, respectively.

Note 10. Financial Instruments with Off-Balance Sheet Risk

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. These financial instruments consist of commitments to extend credit, standby letters-of-credit, and undisbursed lines-of-credit. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the Company's balance sheets.

The Company's exposure to credit loss is represented by the contractual amount of these commitments. The Company follows the same credit policies in making commitments as it does for on-balance sheet instruments.

At December 31, 2015 and 2014, the following financial instruments were outstanding whose contract amounts represent credit risk:

	December 31,	
	2015	2014
	(in thousands)	
Commitments to Extend Credit	**$ 30,091**	$ 20,579
Standby Letters-of-Credit	**451**	263

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, and include amounts available to be drawn down against construction loans and unfunded commitments under lines-of-credit. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The amount of collateral obtained, if it is deemed necessary by the Company, is based on management's credit evaluation of the customer.

Standby letters-of-credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those letters-of-credit are primarily issued to support private borrowing arrangements. Essentially all letters-of-credit issued have expiration dates within one year. The credit risk involved in issuing letters-of-credit is essentially the same as that involved in extending loan facilities to customers. The Company generally holds collateral supporting those commitments if deemed necessary.

Note 11. Comprehensive Income

Comprehensive income was comprised of changes in the Company's unrealized holding gains and losses on securities available-for-sale during 2015 and 2014. The components of comprehensive income and related tax effects are as follows:

	2015	2014
Gross Unrealized Holding Gains Arising During the Period	$ 16,447	$ 1,639,378
Tax Expense	(5,592)	(557,389)
Total	10,855	1,081,989
Reclassification Adjustment for Losses (Gains) Included in Net Income	6,596	(26,223)
Tax (Benefit) Expense	(2,242)	8,916
Total	4,354	(17,307)
Total Other Comprehensive Income	$ 15,209	$ 1,064,682

Note 12. Regulatory Matters

The federal banking agencies have adopted regulations that substantially amend the capital regulations currently applicable to us. These regulations implement the Basel III regulatory capital reforms and changes required by the Dodd-Frank Act.

Effective January 1, 2015 (with some changes transitioned into full effectiveness over two to four years), the Bank became subject to new capital requirements adopted by the OCC. These new requirements create a new required ratio for common equity Tier 1 ("CETI") capital, increase the leverage and Tier 1 capital ratios, change the risk weight of certain assets for purposes of the risk-based capital ratios, create an additional capital conservation buffer over the required capital ratios and change what qualifies as capital for purposes of meeting these various capital requirements. Beginning in 2016, failure to maintain the required capital conservation buffer will limit the ability of the Bank to pay dividends, repurchase shares or pay discretionary bonuses. The Company is exempt from consolidated capital requirements as those requirements do not apply to certain small bank holding companies with assets under $1 billion.

Under the new capital regulations, the minimum capital ratios are: (1) CETI capital ratio of 4.5% of risk-weighted assets; (2) a Tier 1 capital ratio of 6.0% of risk-weighted assets; (3) a total capital ratio of 8.0% of risk-weighted assets; and (4) a leverage ratio of 4.0%. CETI generally consists of common stock and retained earnings, subject to applicable regulatory adjustments and deductions.

Note 12. Regulatory Matters (Continued)

There are a number of changes in what constitutes regulatory capital, some of which are subject to transition periods. These changes include the phasing-out of certain instruments as qualifying capital. The Bank does not use any of these instruments. Under the new requirements for total capital, Tier 2 capital is no longer limited to the amount of Tier 1 capital included in total capital. Mortgage servicing rights, certain deferred tax assets and investments in unconsolidated subsidiaries over designated percentages of CETI will be deducted from capital. The Bank has elected to permanently opt-out of the inclusion of accumulated other comprehensive income in our capital calculations, as permitted by the regulations. This opt-out will reduce the impact of market volatility on our regulatory capital levels.

The new requirements also include changes in the risk-weights of assets to better reflect credit risk and other risk exposures. These include a 150% risk weight (increased from 100%) for certain high volatility commercial real estate acquisition, development and construction loans and for non-residential mortgage loans that are 90 days past due or otherwise in non-accrual status; a 20% (increased from 0%) credit conversion factor for the unused portion of a commitment with an original maturity of one year or less that is not unconditionally cancellable; a 250% risk weight (increased from 100%) for mortgage servicing and deferred tax assets that are not deducted from capital; and increased risk weights (0% to 600%) for equity exposures.

In addition to the minimum CETI, Tier 1 and total capital ratios, the Bank will have to maintain a capital conservation buffer consisting of additional CETI capital greater than 2.5% of risk-weighted assets above the required minimum levels in order to avoid limitations on paying dividends, engaging in share repurchases, and paying discretionary bonuses based on percentages of eligible retained income that could be utilized for such actions. This new capital conservation buffer requirement will be phased in beginning in January 2016 at 0.625% of risk-weighted assets and increasing each year until fully implemented in January 2019.

The OCC's prompt corrective action standards changed effective January 1, 2015. Under the new standards, in order to be considered well-capitalized, the Bank must have a CETI ratio of 6.5% (new), a Tier 1 ratio of 8.0% (increased from 6.0%), a total risk-based capital ratio of 10.0% (unchanged) and a leverage ratio of 5.0% (unchanged). The Bank meets all these new requirements.

Note 12. Regulatory Matters (Continued)

The Bank's actual capital amounts and ratios and those required by the regulatory standards in effect as of the dates presented are as follows:

	Actual		Minumum for Adequacy Purposes		Minimum to be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Dollars in Thousands)			
December 31, 2015						
Core/Leverage Capital	**$ 25,138**	**10.65%**	**$ 9,444**	**4.00%**	**$ 11,805**	**5.00%**
Common Equity Tier 1	**25,138**	**16.57%**	**6,826**	**4.50%**	**9,859**	**6.50%**
Tier 1 Risk-Based Capital	**25,138**	**16.57%**	**9,101**	**6.00%**	**12,135**	**8.00%**
Total Risk-Based Capital	**27,051**	**17.83%**	**12,135**	**8.00%**	**15,168**	**10.00%**
December 31, 2014						
Core/Leverage Capital	$ 23,116	10.23%	$ 11,367	3.00%	$ 14,209	5.00%
Tier 1 Risk-Based Capital	23,116	16.27%	6,780	4.00%	11,300	6.00%
Total Risk-Based Capital	24,906	17.53%	6,780	8.00%	11,300	10.00%

Note 13. Management Recognition and Retention Plan

On April 25, 2000, the shareholders of the Company approved the establishment of the Management Recognition and Retention Plan (the "2000 Plan") as an incentive to retain personnel of experience and ability in key positions. As shares were acquired for the 2000 Plan, the purchase price of these shares was recorded as a contra equity account. As the shares are distributed, the contra equity account is reduced.

2000 Plan shares are earned by recipients at a rate of 20% of the aggregate number of shares granted under the 2000 Plan, with the first 20% to be vested on the one-year anniversary of the date of the grant. If the employment of an employee or service as a non-employee director is terminated prior to the fifth anniversary of the date of the grant of the 2000 Plan share award for any reason, the recipient shall forfeit the right to any shares subject to the award that have not been earned. The cost associated with the 2000 Plan is based on the market price of the stock as of the date on which the 2000 Plan shares were granted. This cost is being recognized over the five-year vesting schedule.

As of April 2010, no further shares can be granted to employees or non-employee directors from the 2000 Plan.

Note 13. Management Recognition and Retention Plan (Continued)

A summary of the changes in stock pertaining to the 2000 Plan follows:

	Unawarded Shares	Awarded Shares
Balance at January 1, 2014	1,098	810
Earned and Issued	-	(810)
Balance at December 31, 2014	1,098	-
Earned and Issued	-	-
Balance at December 31, 2015	1,098	-

On April 23, 2008, the shareholders of the Company approved the establishment of a new Management Recognition and Retention Plan (the “2008 Plan”) as an incentive to retain personnel of experience and ability in key positions. The 2008 Plan is substantially similar to the Company’s 2000 Management and Retention Plan previously approved by stockholders, except the 2008 Plan does not require a minimum five-year vesting period, does not impose limits on the number of shares that may be granted to any director, executive officer or all directors as a group, and provides for accelerated vesting of all outstanding awards upon a change in control of the Company or the Bank. Under the terms of the 2008 Plan, the Company may purchase shares as they are issued to recipients.

A summary of the changes in stock pertaining to the 2008 Plan follows:

	Unawarded Shares	Awarded Shares
Balance at January 1, 2014	23,580	10,740
Issued for Plan	-	-
Granted	(1,920)	1,920
Forfeited	-	-
Earned and Issued	-	(5,375)
Balance at December 31, 2014	21,660	7,285
Issued for Plan	-	-
Granted	(21,170)	21,170
Forfeited	309	(309)
Earned and Issued	-	(23,521)
Balance at December 31, 2015	799	4,625

For the years ended December 31, 2015 and 2014, compensation expense pertaining to the 2000 and 2008 Plans totaled $36,648 and $54,633, respectively.

Note 14. Stock Option Plan

During 2000, the Company adopted a stock option plan for the benefit of directors, officers, and other key employees. The number of shares of common stock reserved for issuance under the stock option plan was 33,134 shares, which is equivalent to 10% of the total number of shares of common stock sold in the Company's initial public offering of its common stock. Both incentive stock options and non-qualified stock options were able to be granted under the plan, but as of 2010 no additional stock options can be granted under this plan. The exercise price of each option cannot be less than the fair value of the underlying common stock as of the date the option is granted. Incentive stock options and non-qualified stock options granted under this plan become vested and exercisable at the rate of 20% per year over five years, commencing one year from the date of the grant with an additional 20% vesting on each successive annual anniversary of the date the option was granted.

A summary of the status of the Company's stock option plan as of December 31, 2015 and 2014, and changes during the years ending on those dates is presented below:

	2015		2014	
Fixed Options	**Shares**	**Weighted-Average Exercise Price**	Shares	Weighted-Average Exercise Price
Outstanding at Beginning of Year	**7,500**	**$ 8.00**	7,500	$ 8.00
Granted	**-**	**-**	-	-
Exercised	**(7,500)**	**8.00**	-	-
Forfeited	**-**	**-**	-	-
Outstanding at End of Year	**-**	**$ -**	7,500	$ 8.00

The aggregate intrinsic value of options outstanding as of December 31, 2015 and 2014, totaled $-0- and $60,000, respectively

There were no fixed stock options outstanding at December 31, 2015.

Note 15. Commitments and Contingencies

Employment and Retirement Contracts

One employee of the Company serves under a retirement and transition contract that is due to expire on June 30, 2017. The contract covers the services to be provided, compensation and termination.

One employee of the Company serves under an employment contract that is due to expire on September 30, 2018. The contract covers compensation and termination.

Note 15. Commitments and Contingencies (Continued)

Change in Control Severance Agreements

Effective September 10, 2015 and January 1, 2016, the Company and the Bank entered into agreements with certain key employees which provides for severance benefits to the employees if they were to terminate their employment as a result of the Company or the Bank experiencing a "change in control" event, as defined within the agreements.

Since the change of control severance agreements contain a cash settlement feature that can be exercised only upon the occurrence of a contingent event that is outside the employees' control, recognition of liability within the consolidated financial statements would occur when it becomes probable that the event will occur.

Other Matters

As part of its operations, the Bank sells to third-party investors certain mortgage loans it initially underwrites and funds. Under arrangements with these third-party investors, the Bank may be required to indemnify and possibly repurchase loans that were sold if certain criteria are met. These criteria include, but are not limited to, the following:

- A material breach of representation or warranty to a particular loan
- A material breach of terms or conditions of the agreement between the Bank and the third-party investor
- Improper or incomplete documentation
- Fraud on the part of the Bank, or of the borrower for which the loan was sold

Note 16. Disclosures About Fair Value

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. To measure fair value, a hierarchy has been established that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs. This hierarchy uses three levels of inputs to measure the fair value of assets and liabilities as follows:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active Markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Note 16. Disclosures About Fair Value (Continued)

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following describes the hierarchy designations, valuation methodologies, and key inputs to measure fair value on a recurring basis for designated financial instruments:

Available for Sale and Trading Securities

Fair value estimates for investment securities are based on quoted market prices, where available (Level 1 inputs). If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments (Level 2). The carrying amount of accrued interest on securities approximates its fair value.

Loans Held for Sale

The fair value of the Company's residential mortgage loans held for sale was determined based on quoted market prices for similar loans in active markets, and therefore, is classified as a Level 2 measurement.

Assets and liabilities measured at fair value on a recurring basis are summarized below:

		Fair Value Measurements at Reporting Date Using		
December 31, 2015	**Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Available-for-Sale Securities				
Mortgage-Backed Securities	**$ 19,403,625**	**$ -**	**$ 19,403,625**	**$ -**
U.S. Government Agency Notes	**378,286**	**-**	**378,286**	**-**
State and Municipal Obligations	**12,612,806**	**-**	**12,612,806**	**-**
U.S. Agency - SBA Loan Pool	**31,984,867**	**-**	**31,984,867**	**-**
Trading Securities				
Equity Securities	**138,816**	**138,816**	**-**	**-**
Loans Held for Sale	**2,005,900**	**-**	**2,005,900**	**-**
Total	**$ 66,524,300**	**$ 138,816**	**$ 66,385,484**	**$ -**

		Fair Value Measurements at Reporting Date Using		
December 31, 2014	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Available-for-Sale Securities				
Mortgage-Backed Securities	$ 23,265,895	$ -	$ 23,265,895	$ -
U.S. Government Agency Notes	2,078,374	-	2,078,374	-
State and Municipal Obligations	8,858,974	-	8,858,974	-
U.S. Agency - SBA Loan Pool	22,291,273	-	22,291,273	-
Trading Securities				
Equity Securities	149,909	149,909	-	-
Loans Held for Sale	1,315,345	-	1,315,345	-
Total	$ 57,959,770	$ 149,909	$ 57,809,861	$ -

Note 16. Disclosures About Fair Value (Continued)

The Company did not record any liabilities at fair market value for which measurement of the fair value was made on a recurring basis at December 31, 2015 or 2014.

There were no transfers between Level 1 or Level 2 during 2015 or 2014.

Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis
The following describes the hierarchy designation, valuation methodologies, and key inputs for those assets that are measured at fair value on a nonrecurring basis:

Impaired Loans
At the time a loan is considered impaired, it is recorded at the lower of cost or fair value. Impaired loans carried at fair value generally receive specific allocations of the allowance for loan losses. For collateral dependent loans, fair value is commonly based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value. Non-real estate collateral may be valued using an appraisal, net book value per the borrower's financial statements or aging reports, adjusted or discounted based on management's historical knowledge, changes in market conditions from the time of the valuation and management's expertise and knowledge of the client and client's business, resulting in a Level 3 fair value classification.

Foreclosed Assets
Assets acquired through or instead of loan foreclosure are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. These assets are subsequently accounted for at the lower of cost or fair value less estimated costs to sell. Fair value is commonly based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments typically result in a Level 2 classification of the inputs for determining fair value.

Note 16. Disclosures About Fair Value (Continued)

Assets and Liabilities Measured on a Non-Recurring Basis (Continued)

Assets and liabilities measured at fair value on a non-recurring basis are summarized below:

		Fair Value Measurements at Reporting Date Using		
December 31, 2015	**Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets				
Impaired Loans				
Real Estate				
Residential	**$ 2,143,856**	**$ -**	**$ -**	**$ 2,143,856**
Commercial	**800,594**	**-**	**-**	**800,594**
Other	**656,227**	**-**	**-**	**656,227**
Consumer	**34,261**	**-**	**-**	**34,261**
Commercial	**100,900**	**-**	**-**	**100,900**
Foreclosed Assets	**40,680**	**-**	**40,680**	**-**
Total	**$ 3,776,518**	**$ -**	**$ 40,680**	**$ 3,735,838**

		Fair Value Measurements at Reporting Date Using		
December 31, 2014	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Impaired Loans				
Real Estate				
Residential	$ 2,384,384	$ -	$ -	$ 2,384,384
Commercial	811,843	-	-	811,843
Other	473,800	-	-	473,800
Consumer	39,452	-	-	39,452
Commercial	135,528	-	-	135,528
Foreclosed Assets	78,000	-	78,000	-
Total	$ 3,923,007	$ -	$ 78,000	$ 3,845,007

Impaired loans, which are measured for impairment using the fair value of the collateral for collateral dependent loans, had a gross carrying amount of $3,735,838 with a valuation allowance of $384,263. As of December 31, 2014, impaired loans had a gross carrying amount of $3,845,010, with a valuation allowance of $1,039,769.

Foreclosed assets measured at fair value less costs to sell, had a net carrying amount of $40,680 and $78,000 as of December 31, 2015 and 2014, respectively. There were no valuation allowances associated with these balances.

Note 16. Disclosures About Fair Value (Continued)

Assets and Liabilities Measured on a Non-Recurring Basis (Continued)

For Level 3 assets measured at fair value on a nonrecurring basis as of December 31, 2015 and 2014, the Company utilized the following valuation techniques and significant unobservable inputs.

Impaired Loans
For individually evaluated impaired loans, the amount of impairment is based upon the present value of expected future cash flows discounted at the loan's effective interest rate or the estimated fair value of the underlying collateral for collateral-dependent loans, resulting in an average discount of 5% to 15%.

Financial Instruments
The carrying amounts and estimated fair values of financial instruments at December 31, 2015 and 2014 are as follows (in thousands):

		Fair Value Measurements at December 31, 2015 Using:			
	Carrying Amount	Level 1	Level 2	Level 3	Total
Financial Assets:					
Cash and Noninterest-Earning Deposits	$ 8,577	$ 8,577	$ -	$ -	$ 8,577
Interest-Earning Deposits in Other Depository Institutions	4,102	4,102	-	-	4,102
Certificates of Deposit	498	498	-	-	498
Available-for-Sale Securities	64,380	-	64,380	-	64,380
Trading Securities	139	-	139	-	139
Held to Maturity Security	4,456	-	4,421	-	4,421
Loans Receivable, Net	139,891	-	-	140,178	140,178
Loans Held for Sale	2,006	-	2,006	-	2,006
Federal Home Loan Bank Stock	805	-	805	-	805
First National Bankers Bank Stock	300	-	300	-	300
Accrued Interest Receivable	989	-	481	508	989
Financial Liabilities:					
Deposits	$ 194,415	$ -	$ 189,773	$ -	$ 189,773
Advances from FHLB	16,078	-	16,320	-	16,320
Accrued Interest Payable	28	-	28	-	28

Note 16. Disclosures About Fair Value (Continued)

Financial Instruments (Continued)

	Carrying Amount	Fair Value Measurements at December 31, 2014 Using: Level 1	Level 2	Level 3	Total
Financial Assets:					
Cash and Noninterest-Earning Deposits	$ 5,817	$ 5,817	$ -	$ -	$ 5,817
Interest-Earning Deposits in Other Depository Institutions	4,759	4,759	-	-	4,759
Available-for-Sale Securities	56,495	-	56,495	-	56,495
Trading Securities	150	-	150	-	150
Held to Maturity Security	5,689	-	5,624	-	5,624
Loans Receivable, Net	135,307	-	-	135,802	135,802
Loans Held for Sale	1,315	-	1,315	-	1,315
Federal Home Loan Bank Stock	1,041	-	1,041	-	1,041
First National Bankers Bank Stock	300	-	300	-	300
Accrued Interest Receivable	889	-	410	479	889
Financial Liabilities:					
Deposits	$ 176,887	$ -	$ 174,702	$ -	$ 174,702
Advances from FHLB	22,501	-	22,875	-	22,875
Accrued Interest Payable	22	-	22	-	22

The estimated fair value approximates carrying amounts for all items except those described below. The carrying amounts of cash and short-term instruments approximate fair values and are classified as either Level 1 or Level 2. Estimated fair value for both securities available-for-sale and held-to-maturity is as previously described for securities available-for-sale. Fair value of loans, excluding loans held for sale are estimated as set forth below:

The methods assumptions, not previously presented, used to estimate fair values are described as follows:

Cash and Cash Equivalents
The carrying amounts of cash and cash equivalents approximate fair values and are classified as Level 1.

Interest Earning Deposits in Other Depository Institutions
The carrying amount of interest-earning deposits approximates fair value and are classified as Level 1.

Loans Receivable, Net
The fair value of loans is estimated through discounted cash flow analysis using current rates at which loans with similar terms would be made to borrowers of similar credit quality resulting in a Level 3 classification. Appropriate adjustments are made to reflect probable credit losses. The carrying amount of accrued interest on loans approximated its fair value.

Loans Held for Sale
The fair value of loans held for sale is estimated using discounted cash flow analysis, using current rates at which loans with similar terms would be valued in the secondary market and are classified as Level 2.

Note 16. Disclosures About Fair Value (Continued)

Financial Instruments (Continued)

Federal Home Loan Bank Stock
The value of Federal Home Loan Bank Stock is set by the FHLB at $100 per share and is classified as Level 2.

First National Bankers Bank Stock
The value of First National Bankers Bank Stock is based on the current book value per common share of stock and is classified as Level 2.

Deposit Liabilities
ASC 825 specifies that the fair value of deposit liabilities with no defined maturity is the amount payable on demand at the reporting date, i.e., their carrying or book value. The fair value of fixed-rate certificates of deposit is estimated using a discounted cash flow calculation that applies interest rates currently offered on certificates of similar remaining maturities to a schedule of aggregate expected cash flows on time deposits and are classified as Level 2.

Advances from Federal Home Loan Bank
The fair value of fixed rate borrowings is estimated using discounted cash flows, based on current incremental borrowing rates for similar types of borrowing arrangements and is classified as Level 2.

Accrued Interest Receivable/Payable
The carrying amount of accrued interest receivable/payable approximates its fair value resulting in a Level 2 or Level 3 classification consistent with the classification of the asset/liability with which they are associated.

Off-Balance Sheet Instruments
Off-balance sheet financial instruments include commitments to extend credit and undisbursed lines of credit. The fair value of such instruments is estimated using fees currently charged for similar arrangements in the marketplace, adjusted for changes in terms and credit risk as appropriate. The estimated fair value for these instruments was not significant at December 31, 2015 and 2014. The contract or notional amounts of the Company’s financial instruments with off-balance sheet risk are disclosed in Note 10.

Note 17. Earnings Per Share

The following table presents the components of average outstanding shares for each of the years ended December 31, 2015 and 2014:

	2015	2014
Weighted Average Common Shares Issued	**1,241,449**	1,312,688
Weighted Average Treasury Shares Held	**-**	(75,698)
Weighted Average Unearned MRP Trust Shares	**(27,425)**	(35,467)
Weighted Average Number of Common Shares Used in Basic EPS	**1,214,024**	1,201,523
Effect of Dilutive Securities		
Stock Options	**2,444**	3,734
Weighted Average Number of Common Shares and Dilutive Potential Common Stock Used in Dilutive EPS	**1,216,468**	1,205,257

Note 18. Summarized Financial Information of Parent Company

Summarized financial information of FPB Financial Corp., Parent Company only, follows:

FPB FINANCIAL CORP.
Condensed Statements of Financial Condition
(Dollars in Thousands)
December 31, 2015 and 2014

	2015	2014
Assets		
Cash	**$ 3,495**	$ 2,591
Trading Securities	**139**	150
Investment in Florida Parishes Bank	**25,370**	23,333
Investment in FPB Financial Statutory Trust I	**93**	93
Property and Equipment, Net	**65**	65
Deferred Tax Asset	**35**	34
Due from Subsidiary Bank	**117**	119
Total Assets	**$ 29,314**	$ 26,385
Liabilities and Stockholders' Equity		
Liabilities		
Due to FPB Financial Statutory Trust	**$ 3,093**	$ 3,093
Other Liabilities	**1**	2
Total Liabilities	**3,094**	3,095
Stockholders' Equity	**26,220**	23,290
Total Liabilities and Stockholders' Equity	**$ 29,314**	$ 26,385

Note 18. Summarized Financial Information of Parent Company (Continued)

FPB FINANCIAL CORP.
Condensed Statements of Operations
(Dollars in Thousands)
For the Years Ended December 31, 2015 and 2014

	2015	2014
Income		
Interest on Securities	**$ 6**	$ 5
Dividend from Florida Parishes Bank	**1,000**	-
Other Income	**3**	3
Total Income	**1,009**	8
Operating Expenses	**336**	376
Income (Loss) Before Equity in Undistributed Net Income of Florida Parishes Bank	**673**	(368)
Equity in Undistributed Net Income of Florida Parishes Bank	**2,022**	2,305
Net Income Before Income Taxes	**2,695**	1,937
Income Tax Benefit	**118**	126
Net Income	**$ 2,813**	$ 2,063

Note 18. Summarized Financial Information of Parent Company (Continued)

FPB FINANCIAL CORP.
Condensed Statements of Cash Flows
(Dollars in Thousands)
For the Years Ended December 31, 2015 and 2014

	2015	2014
Cash Flows from Operating Activities		
Net Income	$ 2,813	$ 2,063
Adjustments to Reconcile Net Income to Net Cash Provided by (Used in) Operating Activities		
Equity in Undistributed Net Income of Subsidiary	(2,022)	(2,305)
Trading Securities, Net	11	43
Increase in Deferred Tax Asset	(1)	(6)
Decrease (Increase) in Due from Florida Parishes Bank	2	(17)
Decrease in Other Liabilities	(1)	(36)
Net Cash Provided by (Used in) Operating Activities	802	(258)
Cash Flows from Financing Activities		
Proceeds Received from Subsidiary on MRP Stock Distribution	383	70
Proceeds Received from Options Exercised	60	-
Dividends Paid on Common Stock	(341)	(337)
Net Cash Provided by (Used in) Financing Activities	102	(267)
Net Increase (Decrease) in Cash and Cash Equivalents	904	(525)
Cash and Cash Equivalents, Beginning of Year	2,591	3,116
Cash and Cash Equivalents, End of Year	$ 3,495	$ 2,591

Note 19. Evaluation of Subsequent Events

In accordance with FASB ASC Topic 855, *Subsequent Events*, the Company evaluated subsequent events through February 22, 2016, the date these consolidated financial statements were available to be issued and has determined that the following event is required to be disclosed:

As disclosed in Note 15, the Company and the Bank entered into a change-in-control agreement with a key employee.

No other events have occurred that require recognition or additional disclosure in these consolidated financial statements.