Annual 2016 Report

JD BANK
LOUISIANA'S COMMUNITY BANK™

EQUAL HOUSING LENDER
Member FDIC

President's Message to Shareholders:

Jeff Davis Bancshares' subsidiary, JD Bank had both a rewarding and challenging year in 2016. The Bank continues to position itself as the Community Bank market leader in the Lake Charles MSA and made great strides in branding the Bank as the go to Community Bank in the Lafayette MSA, or Acadiana area as it is commonly called.

The rewarding part of our year had to do with our continued growth and profitability in the Acadiana market. Our Lafayette full service branch, the New Iberia full service branch and the Opelousas Loan Production Office added a little over $500,000 to our bottom line in 2016. The Lafayette Branch was the only one that did not reach profitability for the year, but had profitable months throughout the year and is projected to be profitable in 2017. We have made a decision to move forward with building a full service branch in Opelousas to replace our LPO and that should open by the end of the year. Due to the current level of loan production, this office should be profitable from day one. Even with the slow-down in the Oil and Gas Industry that has affected the Acadiana market, we are very optimistic for the long term growth potential of JD Bank in this market and will continue to seek out opportunities for growth.

The Lake Charles MSA continues to see tremendous growth due to the numerous petro-chemical plant expansions as well as new plants to export liquefied natural gas. Due to an estimated housing shortage over the next five years of 10,000 units, new subdivision development is happening now. Both our commercial lending in development loans as well as our Secondary Market Mortgage area are seeing increased activity that should continue for several years.

The challenging part of the year was our earnings were adversely impacted by legal expenses and settlement costs associated with the resolution of litigation filed against the Bank, which our Board of Directors believed was without merit and which the Bank had been vigorously contesting. In 2016 our Board of Directors elected to settle the litigation as a business decision in light of the ongoing expenses incurred in connection with this litigation.

Total assets for our company on December 31, 2016 were $806,277,000, an increase over year end 2015 levels of $799,068,000. Our total net loans increased by approximately 3% to $598,521,000. Net income at year end 2016 was $4,240,000. This is $1,533,000 lower than net income in 2015, with the difference stemming from the settlement of the above-referenced litigation.

In spite of the impact of the litigation on our income in 2016, the Company was able to continue to return to our Shareholders, $3,421,000 in the form of dividends. These dividends continue a strong history of paying our Shareholders a return for not only their investment in our Company but also for the confidence they have shown throughout the years. Of course, any future declarations and payment of dividends will be based on the required capital levels and the cash flow needs of the Company as well as future earnings.

JD Bank and Jeff Davis Bancshares are well positioned for continued conservative growth in 2017. There will be opportunities in the markets we serve and we fully expect to be able to take advantage of these when they occur. At our Board of Directors Strategic Planning session held on December 1, 2016, a decision was made to raise additional capital for the Bank through a Subordinated Debt Offering. On January 11th, 2017 the Company completed a $17.5 million debt offering which will, when leveraged, allow the Bank to grow to an asset size that will allow a greater efficiency from operations and ultimately, more profits for years to come.

JD Bank has adopted a new mission statement to start 2017; **"The mission of JD Bank is to create value for our customers, employees, stockholders and communities. Through our professional and personal relationships with the people we serve, we encourage, facilitate and help to build and sustain strong communities."** We intend to deliver on our mission through our commitment to our customers and partners and this includes:

***Personal attention and local-decision making;**
***Leading edge financial management products and services that meet the needs of Individuals, small-, mid-, and large-size companies;**
***Efficient technological resources;**
***Strong customer relationships; and**
***Local investments in the communities we serve.**

Recognizing that our employees are our greatest asset, our commitment to our employees is we work hard to provide an environment where each can grow and prosper, train, learn and contribute, so individual success is aligned with both customer and company success.

As we begin our 70th year of operations, we thank you, our Shareholders for the confidence and investment you have made in our Company. Management will continue to strive to provide you a return on your investment as well as increase the value of your holdings in our Company.

Boyd R. Boudreaux
Boyd R. Boudreaux
President & CEO

JEFF DAVIS BANCSHARES, INC.
CONSOLIDATED FINANCIAL HIGHLIGHTS (in thousands)

	2016	2015	Change
Deposits and Repurchase Agreements	$ 725,579	$ 699,264	3.76%
Loans (Net)	598,521	582,606	2.73%
Net Income	4,240	5,773	-26.55%
Equity Capital	73,832	75,636	-2.39%
Dividends Declared	3,421	3,421	0.00%

FIVE YEAR FINANCIAL REVIEW (in thousands, except per share amounts)

	2016	2015	2014	2013	2012
Assets and Liabilities at Year End					
Total Assets	$ 806,277	$ 799,068	$ 777,403	$ 729,420	$ 718,518
Loans (Net)	598,521	582,606	495,469	403,310	385,055
Investments Available-for-Sale (AFS) (Fair Value)	77,368	104,277	148,305	230,755	202,815
Investments Held-to-Maturity (HTM) (at Amortized Cost)	26,512	23,540	27,452	0	0
Other Stocks, at Cost	6,273	7,510	5,880	5,901	5,905
Stockholders' Equity					
Common Stock	$ 9,720	$ 9,750	$ 9,750	$ 9,750	$ 9,750
Surplus	3,598	3,598	3,598	3,598	3,598
Undivided Profits	60,375	59,749	57,398	53,753	50,650
Accumulated Other Comprehensive Income (Loss)	139	2,762	3,060	1,304	6,347
Note Receivable on Commmon Stock	-	-	-	(29)	(58)
Treasury Stock	-	(223)	(223)	(223)	(17)
Total Stockholders' Equity	$ 73,832	$ 75,636	$ 73,583	$ 68,153	$ 70,270
Earnings for the Year					
Consolidated Net Income	$ 4,240	$ 5,773	$ 7,040	$ 6,409	$ 6,303
Net Interest Income	32,208	31,156	28,151	26,825	21,997
Non Interest Income	8,019	9,902	10,730	7,228	7,079
Non Interest Expense	32,559	31,716	29,299	25,743	20,872
Cash Dividends	3,421	3,421	3,395	3,307	3,182
Per Share Data					
Net Income	$ 2.73	$ 3.71	$ 4.52	$ 4.12	$ 4.04
Cash Dividends	2.20	2.20	2.18	2.12	2.04
Book Value at Year-end	47.48	48.48	47.17	43.69	45.04
Return on Average Assets	0.51 %	0.70 %	0.93 %	0.91 %	1.13 %
Return on Equity	5.74 %	7.63 %	9.57 %	9.40 %	8.97 %

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A Professional Accounting Corporation

INDEPENDENT AUDITORS' REPORT

To the Stockholders and Board of Directors of
Jeff Davis Bancshares, Inc. and Subsidiaries
Jennings, Louisiana

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Jeff Davis Bancshares, Inc. and its Subsidiaries which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income, changes in stockholders' equity, and cash flows for each of the years during the three year period ended December 31, 2016, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Postlethwaite & Netterville

Opinion

In our opinion, the consolidated financial statements referred to on the previous page present fairly, in all material respects, the consolidated financial position of Jeff Davis Bancshares, Inc. and its Subsidiaries as of December 31, 2016 and 2015, and the consolidated results of their operations and their cash flows for each of the years during the three year period ended December 31, 2016, in accordance with accounting principles generally accepted in the United States of America.

Postlethwaite & Netterville

Baton Rouge, Louisiana
March 6, 2017

JEFF DAVIS BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2016 AND 2015

A S S E T S

	2016	2015
ASSETS		
Cash and due from banks	$ 35,328,433	$ 29,986,906
Interest bearing deposits in other banks	11,550,000	1,175,000
Securities available-for-sale	77,367,571	104,276,956
Securities held to maturity	26,512,037	23,539,872
Other stocks, at cost	6,272,567	7,510,429
Loans, less allowances for loan losses of $6,358,630 and $4,795,775 at December 31, 2016 and 2015, respectively	598,521,376	582,605,590
Accrued interest receivable	2,743,006	3,086,912
Bank premises and equipment, net	27,774,785	27,405,688
Other real estate owned	927,552	272,650
Goodwill and other intangibles	4,661,299	4,821,895
Life insurance contracts	12,779,527	12,454,782
Other assets	1,838,909	1,930,986
Total Assets	$ 806,277,062	$ 799,067,666

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

LIABILITIES AND STOCKHOLDERS' EQUITY

	2016	2015
LIABILITIES		
Deposits		
Deposit accounts, non-interest bearing	$ 253,940,000	$ 236,622,496
Deposit accounts, interest bearing	470,821,657	461,491,695
	724,761,657	698,114,191
Securities sold under repurchase agreements	816,864	1,149,709
Other borrowed funds	3,719,814	18,944,646
Accrued interest payable	63,008	84,109
Accrued expenses and other liabilities	2,228,040	4,283,083
Dividends payable	855,336	855,336
Total liabilities	732,444,719	723,431,074
COMMITMENTS AND CONTINGENCIES	-	-
STOCKHOLDERS' EQUITY		
Common stock; $6.25 par value; 3,072,000 shares authorized; 1,555,156 and 1,560,000 shares issued and outstanding at December 31, 2016 and 2015, respectively	9,719,725	9,750,000
Additional paid-in-capital	3,598,000	3,598,000
Retained earnings	60,375,347	59,749,150
Accumulated other comprehensive income	139,271	2,762,147
	73,832,343	75,859,297
Less: 4,844 shares held in treasury at December 31, 2015, at cost	-	(222,705)
Total stockholders' equity	73,832,343	75,636,592
Total Liabilities and Stockholders' Equity	$ 806,277,062	$ 799,067,666

JEFF DAVIS BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015, AND 2014

	2016	2015	2014
INTEREST INCOME			
Interest and fees on loans	$ 31,327,917	$ 29,289,036	$ 24,620,020
Investment securities:			
Taxable	1,365,465	1,861,096	2,582,463
Non-taxable	2,149,761	2,623,939	3,582,297
Federal funds sold and			
interest bearing deposits in other banks	39,716	11,793	39,623
Total interest income	34,882,859	33,785,864	30,824,403
INTEREST EXPENSE			
Interest on deposits	2,664,348	2,617,678	2,670,498
Interest on federal funds purchased and securities			
sold under repurchase agreement	10,810	12,332	3,148
Total interest expense	2,675,158	2,630,010	2,673,646
NET INTEREST INCOME	32,207,701	31,155,854	28,150,757
Provision for loan losses	2,454,100	2,057,800	891,750
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	29,753,601	29,098,054	27,259,007
NONINTEREST INCOME			
Service charges and fees on deposit accounts	7,997,171	7,755,428	7,274,330
Trust department income	707,951	886,876	881,456
Other income (loss)	(686,473)	1,259,384	2,574,355
	8,018,649	9,901,688	10,730,141

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

JEFF DAVIS BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015, AND 2014

	2016	2015	2014
NONINTEREST EXPENSES			
Salaries and employee benefits	$ 17,277,518	$ 16,925,846	$ 15,643,471
Occupancy expenses	2,523,067	2,332,953	2,099,864
Other operating expenses	12,758,773	12,457,348	11,555,483
	32,559,358	31,716,147	29,298,818
INCOME BEFORE INCOME TAX EXPENSE	5,212,892	7,283,595	8,690,330
Income tax expense	972,921	1,510,841	1,650,307
NET INCOME	$ 4,239,971	$ 5,772,754	$ 7,040,023
Per common share data:			
Earnings	$ 2.73	$ 3.71	$ 4.52
Average number of shares outstanding	1,555,156	1,557,443	1,557,443

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

JEFF DAVIS BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015, AND 2014

	2016	2015	2014
NET INCOME	$ 4,239,971	$ 5,772,754	$ 7,040,023
OTHER COMPREHENSIVE INCOME (LOSS)			
Unrealized gains on securities:			
Unrealized holdings gains (losses) arising during the period, net of tax of ($725,178), $50,782, and $1,349,381 respectively	(1,448,174)	53,877	2,809,626
Less: reclassification adjustments for gains included in net income, net of tax of $605,151, $181,094 and $547,702 respectively	(1,174,702)	(351,534)	(1,053,480)
Total other comprehensive (loss) income	(2,622,876)	(297,657)	1,756,146
TOTAL COMPREHENSIVE INCOME	$ 1,617,095	$ 5,475,097	$ 8,796,169

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

JEFF DAVIS BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2016, 2015, AND 2014

	Treasury Stock		Common Stock	
	Shares	Amount	Shares	Amount
Balance at December 31, 2013	(4,844)	$ (222,705)	1,560,000	$ 9,721,000
Net income	-	-	-	-
Forgiveness of note receivable for common stock	-	-	-	29,000
Other Comprehensive Income	-	-	-	-
Dividends on common stock, $.54 per share	-	-	-	-
Dividends on common stock, $.55 per share	-	-	-	-
Balance at December 31, 2014	(4,844)	(222,705)	1,560,000	9,750,000
Net income	-	-	-	-
Other Comprehensive Income (Loss)	-	-	-	-
Dividends on common stock, $.55 per share	-	-	-	-
Balance at December 31, 2015	(4,844)	(222,705)	1,560,000	9,750,000
Net income	-	-	-	-
Reclassification of Treasury Stock	4,844	222,705	(4,844)	(30,275)
Other Comprehensive Income (Loss)	-	-	-	-
Dividends on common stock, $.55 per share	-	-	-	-
Balance at December 31, 2016	-	$ -	1,555,156	$ 9,719,725

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

Additional Paid-in-Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
$ 3,598,000	$ 53,752,897	$ 1,303,658	$ 68,152,850
-	7,040,023	-	7,040,023
-	-	-	29,000
-	-	1,756,146	1,756,146
-	(1,684,508)	-	(1,684,508)
-	(1,710,672)	-	(1,710,672)
3,598,000	57,397,740	3,059,804	73,582,839
-	5,772,754	-	5,772,754
-	-	(297,657)	(297,657)
-	(3,421,344)	-	(3,421,344)
3,598,000	59,749,150	2,762,147	75,636,592
-	4,239,971	-	4,239,971
-	(192,430)	-	-
-	-	(2,622,876)	(2,622,876)
-	(3,421,344)	-	(3,421,344)
$ 3,598,000	$ 60,375,347	$ 139,271	73,832,343

JEFF DAVIS BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015, AND 2014

	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 4,239,971	$ 5,772,754	$ 7,040,023
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	2,523,067	2,332,953	2,099,864
Provision for loan losses	2,454,100	2,057,800	891,750
Non-cash change in cash surrender value of life insurance	(324,745)	(322,161)	(296,981)
Write-down of other real estate	33,052	22,719	-
Premium amortization, net	732,752	1,055,979	1,869,573
Amortization of core deposit intangible	160,596	160,596	160,596
Deferred income taxes	53,723	53,723	(233,098)
Loss (Gain) on sales of other real estate and property	23,758	(17,787)	109,446
Gain on the sale of securities	(1,812,788)	(522,008)	(1,588,723)
Net change in operating assets and liabilities:			
Other operating assets and liabilities	(584,201)	1,239,240	(1,064,783)
Interest receivable	343,906	239,134	257,854
Interest payable	(21,101)	(64,575)	(64,798)
Net cash provided by operating activities	7,822,090	12,008,367	9,180,723
CASH FLOWS FROM INVESTING ACTIVITIES			
Maturities/sales of available-for-sale securities	79,468,122	43,285,142	88,437,103
Maturities/sales of held to maturity securities	4,466,512	7,201,966	-
Purchases of available-for-sale securities	(54,234,880)	(1,630,295)	(31,326,886)
Purchases of held to maturity securities	(7,500,000)	(3,508,683)	-
Loan originations, net of principal repayments	(19,159,490)	(89,487,509)	(93,356,278)
Net decrease (increase) in interest bearing deposits in other banks	(10,375,000)	24,125,000	(2,750,000)
Investment in life insurance contracts	-	-	(4,000,000)
Proceeds from life insurance contracts	-	-	446,789
Purchases of bank premises and equipment	(2,924,294)	(3,493,486)	(3,468,745)
Proceeds from sales of other real estate and property	110,022	248,006	111,620
Net cash used in investing activities	(10,149,008)	(23,259,859)	(45,906,397)

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

JEFF DAVIS BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015, AND 2014

	2016	2015	2014
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase in deposits	$ 17,317,504	$ 6,927,075	$ 59,280,071
Net increase (decrease) in other borrowed funds and repurchase agreements	(6,227,715)	12,719,679	(17,545,060)
Forgiveness of note receivable	-	-	29,000
Payment of dividends	(3,421,344)	(3,421,344)	(3,382,098)
Net cash provided by financing activities	7,668,445	16,225,410	38,381,913
Net increase in cash and cash equivalents	5,341,527	4,973,918	1,656,239
Cash and cash equivalents - beginning of year	29,986,906	25,012,988	23,356,749
Cash and cash equivalents - end of year	$ 35,328,433	$ 29,986,906	$ 25,012,988
Supplemental disclosures of cash flow information:			
Cash paid for interest	$ 2,696,259	$ 2,694,585	$ 2,738,444
Cash paid for income taxes	$ 1,450,605	$ 1,413,253	$ 1,700,187

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of significant accounting policies

The accounting and reporting policies of Jeff Davis Bancshares, Inc. (the Company) and its Subsidiaries conform to the accounting principles generally accepted in the United States of America and the prevailing practices within the banking industry. A summary of significant accounting policies is as follows:

Basis of presentation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, JD Bank (the “Bank”) and JD Bank Insurance, LLC (formerly JD Prime Financial Services, LLC), the owner of an insurance agency. All significant intercompany accounts and transactions have been eliminated. Assets held in an agency or fiduciary capacity are not assets of the Bank and, accordingly, are not included in the accompanying consolidated financial statements. The Company operates as a community bank in southern Louisiana.

Nature of operations

The Bank provides a variety of banking services to individuals and businesses primarily in and around Southwest Louisiana. The Bank’s primary deposit products are demand deposits, savings deposits, and certificates of deposits, and its primary lending products are commercial, business, real estate, and consumer loans.

Comprehensive income

Comprehensive income includes net earnings and other comprehensive income (loss) which, in the case of the Company, includes only unrealized gains and losses on securities available-for-sale, net of tax.

Use of estimates

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

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 the estimated losses on loans, management obtains independent appraisals for significant collateral.

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 and the real estate industry.

1. Summary of significant accounting policies (continued)

Use of estimates (continued)

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.

Other estimates that are susceptible to significant change in the near term relate to the determination of the valuation of deferred tax assets, other-than-temporary impairments of securities, and the fair value of financial instruments.

Interest bearing deposits in other banks

Interest bearing deposits in other banks mature within one year and are carried at cost, which approximates market.

Securities

Securities are accounted for in accordance with applicable guidance contained in the Accounting Standards Codification (ASC) which requires the classification of securities into one of three categories: trading, available-for-sale, or held-to-maturity.

Management determines the appropriate classification of debt securities at the time of purchase and re-evaluates this classification periodically. Trading account securities are held for resale in anticipation of short-term market movements. Debt securities are classified as held-to-maturity when the Company has the positive intent and ability to hold the securities to maturity. Securities not classified as held-to-maturity or trading are classified as available-for-sale. The Company had no significant trading account securities during the three years ended December 31, 2016. Held-to-maturity securities are stated at amortized cost. Available-for-sale securities are stated at fair value, with unrealized gains and losses, net of income taxes, reported as other comprehensive income until realized.

The Financial Accounting Standards Board (FASB) issued accounting guidance related to the recognition and presentation of other-than-temporary impairment. The accounting guidance specifies that (a) if a Company does not have the intent to sell a debt security prior to recovery and (b) it is more likely than not that it will not have to sell the debt security prior to recovery, the security would not be considered other-than-temporarily impaired unless there is a credit loss. When an entity does not intend to sell the security, and it is more likely than not, the entity will not have to sell the security before recovery of its cost basis, it will recognize the credit component of an other-than-temporary impairment of a debt security in earnings and the remaining portion in other comprehensive income. For held-to-maturity debt securities, the amount of an other-than-temporary impairment recorded in other comprehensive income for the noncredit portion of a previous other-than-temporary impairment should be amortized prospectively over the remaining life of the security on the basis of the timing of future estimated cash flows of the security.

1. Summary of significant accounting policies (continued)

Securities (continued)

The amortized cost of debt securities classified as held-to-maturity or available-for-sale is adjusted for amortization of premiums and accretion of discounts to maturity or, in the case of mortgage-backed securities, over the estimated life of the security. Amortization, accretion, and interest are included in interest income on securities. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific-identification method.

Derivative instruments

The Company recognizes all derivatives as either assets or liabilities in the Company's consolidated balance sheets and measures those instruments at fair value. If certain conditions are met, a derivative may be specially designated as a hedge. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation. The Company is not currently engaged in any activities with derivatives.

Loans

The Company grants commercial, real estate, and consumer loans to customers. A substantial portion of the loan portfolio is represented by loans in Southwest Louisiana. The ability of the Company's creditors to honor their contracts is dependent upon the real estate and general economic conditions in this area.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at their outstanding principal adjusted for any charge-offs, the allowance for loan losses, and any unamortized deferred fees or costs on originated loans. Unearned discount relates principally to consumer installment loans. Interest on loans is credited to operations based on the unpaid principal amount outstanding using methods that approximate the interest method.

The Company follows the accounting guidance on sales of financial assets, which includes participating interests in loans. For loan participations that are structured in accordance with this guidance, the sold portions are recorded as a reduction of the loan portfolio. Loan participations that do not meet the criteria are accounted for as secured borrowings. Application of this guidance also delays the accounting recognition for sales of the guaranteed portions of SBA loans for 90 days.

Certain loan origination fees and certain direct origination costs are deferred and recognized as an adjustment to the yield on the related loan. Interest on loans is recorded to income as earned. The accrual of interest on impaired loans is discontinued when, in management's opinion, the borrower may be unable to meet payments as they become due. Past due status is based on the contractual terms of the loan. All unpaid accrued interest is reversed and payments subsequently received are applied first to principal. Interest income is recorded after principal has been satisfied and as payments are received. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

1. Summary of significant accounting policies (continued)

Loans (continued)

The Company considers a loan to be impaired when, based upon current information and events, it believes it is probable that the Company will be unable to collect all amounts 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. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. The Company's impaired loans include troubled debt restructurings, and performing and non-performing major loans for which full payment of principal or interest is not expected. Non-major homogenous loans, which are evaluated on an overall basis, generally include all loans under $100,000. The Company calculates an allowance required for impaired loans based on the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price or the fair value of its collateral. If the recorded investment in the impaired loan exceeds the measure of fair value, a valuation allowance is required as a component of the allowance for loan losses. Changes to the valuation allowance are recorded as a component of the provision for loan losses.

Allowance for loan losses

The allowance for loan losses is a valuation allowance available for losses incurred on loans. All losses are charged to the allowance for loan losses when the loss actually occurs or when a determination is made that a loss is likely to occur. Recoveries are credited to the allowance at the time of recovery. Periodically, during the year, management estimates the likely level of existing losses to determine whether the allowance for loan losses is adequate to absorb reasonably anticipated losses in the existing portfolio. Management also evaluates the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, 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. Based on these estimates, an amount is charged to the provision for loan losses and credited to the allowance for loan losses in order to adjust the allowance to a level determined to be adequate to absorb existing losses. It should be understood that estimates of loan losses involve an exercise of judgment. While it is possible that in particular periods the Bank may sustain losses which are substantial relative to the allowance for loan losses, it is the judgment of management that the allowance for loan losses reflected in the consolidated balance sheets is adequate to absorb probable losses in the existing loan portfolio.

The allowance consists of allocated and general components. The allocated component relates to loans that are classified as impaired. For these loans that are impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers non-classified loans and is based on historical loss experience adjusted for qualitative factors.

1. Summary of significant accounting policies (continued)

Troubled Debt Restructurings

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

Bank premises and equipment

Bank premises and equipment are stated at cost less accumulated depreciation, which is computed using straight-line and accelerated methods over the estimated useful lives of the assets, which range from 3 to 32 years.

Other real estate owned

Other real estate owned is reported at the lower of cost or fair value at the date of foreclosure. Any write-downs based on the asset’s fair value at the date of acquisition are charged to the allowance for loan losses. After foreclosure, valuations are periodically performed by management and the real estate is carried at the lower of carrying amount or fair value less cost to sell. Real estate and other property acquired in lieu of loan balances, net of an appropriate reserve for possible losses, are included in the accompanying consolidated balance sheet. Operating expenses of such properties, net of related income, are included in other operating expenses. Gains and losses on their disposition are included in other operating income.

Intangible Assets

The Company has no intangible assets having indefinite lives other than goodwill. Intangible assets, such as core deposit intangibles, with determinable useful lives are amortized over their respective useful lives. Goodwill does not require amortization, but it is subject to a periodic impairment test. The Company has performed impairment tests on its goodwill and determined that the there is no impairment at December 31, 2016 or 2015.

Credit related financial information

In the ordinary course of business, the Company has entered into commitments to extend credit, including commercial letters of credit and standby letters of credit. Such financial instruments are recorded when they are funded.

1. Summary of significant accounting policies (continued)

Statements of cash flows

The Company has defined cash equivalents as the amount in the consolidated balance sheet caption "Cash and Due from Banks" and "Federal Funds Sold," if any exist at year-end.

Life insurance contracts

Life insurance contracts represent single premium life insurance contracts on the lives of certain officers of the Company. The Company is the owner of these policies, which were purchased in 2007 for $1,725,000, 2003 for $4,000,000, 2010 for $1,000,000 and in 2014 for $4,000,000 as a vehicle to fund split dollar endorsement plans. These contracts are reported at their cash surrender value and changes in the cash surrender value are included in other income and amounted to $324,745, $322,160 and $296,981 in 2016, 2015, and 2014, respectively.

Income taxes

Provisions for income taxes are based on taxes payable or refundable for the current year based on taxable income and deferred taxes on temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements. Deferred tax assets and liabilities are included in the financial statements at currently enacted income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

The Company follows the accounting guidance related to accounting for uncertainty in income taxes, which sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions.

Deferred tax assets are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50 percent.

A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-than-likely-than-not recognition threshold considers the facts, circumstances, and information available at the reporting date and is subject to management's judgment. Deferred tax assets are reduced by a valuation allowance, if based on the weight of evidence available, it is more likely than not that some portion or all of deferred tax asset will not realized.

The Company recognizes interest and penalties on income taxes as a component of income tax expense.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

Earnings per share

Basic earnings per share represents income available to common shareholders divided by the weighted-average number of common shares outstanding during the period.

Postretirement Benefits

The Company adopted accounting guidance related to postretirement benefits for certain employees. The Company has effectively agreed to maintain a life insurance policy during the employees' retirement.

Reclassification

Certain amounts in the prior year consolidated financial statements have been reclassified to conform with the current year presentation.

2. Cash and due from banks

The Bank is required to maintain certain cash balances relating to its deposit liabilities. This requirement is ordinarily satisfied by cash on hand.

3. Investment securities

Debt and equity securities have been classified in the balance sheets according to management's intent. The amortized cost and estimated fair value of securities classified as available-for-sale at December 31, 2016, consisted of the following:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Mortgage-backed securities	$ 47,308,541	$ 506,909	$ (1,449,294)	$ 46,366,156
States and political subdivisions	30,007,205	1,074,088	(79,878)	31,001,415
Totals	$ 77,315,746	$ 1,580,997	$ (1,529,172)	$ 77,367,571

At December 31, 2016, the Company held no securities of any single issuer (excluding the U.S. government and federal agencies) with a book value that exceeded 10% of stockholders' equity.

Securities classified as held-to-maturity at December 31, 2016, consisted of the following:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
States and political subdivisions	$ 26,512,037	$ 175,980	$ (16,788)	$ 26,671,229

3. Investment securities (continued)

Securities classified as available-for-sale at December 31, 2015, consisted of the following:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. treasury securities	$ 2,094,760	$ -	$ (24,604)	$ 2,070,156
Mortgage-backed securities	44,975,037	2,023,813	(274,037)	46,724,813
U.S. agencies	13,046,523	691	(15,332)	13,031,882
States and political subdivisions	40,196,081	2,260,841	(6,817)	42,450,105
Totals	$ 100,312,401	$ 4,285,345	$ (320,790)	$ 104,276,956

During 2014, the Company transferred securities with a fair value of approximately $27,452,000 from the available-for-sale category to the held-to-maturity category. As of December 31, 2016 and 2015, approximately $159,200 and $220,500, respectively, of unrealized gains are included in other comprehensive income and will be amortized over the remaining life of the security as an adjustment of yield.

Securities classified as held-to-maturity at December 31, 2015, consisted of the following:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
States and political subdivisions	$ 23,539,872	$ 244,135	$ (23,620)	$ 23,760,387

The amortized costs and estimated market values of debt securities at December 31, 2016, by contractual maturity, are shown below. Actual maturities may differ from contractual maturities because borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

Available-for-Sale:	Amortized Cost	Fair Value
Within one year	$ 295,447	$ 297,766
Greater than one but within five years	4,136,768	4,278,421
Greater than five but within ten years	13,521,886	13,809,408
Greater than ten years	59,361,645	58,981,976
	$ 77,315,746	$ 77,367,571

Held-to-Maturity:	Amortized Cost
Within one year	$ 2,005,761
Greater than one but within five years	7,867,827
Greater than five but within ten years	9,284,240
Greater than ten years	7,354,209
	$ 26,512,037

3. Investment securities (continued)

Investment securities with carrying values of approximately $2,858,000 and $5,827,000 at December 31, 2016 and 2015, respectively, were pledged to secure public deposits and securities sold under repurchase agreements and for other purposes as required or permitted by law. At December 31, 2016, JD Bank also has a $75,000,000 fluctuating balance letter of credit with Federal Home Loan Bank of Dallas for the purpose of securing public funds, of which, $64,215,000 was pledged.

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

Available-for-sale:

	Less than twelve months			Over twelve months		
	Number of Securities	Gross Unrealized Losses	Fair Value	Number of Securities	Gross Unrealized Losses	Fair Value
Mortgage-backed Securities	24	$ (1,449,294)	$ 37,811,664	-	$ -	$ -
State and political Subdivisions	11	(78,527)	1,612,072	1	(1,351)	78,141
Totals	35	$ (1,527,821)	$ 39,423,736	1	$ (1,351)	$ 78,141

Held-to-maturity:

	Less than twelve months			Over twelve months		
	Number of Securities	Gross Unrealized Losses	Fair Value	Number of Securities	Gross Unrealized Losses	Fair Value
State and political Subdivisions	-	$ -	$ -	21	$ (16,788)	$ 2,198,325

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

Available-for-sale:

	Less than twelve months			Over twelve months		
	Number of Securities	Gross Unrealized Losses	Fair Value	Number of Securities	Gross Unrealized Losses	Fair Value
U.S. treasury Securities	1	$ (1,226)	$ 1,005,156	1	$ (23,377)	$ 1,065,000
Mortgage-backed Securities	3	(22,232)	4,228,635	4	(251,805)	7,427,589
U.S. agencies	9	(15,332)	11,024,715	-	-	-
State and political Subdivisions	3	(4,026)	461,975	3	(2,792)	203,406
Totals	16	$ (42,816)	$ 16,720,481	8	$ (277,974)	$ 8,695,995

3. Investment securities (continued)

Held-to-maturity:

	Less than twelve months			Over twelve months		
	Number of Securities	Gross Unrealized Losses	Fair Value	Number of Securities	Gross Unrealized Losses	Fair Value
State and political Subdivisions	-	$ -	$ -	21	$ (23,620)	$ 2,113,636

Most of these unrealized losses result from securities which were purchased at a premium in anticipation of a more stable interest rate environment. Management and the Asset/Liability Committee are continually monitoring the securities portfolio. Accordingly, management is able to effectively measure and monitor the unrealized loss position on these securities and because the Company does not intend to sell the securities and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost bases, the Company does not consider these securities to be other-than-temporarily impaired at December 31, 2016. Additionally, the Company believes that its premium amortization policies are appropriate and will result in a reasonable return on these investments being recorded in the statements of operations.

4. Loans and allowance for loan losses

The components of loans in the consolidated balance sheets at December 31, 2016 and 2015 were as follows (in thousands):

	2016	2015
Commercial loans	$ 85,285	$ 89,186
Commercial real estate loans	240,050	232,078
Consumer loans	40,227	47,553
Residential loans	239,318	218,585
	604,880	587,402
Allowances for loan losses	(6,359)	(4,796)
Loans, net	$ 598,521	$ 582,606

The Bank has an established methodology to determine the adequacy of the allowance for loan losses that assesses the risks and losses inherent in the Bank's portfolio. For purposes of determining the allowance for loan losses, the Bank segments loans in its portfolio by class code. The models and assumptions the Bank uses to determine the allowance are reviewed internally to ensure that their theoretical foundation, assumptions, data integrity, computational processes, reporting practices, and end-user controls are appropriate and properly documented.

The Bank's Estimation Process

The Bank estimates loan losses using a 5 year weighted average historical loss percentage for all loans, which are based on historical loss percentage and estimated losses on individually evaluated impaired loans. Management then applies judgment to develop its own view of loss probability using external and internal parameters with the objective of establishing an allowance for the losses inherent for these portfolios as of the reporting date.

4. Loans and allowance for loan losses (continued)

Substantially all of the Bank's consumer loans are secured by collateral. In order to track and measure the risk of nonperformance for these loans, the Bank periodically obtains updates of the credit scores for all loans and considers local economic factors which may affect collateral values.

Reflected in the portions of the allowance previously described is an amount for uncertainty inherent in estimates used for the allowance, which may change from period to period. This amount is the result of management's judgment of risks inherent in the portfolios, economic uncertainties, historical loss experience and other subjective factors, including industry trends, calculated to better reflect the Bank's view of risk in the loan portfolio. No single statistic or measurement determines the adequacy of the allowance for loan loss. Changes in the allowance for loan loss and the related provision expense can materially affect net income.

Loans by Segment

The total allowance reflects management's estimate of loan losses inherent in the loan portfolio at the balance sheet date. The Bank considers the allowance for loan losses of $6,358,630, $4,795,775 and $5,413,684 adequate to cover loan losses inherent in the loan portfolio at December 31, 2016, 2015 and 2014 respectively. The following table presents by loan segment, the changes in the allowance for loan losses and the recorded investment in loans.

4. Loans and allowance for loan losses (continued)

Loans by Segment (continued)

Allowance for Loan Losses and Recorded Investment in Loans
For the Year Ended December 31, 2016

	Commercial	Commercial Real Estate	Consumer	Residential	Total
Allowance for Loan Losses:					
Beginning balance	$ 493,351	$ 1,843,567	$ 146,152	$ 2,312,705	$ 4,795,775
Charge-offs	(252,199)	(41,383)	(573,259)	(216,630)	(1,083,471)
Recoveries	91,296	-	97,681	3,249	192,226
Provision	571,240	93,734	1,298,451	490,675	2,454,100
Ending balance	$ 903,688	$ 1,895,918	$ 969,025	$ 2,589,999	$ 6,358,630
Ending allowance balance, individually evaluated for impairment	$ 189,314	$ 18,795	$ 115,165	$ 119,342	$ 442,616
Ending allowance balance, collectively evaluated for impairment	$ 714,374	$ 1,877,123	$ 853,860	$ 2,470,657	$ 5,916,014
Loans (in thousands):					
Ending total loan balance	$ 85,285	$ 240,050	$ 40,227	$ 239,318	$ 604,880
Ending loan balance, individually evaluated for impairment	$ 2,169	$ 160	$ 782	$ 5,257	$ 8,368
Ending loan balance, collectively evaluated for impairment	$ 83,116	$ 239,890	$ 39,445	$ 234,061	$ 596,512

4. Loans and allowance for loan losses (continued)

Loans by Segment (continued)

Allowance for Loan Losses and Recorded Investment in Loans
For the Year Ended December 31, 2015

	Commercial	Commercial Real Estate	Consumer	Residential	Total
Allowance for Loan Losses:					
Beginning balance	$ 947,103	$ 1,843,567	$ 134,136	$ 2,488,878	$ 5,413,684
Charge-offs	(1,766,671)	-	(406,788)	(643,826)	(2,817,285)
Recoveries	22,508	-	101,450	17,618	141,576
Provision	1,290,411	-	317,354	450,035	2,057,800
Ending balance	$ 493,351	$ 1,843,567	$ 146,152	$ 2,312,705	$ 4,795,775
Ending allowance balance, individually evaluated for impairment	$ 145,178	$ 15,317	$ 146,152	$ 70,518	$ 377,165
Ending allowance balance, collectively evaluated for impairment	$ 348,173	$ 1,828,250	$ -	$ 2,242,187	$ 4,418,610
Loans (in thousands):					
Ending total loan balance	$ 89,186	$ 232,078	$ 47,553	$ 218,585	$ 587,402
Ending loan balance, individually evaluated for impairment	$ 575	$ 353	$ 578	$ 3,917	$ 5,423
Ending loan balance, collectively evaluated for impairment	$ 88,611	$ 231,725	$ 46,975	$ 214,668	$ 581,979

Allowance for Loan Losses and Recorded Investment in Loans
For the Year Ended December 31, 2014

	Commercial	Commercial Real Estate	Consumer	Residential	Total
Allowance for Loan Losses:					
Beginning balance	$ 894,967	$ 1,474,194	$ 300,028	$ 2,280,743	$ 4,949,932
Charge-offs	(99,685)	-	(309,662)	(145,003)	(554,350)
Recoveries	510	55,000	60,921	9,921	126,352
Provision	151,311	314,373	82,849	343,217	891,750
Ending balance	$ 947,103	$ 1,843,567	$ 134,136	$ 2,488,878	$ 5,413,684
Ending allowance balance, individually evaluated for impairment	$ 896,653	$ 8,723	$ 4,761	$ 105,710	$ 1,015,847
Ending allowance balance, collectively evaluated for impairment	$ 50,450	$ 1,834,844	$ 129,375	$ 2,383,168	$ 4,397,837
Loans (in thousands):					
Ending total loan balance	$ 84,989	$ 176,579	$ 46,535	$ 192,780	$ 500,883
Ending loan balance, individually evaluated for impairment	$ 2,550	$ 302	$ 73	$ 1,897	$ 4,822
Ending loan balance, collectively evaluated for impairment	$ 82,439	$ 176,277	$ 46,462	$ 190,883	$ 496,061

4. Loans and allowance for loan losses (continued)

Credit Quality Information

All loans are subject to individual risk assessments using the following factors: ability of borrower to pay, financial condition of borrower, management ability of the borrower, collateral and guarantors, loan structure, and industry and economics. The Bank uses the following risk rating definitions to assess risk within the commercial loan portfolio.

Grade A – High quality loans are characterized by liquid collateral adequately margined and/or supported by a strong financial statement of recent date that is unquestionably reliable. Character of endorsers or guarantors is unquestionable. The business or individual is consistently above its peers. The borrower is characterized by liquidity, minimum risks, significant earning capacity and low handling costs (reflect no loss under any conceivable situation).

Grade B – Reflects strong, current financial statements and/or secured by collateral that is adequately margined to cover total debt plus any collection costs incurred in foreclosure if necessary. Primary, as well as secondary, source of repayment is evident. A defined agreed upon repayment schedule over a reasonable period exists.

Grade C – Satisfactory loans of average strength, having some deficiency or vulnerability to changing economics or industry conditions but currently collectible. Secured loan lacking in margin and/or liquidity. Assets supporting loans are generally non liquid and/or some form of documentation of support and/or repayment ability may be deficient or lacking.

Grade D – First classification that has relevance to Regulator classification. This is a warning classification which portrays one or more deficiencies that has potential weakness that may result in deterioration of repayment prospects for the asset or in the Bank's credit position at some future date. This is not adversely classified. Apparent deterioration in financial condition of credit is evident and deserves immediate attention and correction of its causes by the lending staff in order to prevent further deterioration of the Bank's position.

Grade E – Loans in this category are comprised of loans that have undue and unwarranted credit risk, may be inadequately protected by current sound worth and/or collection or liquidation in full is questionable, but because of certain reasonably specific pending factors which may strengthen the credit, its classification of a loss is deferred until a more exact status can be determined.

The Bank uses the following risk rating definitions to assess risk within the consumer and residential loan portfolio.

Pass – loans not meeting the special mention, doubtful, and substandard ratings are considered to be pass rated loans.

Special Mention – loans which are superior in quality to those classified substandard, doubtful, or loss but which are believed to warrant more than usual management attention. Loans in this category are not considered to be classified because they are currently protected but are potentially weak. They constitute an undue and unwarranted credit risk. Economic or market conditions may affect the borrower in the future. Adverse trends or an unbalanced financial position have not reached a point where liquidation of the debt is jeopardized, but that point could be reached in the future if trends continue.

4. Loans and allowance for loan losses (continued)

Credit Quality Information (continued)

Substandard – loans that are inadequately protected by current sound worth and paying capacity of the borrower, or pledged collateral, if any, or represents a protracted workout. These loans must have well defined weaknesses that are characterized by the distinct possibility that the Bank will sustain a loss if the deficiencies are not corrected.

Doubtful – loans that have all the weaknesses inherent in a substandard loan plus their collection or liquidation in full is highly questionable. The possibility of loss is extremely high, but because of certain reasonably specific pending factors which may strengthen the credit, its classification as a loss is deferred until a more exact status can be determined.

Loss – loans that are considered uncollectible in full within a reasonable length of time and are of such little value that their continuance as an active asset is not warranted. This classification does not mean that there is no possibility of recovery or salvage value, but rather it is not practical to defer writing off the asset even though a partial recovery may be made in the future.

Performing – loans not meeting the non-performing criteria are considered to be performing.

Non-performing – loans which are past due greater than 90 days and still accruing interest and loans on nonaccrual.

The table below presents classes of outstanding loans by risk category (in thousands):

Credit Quality Indicators
Credit Risk Profile by Creditworthiness Category by Class of Loan
December 31, 2016

	Commercial Loans	Commercial Real Estate	Residential Loans	Consumer Loans
Grade A	$ 2,621	$ 8,879	$ -	$ -
Grade B	54,440	178,320	-	-
Grade C	20,960	25,935	-	-
Grade D	1,887	22,284	-	-
Grade E	5,377	4,632	-	-
Pass	-	-	232,309	-
Special Mention	-	-	464	-
Substandard	-	-	6,545	-
Doubtful	-	-	-	-
Performing	-	-	-	39,577
Non-performing	-	-	-	650
Total	$ 85,285	$ 240,050	$ 239,318	$ 40,227

4. Loans and allowance for loan losses (continued)

Credit Quality Information (continued)

Credit Quality Indicators
Credit Risk Profile by Creditworthiness Category by Class of Loan
December 31, 2015

	Commercial Loans	Commercial Real Estate	Residential Loans	Consumer Loans
Grade A	$ 5,670	$ 19,021	$ -	$ -
Grade B	66,122	159,923	-	-
Grade C	13,408	38,897	-	-
Grade D	71	13,459	-	-
Grade E	3,915	778	-	-
Pass	-	-	212,803	-
Special Mention	-	-	872	-
Substandard	-	-	4,910	-
Doubtful	-	-	-	-
Performing	-	-	-	47,050
Non-performing	-	-	-	503
Total	$ 89,186	$ 232,078	$ 218,585	$ 47,553

Troubled Debt Restructurings

The following table includes loans modified as TDRs by portfolio class at December 31, 2016:

	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Troubled Debt Restructurings:			
Consumer - real estate	7	$ 559,610	$ 529,853
Commercial - real estate	2	131,355	117,634
Commercial - C&I	12	1,686,035	1,670,756
Total	21	$ 2,377,000	$ 2,318,243

4. Loans and allowance for loan losses (continued)

Troubled Debt Restructurings (continued)

The following table includes loans modified as TDRs by portfolio class at December 31, 2015:

	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Troubled Debt Restructurings:			
Consumer - other	1	$ 6,472	$ 5,367
Consumer - real estate	2	333,720	326,395
Commercial - real estate	2	131,355	120,208
Commercial - C&I	2	67,667	62,082
Total	7	$ 539,214	$ 514,052

The modification of the terms of such commercial C&I loans performed during the year ended December 31, 2016 and 2015 included an extension to the maturity of the loans. The modification of the commercial real estate loans performed during the year ended December 31, 2016 and 2015 included an extension of the maturity date at a stated rate of interest lower than the current market rate and a permanent reduction of the recorded investment in the loans. The modification of the consumer real estate loans during the year ended December 31, 2016 and 2015 included a permanent reduction of the recorded investment in the loans and a stated rate of interest lower than the current market rate. The modification of the consumer – other loan during December 31, 2016 and 2015 included an extension to the maturity of the loan. The extensions were for periods ranging from 36 months to 20 years.

Age Analysis of Past Due Loans by Class

Following is a table which includes an aging analysis of the recorded investment of past due loans as of December 31, 2016.

Credit Quality Information
Age Analysis of Past Due Loans by Class of Loan
As of December 31, 2016
(in thousands)

	30-89 Days Past Due	Greater than 90 Days & still accruing	Total Past Due	Nonaccruals	Current	Total Receivables
Commercial	$ 1,170	$ 13	$ 1,183	$ 451	$ 83,651	$ 85,285
Commercial Real Estate	507	-	507	113	239,430	240,050
Consumer	1,317	62	1,379	605	38,243	40,227
Consumer Real Estate	4,758	20	4,778	4,287	230,253	239,318
Ending balance	$ 7,752	$ 95	$ 7,847	$ 5,456	$ 591,577	$ 604,880

4. Loans and allowance for loan losses (continued)

Age Analysis of Past Due Loans by Class (continued)

Following is a table which includes an aging analysis of the recorded investment of past due loans as of December 31, 2015.

Credit Quality Information
Age Analysis of Past Due Loans by Class of Loan
As of December 31, 2015
(in thousands)

	30-89 Days Past Due	Greater than 90 Days & still accruing	Total Past Due	Nonaccruals	Current	Total Receivables
Commercial	$ 3,580	$ -	$ 3,580	$ 336	$ 85,270	$ 89,186
Commercial Real Estate	648	124	772	226	231,080	232,078
Consumer	1,389	63	1,452	381	45,720	47,553
Consumer Real Estate	4,894	174	5,068	2,942	210,575	218,585
Ending balance	$ 10,511	$ 361	$ 10,872	$ 3,885	$ 572,645	$ 587,402

Nonaccrual Loans

Generally, consumer loans not secured by real estate or autos are placed on nonaccrual status only when part of the principal has been charged off. These loans are charged off or charged down to the net realizable value of the collateral when deemed uncollectible, due to bankruptcy or other factors.

The Bank places a loan on nonaccrual status, until it qualifies for return to accrual status. Generally the Bank returns a loan to accrual status when (a) all delinquent interest and principal become current under the terms of the loan agreement or (b) the loan is both well-secured and in the process of collection and collectability is no longer doubtful.

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

Impaired Loans

The Bank considers a loan to be impaired when, based on current information and events, the Bank determines that it will not be able to collect all amounts due according to the loan contract, including scheduled interest payments. Determination of impairment is treated the same across all classes of loans. When the Bank identifies a loan as impaired, the Bank measures the impairment based on the present value of expected future cash flows, discounted at the loan's effective interest rate, except when the sole (remaining) source of repayment for the loan is the operation or liquidation of the collateral. In these cases, the Bank uses the current fair value of the collateral, less selling costs when foreclosure is probable, instead

4. Loans and allowance for loan losses (continued)

Impaired Loans (continued)

of discounted cash flows. If the Bank determines that the value of the impaired loan is less than the recorded investment in the loan (net of previous charge-offs, deferred loan fees or costs and unamortized premium or discount), the Bank recognizes impairment through an allowance estimate or a charge-off to the allowance.

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

The amount of interest not accrued on impaired loans did not have a significant effect on earnings in 2016, 2015 or 2014. The Bank is not committed to lend additional funds to debtors whose loans have been modified.

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

Impaired loans information
Impaired loans by class with no related allowance recorded
As of December 31, 2016
(in thousands)

	Recorded Investment	Unpaid Principal balance	Related allowance	Interest income recognized
Commercial Loans	$ 1,967	$ 1,967	$ -	$ 96
Commercial R/E Loans	81	81	-	10
Consumer Loans	525	525	-	33
Residential Loans	4,603	4,603	-	212
	$ 7,176	$ 7,176	$ -	$ 351

Impaired loans information
Impaired loans by class with an allowance recorded
As of December 31, 2016
(in thousands)

	Recorded Investment	Unpaid Principal balance	Related allowance	Interest income recognized
Commercial Loans	$ 202	$ 202	$ 189	$ 5
Commercial R/E Loans	79	79	19	9
Consumer Loans	257	257	115	15
Residential Loans	654	654	119	33
	$ 1,192	$ 1,192	$ 442	$ 62

4. Loans and allowance for loan losses (continued)

Impaired Loans (continued)

Impaired loans information
Impaired loans by class with no related allowance recorded
As of December 31, 2015
(in thousands)

	Recorded Investment	Unpaid Principal balance	Related allowance	Interest income recognized
Commercial Loans	$ 285	$ 285	$ -	$ 23
Commercial R/E Loans	270	270	-	14
Consumer Loans	232	232	-	24
Residential Loans	3,163	3,163	-	144
	$ 3,950	$ 3,950	$ -	$ 205

Impaired loans information
Impaired loans by class with an allowance recorded
As of December 31, 2015
(in thousands)

	Recorded Investment	Unpaid Principal balance	Related allowance	Interest income recognized
Commercial Loans	$ 290	$ 290	$ 145	$ 14
Commercial R/E Loans	83	83	15	2
Consumer Loans	346	346	146	25
Residential Loans	754	754	71	39
	$ 1,473	$ 1,473	$ 377	$ 80

4. Loans and allowance for loan losses (continued)

Impaired Loans (continued)

Impaired loans information
Impaired loans by class with no related allowance recorded
As of December 31, 2014
(in thousands)

	Recorded Investment	Unpaid Principal balance	Related allowance	Interest income recognized
Commercial Loans	$ 207	$ 207	$ -	$ 7
Commercial R/E Loans	225	225	-	13
Consumer Loans	68	68	-	6
Residential Loans	1,198	1,198	-	66
	$ 1,698	$ 1,698	$ -	$ 92

Impaired loans information
Impaired loans by class with an allowance recorded
As of December 31, 2014
(in thousands)

	Recorded Investment	Unpaid Principal balance	Related allowance	Interest income recognized
Commercial Loans	$ 2,343	$ 2,343	$ 896	$ 83
Commercial R/E Loans	77	77	9	4
Consumer Loans	5	5	5	4
Residential Loans	699	699	106	46
	$ 3,124	$ 3,124	$ 1,016	$ 137

5. Core deposit intangibles

At December 31, 2016 and 2015, the Bank had core deposit intangibles of $481,754 and $642,350, respectively related to the acquisition of Guaranty Bank in 2012. Intangible assets with a determinable useful life are amortized over their useful lives. The Bank's core deposit intangibles have a 7 year life. Estimated amortization expense for the seven succeeding years beginning with December 31, 2013 is $160,596 in each year.

6. Bank premises and equipment

Components of Bank premises and equipment included in the consolidated balance sheets at December 31, 2016 and 2015, were as follows:

	2016	2015
Buildings and leasehold improvements	$ 25,668,632	$ 25,293,314
Equipment	18,443,799	16,472,966
Land	5,555,045	5,219,286
Construction-in-progress	-	4,673
	49,667,476	46,990,239
Less: accumulated depreciation and amortization	(21,892,691)	(19,584,551)
	$ 27,774,785	$ 27,405,688

Depreciation expense amounted to $2,523,067, $2,332,953 and $2,100,080 during the years ended December 31, 2016, 2015 and 2014, respectively.

7. Time deposits

At December 31, 2016, the scheduled maturities of all outstanding certificates of deposit and IRA's were as follows:

Year ending December 31st	Amount
2017	$ 86,318,147
2018	17,335,771
2019	13,589,005
2020	3,322,535
2021	172,885
Thereafter	8,940,520
	$ 129,678,863

Included in deposits are $40,672,291 and $46,630,719 of certificates of deposit and IRA accounts greater than or equal to $250,000 at December 31, 2016 and 2015, respectively.

Total interest expense on certificates of deposit and IRA accounts was $795,936, $1,000,662, and $1,320,780 for the years ended December 31, 2016, 2015, and 2014, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Other operating expenses

Other operating expenses for the years ended December 31, 2016, 2015 and 2014 were as follows:

	2016	2015	2014
Advertising and public relations	$ 1,574,668	$ 1,883,077	$ 1,560,783
Equipment and computer expenses	4,727,084	4,380,815	4,031,233
Professional fees and expenses	568,412	492,820	340,779
Regulatory assessments	617,019	518,061	486,213
Stationary and supplies	356,882	415,571	444,203
Other	4,914,708	4,767,004	4,692,272
	$ 12,758,773	$ 12,457,348	$ 11,555,483

9. Income taxes

The source and tax effect of items reconciling income tax expense to the amount computed by applying the federal income tax rates in effect to net income before income tax expense for the years ended December 31, 2016, and 2015, and 2014, are as follows:

	2016		2015		2014	
	Amount	Percent	Amount	Percent	Amount	Percent
Income before income taxes	$ 5,212,892	100.0%	$ 7,283,595	100.0%	$ 8,690,330	100.0%
U.S. Federal income tax expense	$ 1,772,382	34.0%	$ 2,476,423	34.0%	$ 2,954,712	34.0%
Municipal income	(714,028)	(13.7)	(862,478)	(11.8)	(1,184,352)	(13.6)
Other	(85,433)	(1.6)	(103,104)	(1.4)	(120,053)	(1.4)
Income tax expense	$ 972,921	18.7%	$ 1,510,841	20.8%	$ 1,650,307	19%

The components of income tax expense (benefit) during the years ended December 31, 2016, and 2015, and 2014, were as follows:

	2016	2015	2014
Current tax expense	$ 1,755,322	$ 1,457,118	$ 1,883,405
Deferred tax expense (benefit)	(782,401)	53,723	(233,098)
	$ 972,921	$ 1,510,841	$ 1,650,307

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Income taxes (continued)

The Company records deferred income taxes on the tax effect of changes in temporary differences. Deferred tax assets are subject to a valuation allowance if their realization is less than 50% probable. The deferred tax assets and liabilities were comprised of the following at December 31, 2016 and 2015:

	2016	2015
Depreciation and amortization	($ 1,795,341)	($ 1,886,063)
Unrealized gains on available-for-sale securities	(71,746)	(1,422,924)
Goodwill amortization	(576,656)	(576,656)
Purchase accounting-securities	(59,671)	(108,535)
Purchase accounting-deposits	(163,796)	(218,433)
Other items	(61,055)	(47,161)
Gross deferred tax liability	(2,728,265)	(4,259,772)
Allowance for loan losses	2,161,934	1,598,151
Deferred compensation	154,769	106,792
Other	4,019	13,708
Gross deferred tax asset	2,320,722	1,718,651
Less: deferred tax valuation allowance	-	-
Net deferred tax liability	($ 407,543)	($ 2,541,121)

10. Employee benefits

The Company offers a 401(k) Plan (the "Plan") to all employees who have completed three months of service and who have attained age 20. Plan assets are invested in the Company's securities or several other investment options. Contributions to the Plan are at the discretion of the Board of Directors, with limitations based on a percentage of the participants' compensation. Annual contributions are allocated to each participant's account in an amount equal to each participant's deferred compensation for the year. A participant's interest in his or her account balance becomes fully vested after completion of five years of service. The Company contributed $431,524, $411,027 and $431,521, to the Plan in 2016, 2015, and 2014, respectively. At December 31, 2016 and 2015, the Plan held 32,149 and 31,559 shares in common stock of the Company, respectively.

The Bank also offers a life insurance joint beneficiary plan with some of its executive officers. The Bank is the owner and beneficiary of split-dollar life insurance policies covering the lives of the officers. The plan provides for payment upon death of a calculated amount based primarily on the officer's salary to be paid from the proceeds of the policies to the officers' designated beneficiaries. The benefits have been accrued in the accompanying consolidated financial statements.

11. Contingencies

The Company is a party to various legal proceedings arising in the ordinary course of business. In the opinion of management, the ultimate resolution of these legal proceedings will not have a material adverse effect on the Company's consolidated financial statements.

12. Financial instruments with off-balance-sheet risk

To meet the financing needs of its customers the Bank is a party to various financial instruments with off-balance sheet risk in the normal course of business. These financial instruments include commitments to extend credit, standby letters of credit, and commercial letters of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the consolidated balance sheets. The contract or notional amounts of those instruments reflect the extent of the involvement the Bank has in particular classes of financial instruments. The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit, and commercial letters of credit is represented by the contractual notional amount of those instruments. The Bank uses the same credit policies in making these commitments and conditional obligations as it does for on-balance sheet instruments.

The following is a summary as of December 31, 2016 and 2015, of the various financial instruments entered into by the Bank:

	2016	2015
Commitments to extend credit	$ 108,331,452	$ 108,798,450
Standby letters of credit	3,262,253	2,930,909

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being fully drawn upon, the total commitment amounts disclosed above do not necessarily represent future cash requirements.

The Bank evaluates customers' creditworthiness on a case-by-case basis. The amount of collateral obtained, if considered necessary by the Bank upon extension of credit, is based on management's credit evaluation of the customer.

Standby letters of credit and commercial letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. 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 its customers. The contractual amounts of credit-related financial instruments, such as commitments to extend credit and letters of credit, represent the amounts of potential accounting loss should the contract be fully drawn upon, the customer default, and the value of any existing collateral become worthless.

13. Minimum regulatory capital requirements

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

13. Minimum regulatory capital requirements (continued)

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital (as defined) to average assets (as defined). Management believes, as of December 31, 2016 and 2015, that the Company and the Bank meet all capital adequacy requirements to which they are subject.

In 2014, FDIC adopted final rules implementing the Basel Committee on Banking Supervision's capital guidelines for U.S. banks. Under the final rules, minimum requirements will increase for both the quantity and quality of capital held by the Bank. The rules include a new common equity Tier 1 capital to risk-weighted assets minimum ratio of 4.5%; raise the minimum ratio of Tier 1 capital to risk-weighted assets from 4.0% to 6.0%; require a minimum ratio of Total capital to risk-weighted assets of 8.0%; and require a minimum Tier 1 leverage ratio of 4.0%. A new capital conservation buffer, comprised of common equity Tier 1 capital, is also established above the minimum regulatory capital requirements. This capital conservation buffer was phased in beginning January 1, 2016 at 0.625% of risk-weighted assets and increases each subsequent year by an additional 0.625% until reaching its final level of 2.5% on January 1, 2019. Strict eligibility criteria for regulatory capital instruments were also implemented under the final rules.

The phase-in period for the final rules began for the Bank on January 1, 2015, with full compliance with all of the final rule's requirements phased in over a multi-year schedule and should be fully phased-in by January 1, 2019. Management believes that the Bank's capital levels will remain characterized as "well-capitalized" under the new rules.

The most recent examination by the Federal Deposit Insurance Corporation (as of December 31, 2015) categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To remain as well capitalized the Bank must maintain the ratios as set forth in the tables below. There are no conditions or events since that notification that management believes have changed the institution's category. The Bank's actual capital amounts and ratios as of December 31, 2016 and 2015, are presented in the table below.

13. Minimum regulatory capital requirements (continued)

The Bank's actual capital amounts and ratios as of December 31, 2016 and 2015, are also presented in the table below:

	Actual		Required For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2016:						
Company:						
Total Regulatory Capital To risk weighted assets	$76,157,000	12.47%	$48,858,000	≥8.0%	N/A	N/A
Tier I Capital to risk weighted assets	69,826,000	11.43%	24,429,000	≥6.0%	N/A	N/A
Tier I Leverage Capital	69,826,000	8.73%	32,000,000	≥4.0%	N/A	N/A
Common Equity Tier 1 capital (to risk weighted assets):	69,798,000	11.43%	27,482,000	>4.5%	N/A	N/A
Bank:						
Total Regulatory Capital to risk weighted assets	$75,964,000	12.44%	$48,851,000	≥8.0%	$61,064,000	≥10.0%
Tier I Capital to risk weighted assets	69,605,000	11.40%	36,638,000	≥6.0%	48,851,000	≥8.0%
Tier I Leverage Capital	69,605,000	8.70%	32,000,000	≥4.0%	40,000,000	≥5.0%
Common Equity Tier 1 capital (to risk weighted assets):	69,605,000	11.40%	27,479,000	≥4.5%	39,692,000	≥6.50%

13. Minimum regulatory capital requirements (continued)

	Actual		Required For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2015:						
Company:						
Total Regulatory Capital To risk weighted assets	$ 73,825,000	12.35%	$ 47,841,000	≥8.0%	N/A	N/A
Tier I Capital to risk weighted assets	69,029,000	11.54%	23,921,000	≥6.0%	N/A	N/A
Tier I Leverage Capital	69,029,000	8.70%	31,721,000	≥4.0%	N/A	N/A
Common Equity Tier 1 capital(to risk weighted assets):	69,029,000	11.54%	26,911,000	≥4.5%	N/A	N/A
Bank:						
Total Regulatory Capital to risk weighted assets	$ 73,677,000	12.34%	$ 47,770,000	≥8.0%	$ 59,711,900	≥10.0%
Tier I Capital to risk weighted assets	68,880,000	11.54%	35,827,000	≥6.0%	47,770,000	≥8.0%
Tier I Leverage Capital	68,880,000	8.70%	31,685,000	≥4.0%	39,606,000	≥5.0%
Common Equity Tier 1 capital (to risk weighted assets):	68,880,000	11.54%	26,870,000	≥4.5%	38,813,000	≥6.0%

14. Disclosures about fair value of financial instruments

In accordance with the *Fair Value Measurements and Disclosure* topic of the Accounting Standards Codification, disclosure of fair value information about financial instruments, whether or not recognized in the balance sheets, is required. Fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instruments. Therefore, the aggregate fair value amounts presented do not represent the underlying value of the Company.

The fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

14. Disclosures about fair value of financial instruments (continued)

Fair Value Hierarchy

In accordance with this guidance, the Bank groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

- Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement, determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

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 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 or comparable instruments (Level 2). The carrying amount of accrued interest on securities approximates its fair value.

14. Disclosures about fair value of financial instruments (continued)

Assets and Liabilities Measured at Fair Value on a Recurring Basis (continued)

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

	Level 1	Level 2	Level 3
December 31, 2016,			
U.S. Treasury securities	$ -	$ -	$ -
Mortgage-backed securities	-	46,366,156	-
U.S. Agencies	-	-	-
State & political subdivisions	-	31,001,415	-
Securities available-for-sale	$ -	$ 77,367,571	$ -
December 31, 2015,			
U.S. Treasury securities	$ -	$ 2,070,156	$ -
Mortgage-backed securities	-	46,724,813	-
U.S. Agencies	-	13,031,882	-
State & political subdivisions	-	42,450,105	-
Securities available-for-sale	$ -	$ 104,276,956	$ -

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, 2016 or 2015.

There were no transfers between Level 1 or Level 2 during 2016 or 2015.

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 non-recurring 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.

14. Disclosures about fair value of financial instruments (continued)

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

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.

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

	Fair Value Measurements at Reporting Date Using:			
December 31, 2016	Fair Value	Level 1	Level 2	Level 3
Assets:				
Impaired Loans				
Commercial	$ 2,169	$ -	$ -	$ 2,169
Commercial Real Estate	160	-	-	160
Consumer	782	-	-	782
Residential	5,257	-	-	5,257
Foreclosed Assets	928	-	928	-
Total	$ 9,296	$ -	$ 928	$ 8,368

	Fair Value Measurements at Reporting Date Using:			
December 31, 2015	Fair Value	Level 1	Level 2	Level 3
Assets:				
Impaired Loans				
Commercial	$ 575	$ -	$ -	$ 575
Commercial Real Estate	353	-	-	353
Consumer	578	-	-	578
Residential	3,917	-	-	3,917
Foreclosed Assets	273	-	273	-
Total	$ 5,696	$ -	$ 273	$ 5,423

Impaired loans, which are measured for impairment using the fair value of the collateral for collateral dependent loans, had a gross carrying amount of approximately $8,368,000 with a valuation allowance of $442,616. As of December 31, 2015, impaired loans had a gross carrying amount of approximately $5,423,000 with a valuation allowance of $377,165.

14. Disclosures about fair value of financial instruments (continued)

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

Foreclosed assets measured at fair value less costs to sell, had a net carrying amount of $927,552 and $272,650 as of December 31, 2016 and 2015, respectively. There were no valuation allowances associated with these balances.

For Level 3 assets measured at fair value on a non-recurring basis as of December 31, 2016 and 2015, 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 30%.

Financial Instruments

The carrying amounts and estimated fair values of financial instruments at December 31, 2016 are as follows (in thousands):

	Carrying Amount	Fair Value Measurements at December 31, 2016 Using: Level 1	Level 2	Level 3	Total
Financial Assets:					
Cash and due from banks and Interest bearing deposits In other banks	$ 46,878	$ 46,878	$ -	$ -	$ 46,878
Securities available-for-sale	77,368	-	77,447	-	77,447
Securities held to maturity	26,512	-	26,512	-	26,512
Loans, net of allowance	598,521	-	-	612,419	612,419
Other stocks, at cost	6,273	-	6,273	-	6,273
Accrued interest receivable	2,743	-	933	1,810	2,743
Financial Liabilities:					
Noninterest bearing deposits	$ 253,940	$ -	$ 253,940	$ -	$ 253,940
Interest bearing deposits	470,822	-	466,039	-	466,039
Securities sold under repurchase agreements	817	-	817	-	817
Other borrowed funds	3,720	-	3,720	-	3,720
Accrued interest payable	63	-	63	-	63

14. Disclosures about fair value of financial instruments (continued)

Financial Instruments (continued)

The estimated fair values of the Company's financial instruments at December 31, 2015, were as follows (in thousands):

	Carrying Amount	Fair Value Measurements at December 31, 2015 Using: Level 1	Level 2	Level 3	Total
Financial Assets:					
Cash and due from banks and Interest bearing deposits In other banks	$ 31,162	$ 31,162	$ -	$ -	$ 31,162
Securities available-for-sale	104,277	-	104,175	-	104,175
Securities held to maturity	23,540	-	23,540	-	23,540
Loans, net of allowance	582,606	-	-	598,805	598,805
Other stocks, at cost	7,510	-	7,510	-	7,510
Accrued interest receivable	3,087	-	1,112	1,975	3,087
Financial Liabilities:					
Noninterest bearing deposits	$ 236,622	$ -	$ 236,622	$ -	$ 236,622
Interest bearing deposits	461,492	-	457,155	-	457,155
Securities sold under repurchase agreements	1,150	-	1,150	-	1,150
Other borrowed funds	18,945	-	18,945	-	18,945
Accrued interest payable	84	-	84	-	84

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 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.

14. Disclosures about fair value of financial instruments (continued)

Financial Instruments (continued)

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.

Other stocks, at cost

The value of the 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.

Short-Term Borrowings

The carrying amounts of federal funds purchased, borrowings under repurchase agreements, and other short-term borrowings maturing within ninety days approximate their fair values. Fair values of other short-term borrowings are estimated using discounted cash flow analyses based on current market rates for similar types of borrowing arrangements 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, 2016 and 2015. The contract or notional amounts of the Company’s financial instruments with off-balance sheet risk are disclosed in Note 12.

15. Other borrowed funds and lines of credit

The Bank has established a federal funds line-of-credit with First National Banker's Bank (FNBB) and Federal Home Loan Bank to provide additional sources of operating funds. The Bank can borrow up to approximately $25,000,000 and $271,829,956, respectively under these agreements at December 31, 2016. There was nothing drawn under the agreement with FNBB at December 31, 2016 and 2015. There was $3,719,814 in advances and $75,000,000 Letter of Credit outstanding as of December 31, 2016, under the agreement with the FHLB for a total of $78,719,814.

16. Related Party Transactions

Loans are made in the normal course of business to its directors, executive officers and their associates on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons. Such loans did not involve more than normal risks of collectability. An analysis of activity during 2016 and 2015 with respect to loans to officers and directors of the Bank is as follows:

	2016	2015
Balance - beginning of year	$ 3,859,023	$ 2,887,046
New loans	1,498,751	2,605,660
Payments	(2,419,457)	(1,633,683)
Balance - end of year	$ 2,938,317	$ 3,859,023

Included in deposits are deposits from directors, officers, their immediate families, and related companies. These accounts totaled approximately $6,153,286 and $5,962,051 at December 31, 2016 and 2015, respectively.

17. Loan Servicing

The Bank entered into an agreement with a customer on February 7, 2013 in which the Bank agreed to service loans owned by the customer. The servicing of these loans began on March 19, 2013. The Bank will collect the note payments and escrow for these loans and deposit into a Jeff Davis Bank account owned by the customer. JD Bank will also send past due notices on the loans through the Bank's normal collection procedures. Per the agreement terms, loans that are 90 days past due will be transferred back to the customer for their collection and foreclosure efforts. The total loan balance being serviced at December 31, 2016 and 2015 is $2,068,527 and $2,383,205, respectively, and is properly not recorded on the Bank's consolidated financial statements.

18. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, March 6, 2017, and determined that the following disclosure is necessary.

Effective January 11, 2017, the parent company of JD Bank, entered into a $17.5 million private placement of fixed-to-floating rate subordinated notes. Interest of 6.75% per annum, is due semiannually of each year through January 15, 2022 and quarterly thereafter when the rate shall reset quarterly to an interest rate per annum equal to the then current three-month LIBOR rate plus 469.0 basis points. The notes become due on January 15, 2027. The Company plans to use the additional capital for general corporate purposes including organic growth initiatives at JD Bank as well as potential merger and acquisition opportunities.

19. Bank Only Financial Statements

STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2016 AND 2015

ASSETS

	2016	2015
Cash and due from banks	$ 35,328,433	$ 29,986,906
Interest bearing deposits in other banks	11,550,000	1,175,000
Securities available-for-sale	77,367,571	104,276,956
Securities held to maturity	26,512,037	23,539,872
Other stocks, at cost	6,272,567	7,510,429
Loans, less allowances for loan losses of $6,358,630 and $4,795,775 at December 31, 2016 and 2015, respectively	598,521,376	582,605,590
Accrued interest receivable	2,743,006	3,086,912
Bank premises and equipment, net	27,761,584	27,387,321
Other real estate owned	927,552	272,650
Goodwill and other intangibles	4,661,299	4,821,895
Life insurance contracts	12,779,527	12,454,782
Other assets	1,826,453	1,910,670
Total assets	$ 806,251,405	$ 799,028,983

LIABILITIES AND STOCKHOLDER'S EQUITY

Liabilities:	2016	2015
Deposits		
Demand deposit accounts, non-interest bearing	$ 240,463,142	$ 222,677,527
Demand deposit accounts, interest bearing	161,925,104	148,929,047
Individual retirement accounts	20,577,529	21,226,837
Savings accounts	179,217,690	163,345,518
Certificates of deposit - $100,000 and over	37,248,603	43,713,194
Other certificates of deposit	71,852,731	84,277,099
Other deposit accounts	13,677,849	14,193,608
	724,962,648	698,362,830
Securities sold under repurchase agreements	816,864	1,149,709
Other borrowed funds	3,719,814	18,944,646
Accrued interest payable	63,008	84,109
Accrued expenses and other liabilities	2,193,249	4,143,816
Dividends payable	855,336	855,336
Total liabilities	732,610,919	723,540,446
Commitments and Contingencies	-	-
Stockholder's equity:		
Common stock; $12.50 par value; 1,536,000 shares authorized; 768,000 shares issued and outstanding at December 31, 2016 and 2015	9,600,000	9,600,000
Capital surplus	22,400,000	22,400,000
Undivided profits	41,501,215	40,726,390
Accumulated other comprehensive income	139,271	2,762,147
Total stockholder's equity	73,640,486	75,488,537
Total liabilities and stockholder's equity	$ 806,251,405	$ 799,028,983

19. Bank Only Financial Statements (continued)

STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
INTEREST INCOME		
Interest and fees on loans	$ 31,327,917	$ 29,289,036
Investment securities:		
Taxable	1,365,465	1,861,096
Non-taxable	2,149,761	2,623,939
Federal funds sold and interest bearing deposits in other banks	39,716	11,793
Total interest income	34,882,859	33,785,864
INTEREST EXPENSE		
Interest on deposits	2,664,348	2,617,678
Interest on securities sold under repurchase agreements	10,810	12,332
Total interest expense	2,675,158	2,630,010
NET INTEREST INCOME	32,207,701	31,155,854
Provision for loan losses	2,454,100	2,057,800
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	29,753,601	29,098,054
NONINTEREST INCOME (LOSS)		
Service charges and fees on deposit accounts	7,997,171	7,755,428
Trust department income	707,951	886,876
Other income (loss)	(793,134)	706,658
	7,911,988	9,348,962

JEFF DAVIS BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

19. Bank Only Financial Statements (continued)

STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
NONINTEREST EXPENSES		
Salaries and employee benefits	$ 17,277,518	$ 16,818,562
Occupancy expenses	2,517,902	2,326,995
Other operating expenses	12,724,885	12,391,378
	32,520,305	31,536,935
INCOME BEFORE INCOME TAX EXPENSE	5,145,284	6,910,081
Income tax expense	949,122	1,383,780
NET INCOME	4,196,162	5,526,301
OTHER COMPREHENSIVE INCOME (LOSS)		
Unrealized net holding gain (loss) on available-for-sale securities arising during the period, net of taxes of ($1,330,328) and ($130,311)	(2,622,876)	(297,657)
	(2,622,876)	(297,657)
COMPREHENSIVE INCOME	$ 1,573,286	$ 5,228,644

JEFF DAVIS BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

20. Parent Only Financial Statements

BALANCE SHEETS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

ASSETS

	2016	2015
Cash in subsidiary bank	$ 53,086	$ 68,497
Dividend receivable	855,336	855,336
Investment in subsidiary bank	73,640,486	75,488,537
Investment in JD Bank Insurance, LLC	138,771	79,558
Total assets	$ 74,687,679	$ 76,491,928

LIABILITIES AND STOCKHOLDERS' EQUITY

	2016	2015
Dividend payable	$ 855,336	$ 855,336
Total liabilities	855,336	855,336
Common stock; $6.25 par value; 3,072,000 shares authorized; 1,555,156 and 1,560,000 shares issued and outstanding at December 31, 2016 and 2015, respectively	9,719,725	9,750,000
Additional paid-in capital	3,598,000	3,598,000
Retained earnings	60,375,347	59,749,150
Accumulated other comprehensive income	139,271	2,762,147
	73,832,343	75,859,297
Less: 4,844 shares held in treasury at December 31, 2015, at cost	-	(222,705)
Total stockholders' equity	73,832,343	75,636,592
Total liabilities and stockholders' equity	$ 74,687,679	$ 76,491,928

20. Parent Only Financial Statements (continued)

STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
INCOME		
Dividends from subsidiary bank	$ 3,421,344	$ 2,746,344
Dividends from subsidiary insurance company	-	675,000
	3,421,344	3,421,344
EXPENSES		
Operating expenses	22,130	19,775
Taxes and other expenses	(6,724)	(6,938)
	15,406	12,837
INCOME BEFORE EQUITY IN UNDISTRIBUTED EARNINGS OF SUBSIDIARIES	3,405,938	3,408,507
Equity in undistributed earnings of subsidiaries and excess distribution of earnings	834,033	2,364,247
NET INCOME	4,239,971	5,772,754
OTHER COMPREHENSIVE INCOME (LOSS)		
Unrealized net holding gain (loss) on available-for-sale securities arising during the period, net of taxes of ($1,330,328) and ($130,311)	(2,622,876)	(297,657)
	(2,622,876)	(297,657)
COMPREHENSIVE INCOME	$ 1,617,095	$ 5,475,097

JEFF DAVIS BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

20. Parent Only Financial Statements (continued)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 4,239,971	$ 5,772,754
Adjustments to reconcile net income to net cash provided by operating activities:		
Undistributed earnings of JD Prime	(59,215)	415,710
Undistributed earnings of Bank	(774,823)	(2,779,958)
Changes in dividend receivable	-	64
Changes in other assets	-	9,861
Net cash provided by operating activities	3,405,933	3,418,431
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of dividends	(3,421,344)	(3,421,344)
Net cash used in financing activities	(3,421,344)	(3,421,344)
Decrease in cash in subsidiary bank	(15,411)	(2,913)
Cash in subsidiary bank - beginning of year	68,497	71,410
Cash in subsidiary bank - end of year	$ 53,086	$ 68,497

SUPPLEMENTAL INFORMATION

JD BANK INSURANCE, LLC
FINANCIAL STATEMENTS

Postlethwaite & Netterville

8550 United Plaza Blvd., Ste. 1001 – Baton Rouge, LA 70809
225-922-4600 Phone – 225-922-4611 Fax – pncpa.com

A Professional Accounting Corporation

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTAL INFORMATION

To the Stockholders and Board of Directors of
Jeff Davis Bancshares, Inc. and Subsidiaries
Jennings, Louisiana

Our report on the audit of the consolidated financial statements of Jeff Davis Bancshares, Inc. and its Subsidiaries for the year ended December 31, 2016 and 2015 appears on pages 1 and 2. That audit was made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The JD Bank Insurance, LLC financial statements, presented as supplementary information, are not a required part of the basic financial statements, but is supplementary information. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Postlethwaite & Netterville

Baton Rouge, Louisiana
March 6, 2017

JEFF DAVIS BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

SUPPLEMENTAL SCHEDULE
JD BANK INSURANCE, LLC FINANCIAL STATEMENTS

BALANCE SHEETS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

ASSETS

	2016	2015
Cash in parent bank	$ 147,905	$ 180,142
Furniture and equipment, net	13,201	18,367
Other assets	12,456	20,316
Total assets	$ 173,562	$ 218,825

LIABILITIES AND STOCKHOLDER'S EQUITY

	2016	2015
Deferred income taxes payable	$ 4,286	$ 4,286
Other liabilities	30,505	134,981
Total liabilities	34,791	139,267
Stockholder's equity	685,000	685,000
Retained earnings	(546,229)	(605,442)
Total stockholder's equity	138,771	79,558
Total liabilities and stockholder's equity	$ 173,562	$ 218,825

JEFF DAVIS BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

SUPPLEMENTAL SCHEDULE
JD BANK INSURANCE, LLC FINANCIAL STATEMENTS

STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
INCOME		
Commissions earned	$ 106,524	$ 252,635
Gain on sale of book of business	-	300,000
Other income	137	91
	106,661	552,726
EXPENSES		
Insurance expenses	7,960	22,874
Salaries and employee benefits	-	107,284
Other operating expenses	39,486	163,278
	47,446	293,436
NET INCOME	$ 59,215	$ 259,290

JEFF DAVIS BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

SUPPLEMENTAL SCHEDULE
JD BANK INSURANCE, LLC FINANCIAL STATEMENTS

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 59,215	$ 259,290
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	5,165	5,958
Net change in operating assets and liabilities:		
Income taxes payable	(104,372)	76,323
Deferred income taxes payable	-	(1,107)
Other assets and liabilities	7,755	(53,284)
Net cash provided by operating activities	(32,237)	287,180
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of dividends	-	(675,000)
Net cash used in financing activities	-	(675,000)
Decrease in cash in subsidiary bank	(32,237)	(387,820)
Cash in subsidiary bank - beginning of year	180,142	567,962
Cash in subsidiary bank - end of year	$ 147,905	$ 180,142

EXECUTIVE OFFICERS

BOYD R. BOUDREAUX
President and Chief Executive Officer

CARLY LEONARDS
Senior Executive Vice President and Chief Banking Officer

PAUL E. BRUMMETT, II
Executive Vice President and Chief Financial Officer

KAREN DEWETT
Executive Vice President and Chief Lending Officer

BAVO GALL
Executive Vice President and Chief Information Officer

DORENE GOTHREAUX
Executive Vice President and Chief Operating Officer

JUDY DUHON
Senior Vice President and Chief Human Resources Officer

RAMONA LOUVIERE
Senior Vice President and Chief Compliance Officer

ELIZABETH PARKER
Senior Vice President and Chief Administrative Officer

ANN BARILLEAUX
Vice President and Marketing Director

DIRECTORS

JEFF DAVIS BANCSHARES, INC.
AND
JD BANK

DAN L. DONALD, JR.
Chairman
Jeff Davis Bancshares, Inc.
JD Bank

DAVID B. DONALD
Vice Chairman
Jeff Davis Bancshares, Inc.
JD Bank

SARA A. ROBERTS
Secretary
Jeff Davis Bancshares, Inc.
JD Bank

BOYD R. BOUDREAUX
President and Chief Executive Officer
Jeff Davis Bancshares, Inc.
JD Bank

G. VINCENT BAILEY

CLARENCE A. BERKEN

DARYL V. BURCKEL

ANDREW CORMIER

MILTON RAY CROCHET

RAY HINES

THOMAS E. LEGER

VICTOR T. STELLY

TERRY J. TERREBONNE