Town Center Bank

Independent Auditor's Report and Financial Statements

December 31, 2015 and 2014

BKD LLP
CPAs & Advisors

Town Center Bank

December 31, 2015 and 2014

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Independent Auditor's Report

Board of Directors
Town Center Bank
Frankfort, Illinois

We have audited the accompanying financial statements of Town Center Bank, which comprise the balance sheets as of December 31, 2015 and 2014, and the related statements of comprehensive income (loss), shareholders' equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Praxity MEMBER GLOBAL ALLIANCE OF INDEPENDENT FIRMS

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Town Center Bank as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

BKD, LLP

Oakbrook Terrace, Illinois
February 29, 2016

Town Center Bank
Balance Sheets
(Dollar Amounts in Thousands, Except Share and Per Share Data)
December 31, 2015 and 2014

Assets

	2015	2014
Cash and due from banks	$ 643	$ 594
Interest-bearing deposits with banks	6,670	9,331
Federal funds sold	1,522	5,667
Cash and cash equivalents	8,835	15,592
Securities available-for-sale, at fair value	32,733	36,347
Loans, net of allowance for loan losses of $1,339 in 2015 and $1,260 in 2014	61,378	56,801
Federal Home Loan Bank stock	214	452
Premises and equipment, net	480	507
Other real estate owned, net	-	266
Accrued interest receivable and other assets	517	511
Total assets	$ 104,157	$ 110,476

Liabilities and Shareholders' Equity

Liabilities		
Deposits		
Non-interest bearing	$ 14,934	$ 12,194
Interest bearing	77,714	84,450
Total deposits	92,648	96,644
Federal Home Loan Bank advances	2,000	2,000
Accrued interest payable and other liabilities	194	2,322
Total liabilities	94,842	100,966
Shareholders' Equity		
Common stock $1 par value; 3,234,000 shares authorized at December 31, 2015 and 2014; 2,333,660 shares issued and outstanding at December 31, 2015 and 2014, respectively	2,333	2,333
Additional paid-in capital	20,680	20,680
Accumulated deficit	(13,739)	(13,815)
Accumulated other comprehensive income	41	312
Total shareholders' equity	9,315	9,510
Total liabilities and shareholders' equity	$ 104,157	$ 110,476

Town Center Bank

Statements of Comprehensive Income (Loss)

(Dollar Amounts in Thousands, Except Share and Per Share Data)

Years Ended December 31, 2015 and 2014

	2015	2014
Interest Income		
Loans, including fees	$ 2,979	$ 3,059
Securities	719	781
Federal funds sold and other	29	18
Total interest income	3,727	3,858
Interest Expense		
Deposits	578	587
Federal Home Loan Bank advances	28	8
Total interest expense	606	595
Net Interest Income	3,121	3,263
Recovery from Loan Losses	-	(236)
Net Interest Income after Provision for Loan Losses	3,121	3,499
Non-Interest Income		
Service charges on deposits	104	85
Mortgage banking income	130	81
Net realized gains on sales of securities available-for-sale	102	222
Other income	73	83
Total non-interest income	409	471
Non-Interest Expense		
Salaries and employee benefits	1,410	1,398
Occupancy and equipment	407	399
Data processing	564	547
Professional fees	400	346
FDIC Deposit Insurance	147	125
Advertising and marketing	45	44
Other real estate expense, net of rental income	(1)	83
Provision for other real estate owned valuation allowance	-	193
Other	482	459
Total non-interest expense	3,454	3,594
Net income	76	376

Town Center Bank

Statements of Comprehensive Income (Loss)
(Dollar Amounts in Thousands, Except Share and Per Share Data)
Years Ended December 31, 2015 and 2014

	2015	2014
Other Comprehensive Income (Loss)		
Unrealized gains (losses) on securities available-for-sale	$ (169)	$ 655
Reclassification adjustment for realized gains included in net income	(102)	(222)
Total other comprehensive income (loss)	(271)	433
Comprehensive Income (Loss)	$ (195)	$ 809
Basic and Diluted Net Income Per Share	$ 0.03	$ 0.16
Basic and Diluted Weighted Average Common Shares Outstanding	2,333,660	2,333,660

Town Center Bank

Statements of Shareholders' Equity

(Dollar Amounts in Thousands, Except Share and Per Share Data)

Years Ended December 31, 2015 and 2014

	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance, January 1, 2014	$ 2,333	$ 20,680	$ (14,191)	$ (121)	$ 8,701
Net income	-	-	376	-	376
Other comprehensive income	-	-	-	433	433
Balance, December 31, 2014	2,333	20,680	(13,815)	312	9,510
Net income	-	-	76	-	76
Other comprehensive loss	-	-	-	(271)	(271)
Balance, December 31, 2015	$ 2,333	$ 20,680	$ (13,739)	$ 41	$ 9,315

Town Center Bank
Statements of Cash Flows
(Dollar Amounts in Thousands, Except Share and Per Share Data)
Years Ended December 31, 2015 and 2014

	2015	2014
Operating Activities		
Net income	$ 76	$ 376
Adjustments to reconcile net income to net cash provided by operating activities		
Recovery from loan losses	-	(236)
Provision for other real estate owned losses	-	193
Net realized gains on sales of securities available-for-sale	(102)	(222)
Gains on sales of other real estate owned	(62)	(17)
Loss on disposal of premises and equipment	7	-
Discount on loan	-	43
Depreciation of premises and equipment	115	118
Net amortization of securities	268	181
Net change in deferred loan origination fees and costs	189	77
Net change in accrued interest receivable and other assets	(60)	14
Net change in accrued interest payable and other liabilities	(57)	(62)
Net cash provided by operating activities	374	465
Investing Activities		
Securities available-for-sale		
Sales	9,721	15,583
Maturities, prepayments and calls	8,247	3,998
Purchases	(16,862)	(31,928)
Net increase in loans	(4,766)	(747)
Proceeds from sales of other real estate owned	328	2,178
Decrease in receivable from loan servicer	54	54
Redemption of Federal Home Loan Bank stock	238	-
Purchases of premises and equipment	(95)	(47)
Net cash used in investing activities	(3,135)	(10,909)
Financing Activities		
Net increase (decrease) in deposits	(3,996)	14,020
Increase in borrowed money	-	2,000
Net cash provided by (used in) financing activities	(3,996)	16,020

Town Center Bank

Statements of Cash Flows

(Dollar Amounts in Thousands, Except Share and Per Share Data)

Years Ended December 31, 2015 and 2014

	2015	2014
Net Increase (Decrease) in Cash and Cash Equivalents	$ (6,757)	$ 5,576
Cash and Cash Equivalents, Beginning of Year	15,592	10,016
Cash and Cash Equivalents, End of Year	$ 8,835	$ 15,592
Supplemental Cash Flow Information		
Interest paid	$ 612	$ 590
Transfers from loans to other real estate owned	$ -	$ 339
Unrealized gains (losses) on securities available-for-sale	$ (271)	$ 433

Town Center Bank
Notes to Financial Statements
December 31, 2015 and 2014

Note 1: Summary of Significant Accounting Policies

Nature of Operations

Town Center Bank (Bank) provides financial services through its offices in Frankfort and New Lenox, Illinois. Its primary deposit products are checking, savings and term certificate accounts, and its primary lending products are residential mortgage, commercial, commercial real estate, construction, land development and consumer loans. Substantially, all loans are secured by specific items of collateral including business assets, consumer assets, and commercial and residential real estate. Commercial loans are expected to be repaid from cash flow from operations of businesses. The customers' ability to repay their loans is dependent on the real estate and general economic conditions in the area.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue 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.

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

Cash and Cash Equivalents

Cash and cash equivalents include cash, deposits with other financial institutions and federal funds sold. Net cash flows are reported for customer loan and deposit transactions.

Securities

Accounting principles generally accepted in the United States of America require that debt and equity securities be classified into one of three reporting categories and accounted for as follows: (1) held-to-maturity securities reported at amortized cost, (2) trading securities reported at fair value with unrealized gains and losses included in earnings and (3) available-for-sale securities reported at fair value with unrealized gains and losses net of related taxes reported as an increase or decrease in other comprehensive income (loss).

Securities held-to-maturity are securities that the Bank has the intent and ability to hold to maturity and are carried at cost adjusted for amortization of premium and accretion of discount, generally computed using the interest method.

The amortization of premiums and accretion of discounts are recognized as adjustments to interest income in a manner that approximates the level-yield method. Realized gains and losses on securities sold are computed based on the adjusted cost of the specific securities sold.

Securities available-for-sale are securities that are intended to be held for indefinite periods of time, but which may not be held to maturity. These securities may be used as a part of the Bank's asset/liability management strategy and may be sold in response to changes in interest rates, deterioration of issuer's creditworthiness or due to a desire to increase capital or liquidity.

Realized securities gains and losses are determined on a specific identification basis and are reported in the statement of comprehensive income (loss) as securities gains and losses.

Loans Held for Sale

Mortgage loans originated and intended for sale in the secondary market are carried at the lower of aggregate cost or fair value, as determined by outstanding commitments from investors. Net unrealized losses, if any, are recorded as a valuation allowance and charged to earnings. At December 31, 2015 and 2014, there were no loans held for sale.

Mortgage loans held for sale are generally sold with servicing rights released. Gains and losses on sales of mortgage loans are based on the difference between the selling price and the carrying value of the related loan sold. Gains and losses on sales of mortgage loans are included in mortgage loan origination fees.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at the principal balance outstanding, net of deferred loan fees and costs and an allowance for loan losses. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the level-yield method without anticipating prepayments.

For all classes of loans, interest income is discontinued at the time a loan is 90 days delinquent unless the loan is well secured and in process of collection. Past due status is based on the contractual terms of the loan. In all cases, for all classes of loans, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful. Nonaccrual loans and loans past due 90 days still on accrual include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans. A loan is moved to nonaccrual status in accordance with the Bank's policy, typically after 90 days of nonpayment.

For all classes of loans, all interest accrued but not received for loans placed on nonaccrual are reversed against interest income. Interest received on such loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Concentration of Credit Risk

Most of the Bank's business activity is with customers located in the south and west suburbs of Chicago, Illinois. Therefore, the Bank's exposure to credit risk is significantly affected by changes in the economy in the Chicago area. There are no significant concentrations of loans to any one industry or customer, except that, the customers' ability to repay their loans is dependent on the real estate and general economic conditions in the area.

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. The allowance consists of general, allocated and unallocated components, as further described below.

General Component

The general component of the allowance for loan losses is based on historical loss experience adjusted for qualitative factors stratified by the following loan segments: commercial, commercial real estate, residential real estate and installment. Management uses a rolling average of historical losses based on a time frame appropriate to capture relevant loss data for each loan segment. This historical loss factor is adjusted for the following qualitative factors: levels/trends in delinquencies; effects of changes in risk selection and underwriting standards and other changes in lending policies, procedures and practices; experience/ability/depth of lending management and staff; and national and local economic trends and conditions. There

were no changes in the Bank's policies or methodology pertaining to the general component of the allowance for loan losses during 2015 and 2014.

The qualitative factors are determined based on the various risk characteristics of each loan segment. Risk characteristics relevant to each portfolio segment are as follows:

Residential Real Estate

Loans in this segment primarily include owner-occupied 1-4 family residences secured by 1st liens and home equity loans secured by 2nd liens. The Bank generally does not originate loans with a loan-to-value ratio greater than 80% and does not generally grant loans that would be classified as subprime upon origination. All loans in this segment are collateralized by residential real estate and repayment is dependent on the credit quality of the individual borrower or borrowers. The overall health of the economy, including unemployment rates and housing prices, will have an effect on the credit quality in this segment.

Commercial Real Estate

Loans in this segment are primarily income-producing properties throughout the Chicago area. The underlying cash flows generated by the properties are adversely impacted by a downturn in the economy as evidenced by increased vacancy rates, which in turn, will have an effect on the credit quality in this segment. Management obtains rent rolls annually and continually monitors the cash flows of these loans. Loans in this segment also include speculative real estate development loans for which payment is derived from sale of the property. Credit risk is affected by cost overruns, time to sell at an adequate price, and market conditions.

Commercial

Loans in this segment are made to businesses and are generally secured by assets of the business. Repayment is expected from the cash flows of the business. A weakened economy, and resultant decreased consumer spending, will have an effect on the credit quality in this segment.

Consumer

Loans in this segment are generally to individuals and are supported by non-real estate collateral. The repayment is dependent on the credit quality of the individual borrower.

Allocated Component

The allocated component relates to loans that are classified as impaired. Based on internal credit ratings, loans are evaluated for impairment on a loan-by-loan basis. Impairment is measured by either the present value of expected future cash flows discounted at the loan's effective interest rate or the fair value of the collateral if the loan is collateral dependent. An allowance is established when the discounted cash flows (or collateral value) of the impaired loan is lower than the carrying value of that loan. Large groups of smaller balance homogeneous loans are collectively evaluated for impairment.

A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, 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. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

The Bank periodically may agree to modify the contractual terms of loans. When a loan is modified and a concession is made to a borrower experiencing financial difficulty, the modification is considered a troubled debt restructuring (TDR). All TDRs are classified as impaired.

Unallocated Component

An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating allocated and general reserves in the portfolio.

Transfers of Financial Assets

Transfers of financial assets, such as loans, are accounted for as sales when control over the assets has been relinquished. Control over transferred assets is deemed to be surrendered when the assets have been isolated from the Bank, the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and the Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Other Real Estate Owned

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 lower of cost or fair value less estimated costs to sell. If fair value declines subsequent to foreclosure, a valuation allowance is recorded through expense. Operating costs after acquisition are expensed.

Federal Home Loan Bank (FHLB) Stock

The Bank is a member of FHLB Chicago. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. FHLB

stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation. Depreciation expense is recognized on the straight-line method. Banking equipment is generally depreciated over 5 years. Furniture and fixtures are depreciated over estimated useful lives generally ranging from 5 to 15 years. Leasehold improvements are depreciated on the straight-line basis over the shorter of the lease term, including expected renewal periods, or estimated useful life of the asset.

Long-Term Assets

Premises and equipment and other long-term assets are reviewed for impairment when events indicate their carrying amount may not be recoverable from future undiscounted cash flows. If impaired, the assets are recorded at fair value.

Loan Commitments and Related Financial Instruments

Financial instruments include off-balance-sheet credit instruments, such as commitments to make loans and commercial letters of credit, issued to meet customer financing needs. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded.

Stock-Based Compensation

Compensation cost is recognized for stock options issued to employees, based on the fair value of these awards at the date of grant. A Black-Scholes model is utilized to estimate the fair value of stock options. Compensation cost is recognized over the required service period, generally defined as the vesting period.

Income Taxes

Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and tax bases of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized.

A tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded.

The Bank recognizes interest and/or penalties related to income tax matters in income tax expense.

Earnings (Loss) Per Common Share

Basic earnings (loss) per common share is net income (loss) divided by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per common share include the dilutive effect of additional potential common shares issuable under stock options and warrants.

Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss). Other comprehensive income (loss) includes unrealized gains and losses on securities available-for-sale which are also recognized as separate components of shareholders' equity.

Loss Contingencies

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there are any such matters that will have a material effect on the financial statements.

Interest Rate Risk

The Bank assumes interest rate risk (the risk that general interest rate levels will change) as a result of its normal operations. As a result, fair values of the Bank's financial instruments will change when interest rate levels change, and that change may be either favorable or unfavorable to the Bank. Management attempts to match maturities of assets and liabilities to the extent believed necessary to minimize interest rate risk. However, borrowers with fixed rate obligations are less likely to prepay in a rising rate environment and more likely to prepay in a falling rate environment. Conversely, depositors who are receiving fixed rates are more likely to withdraw funds before maturity in a rising rate environment and less likely to do so in a falling rate environment. Management monitors rates and maturities of assets and liabilities and attempts to minimize interest rate risk by adjusting terms of new loans and deposits and by investing in securities with terms that mitigate the Bank's overall interest rate risk.

Dividend Restriction

Banking regulations require maintaining certain capital levels that may limit the amount of dividends paid by the Bank to shareholders. Since the Bank has an accumulated deficit at December 31, 2015, there are no retained earnings available for dividends.

Fair Value of Financial Instruments

Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in a separate note. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect the estimates.

Reclassifications

Certain reclassifications have been made to the 2014 financial statements to conform to the 2015 financial statement presentation. These reclassifications had no effect on net income.

Note 2: Securities

The amortized cost and fair value of securities available-for-sale and the related gross unrealized gains and losses recognized in accumulated other comprehensive income (loss) were as follows at year end:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2015				
Securities available-for-sale				
Mortgage-backed securities - residential	$ 4,700	$ 1	$ (23)	$ 4,678
Collateralized mortgage obligations - residential	27,992	176	(113)	28,055
Total securities available-for-sale	$ 32,692	$ 177	$ (136)	$ 32,733
December 31, 2014				
Securities available-for-sale				
Mortgage-backed securities - residential	$ 9,509	$ 152	$ -	$ 9,661
Collateralized mortgage obligations - residential	26,526	232	(72)	26,686
Total securities available-for-sale	$ 36,035	$ 384	$ (72)	$ 36,347

Mortgage-backed securities and collateralized mortgage obligations are not due at a single maturity date.

At year-end 2015 and 2014, there were no holdings of securities of any one issuer, other than the U.S. Government and its sponsored entities and agencies, in an amount greater than 10% of shareholders' equity.

Securities pledged at year-end 2015 had a carrying amount of $13,477 and were pledged to secure public deposits and federal funds purchased line of credit.

The following tables summarize securities with unrealized losses at December 31, 2015 and December 31, 2014, aggregated by major security type and length of time in a continuous unrealized loss position:

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
December 31, 2015						
Mortgage-backed residential	$ 2,563	$ (23)	$ -	$ -	$ 2,563	$ (23)
Collateralized mortgage obligations - residential	9,058	(70)	1,925	(43)	10,983	(113)
	$ 11,621	$ (93)	$ 1,925	$ (43)	$ 13,546	$ (136)
December 31, 2014						
Mortgage-backed residential	$ -	$ -	$ -	$ -	$ -	$ -
Collateralized mortgage obligations - residential	2,391	(23)	2,813	(49)	5,204	(72)
	$ 2,391	$ (23)	$ 2,813	$ (49)	$ 5,204	$ (72)

Sales of available-for-sale securities were as follows for the years ended December 31, 2015 and 2014:

	2015	2014
Sale proceeds	$ 9,721	$ 15,583
Gross gains	123	222
Gross losses	(21)	-

Management evaluates securities for other-than-temporary impairment as economic or market concerns warrant such evaluation. Consideration is given to the length of time and extent to which fair value has been less than cost, the financial condition and near-term prospects of the issuer, and the intent and ability of the Bank to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovering in fair value.

Note 3: Loans

Loans at December 31, 2015 and 2014 were as follows:

	2015	2014
Residential real estate		
1-4 family, owner occupied	$ 11,019	$ 14,852
1-4 family, non-owner occupied	1,332	1,455
Commercial real estate		
Commercial, owner occupied	13,263	10,888
Commercial, non-owner occupied	19,006	13,530
Construction	-	246
Land development	3,365	3,693
Farmland	929	1,048
Commercial	7,181	5,498
Consumer		
Indirect, automobile loans	288	990
Consumer, non-real estate	5,931	5,269
Total loans	62,314	57,469
Deferred loan origination fees and costs, net	403	592
Allowance for loan losses	(1,339)	(1,260)
Loans, net	$ 61,378	$ 56,801

The following tables present the activity in the allowance for loan losses by class of loans for the years ended December 31, 2015 and 2014:

	Beginning Balance	Provision (Benefit) for Loan Losses	Loans Charged Off	Recoveries	Ending Balance
December 31, 2015					
Residential real estate					
1-4 family, owner occupied	$ 190	$ (14)	$ (96)	$ 9	$ 89
1-4 family, non-owner occupied	3	95	(72)	-	26
Commercial real estate					
Commercial, owner occupied	104	29	-	-	133
Commercial, non-owner occupied	153	530	-	-	683
Construction	2	(2)	-	-	-
Land development	480	(460)	-	-	20
Farmland	15	(2)	-	-	13
Commercial	252	(157)	-	230	325
Consumer					
Indirect, auto	11	(15)	-	7	3
Consumer, non-real estate	50	(4)	(30)	31	47
	$ 1,260	$ -	$ (198)	$ 277	$ 1,339

	Beginning Balance	Provision (Benefit) for Loan Losses	Loans Charged Off	Recoveries	Ending Balance
December 31, 2014					
Residential real estate					
1-4 family, owner occupied	$ 161	$ 92	$ (68)	$ 5	$ 190
1-4 family, non-owner occupied	10	(7)	-	-	3
Commercial real estate					
Commercial, owner occupied	41	63	-	-	104
Commercial, non-owner occupied	184	(31)	-	-	153
Construction	8	(6)	-	-	2
Land development	852	(624)	-	252	480
Farmland	16	(1)	-	-	15
Commercial	664	295	(876)	169	252
Consumer					
Indirect, auto	30	(5)	(22)	8	11
Consumer, non-real estate	61	(12)	-	1	50
	$ 2,027	$ (236)	$ (966)	$ 435	$ 1,260

The following table presents the balance in the allowance for loan losses by class of loans based on impairment method as of December 31, 2015:

	Allowance for Loan Losses			Loan Balances		
	Individual Evaluated for Impairment	Collectively Evaluated for Impairment	Total	Individual Evaluated for Impairment	Collectively Evaluated for Impairment	Total
Residential real estate						
1-4 family, owner occupied	$ -	$ 89	$ 89	$ 347	$ 10,672	$ 11,019
1-4 family, non-owner occupied	-	26	26	92	1,240	1,332
Commercial real estate						
Commercial, owner occupied	-	133	133	-	13,263	13,263
Commercial, non-owner occupied	-	683	683	-	19,006	19,006
Construction	-	-	-	-	-	-
Land development	-	20	20	-	3,365	3,365
Farmland	-	13	13	-	929	929
Commercial	-	325	325	-	7,181	7,181
Consumer						
Indirect automobile loans	-	3	3	-	288	288
Consumer, non-real estate	-	47	47	-	5,931	5,931
Total	$ -	$ 1,339	$ 1,339	$ 439	$ 61,875	$ 62,314

The following table presents the balance in the allowance for loan losses by class of loans based on impairment method as of December 31, 2014:

	Allowance for Loan Losses			Loan Balances		
	Individual Evaluated for Impairment	Collectively Evaluated for Impairment	Total	Individual Evaluated for Impairment	Collectively Evaluated for Impairment	Total
Residential real estate						
1-4 family, owner occupied	$ 81	$ 109	$ 190	$ 736	$ 14,116	$ 14,852
1-4 family, non-owner occupied	-	3	3	-	1,455	1,455
Commercial real estate						
Commercial, owner occupied	-	104	104	-	10,888	10,888
Commercial, non-owner occupied	-	153	153	-	13,530	13,530
Construction	-	2	2	-	246	246
Land development	-	480	480	-	3,693	3,693
Farmland	-	15	15	-	1,048	1,048
Commercial	-	251	251	-	5,498	5,498
Consumer						
Indirect automobile loans	-	12	12	-	990	990
Consumer, non-real estate	-	50	50	29	5,240	5,269
Total	$ 81	$ 1,179	$ 1,260	$ 765	$ 56,704	$ 57,469

The following table presents information related to loans individually evaluated for impairment for December 31, 2015 and 2014:

	2015			2014		
	Average Balance	Interest Income Recognized	Cash Income Recognized	Average Balance	Interest Income Recognized	Cash Income Recognized
Residential real estate						
1-4 family, owner occupied	$ 353	$ 25	$ 25	$ 752	$ 27	$ 27
1-4 family, non-owner occupied	160	11	11	-	-	-
Commercial real estate						
Commercial, owner occupied	-	-	-	-	-	-
Commercial, non-owner occupied	-	-	-	-	-	-
Construction	-	-	-	-	-	-
Land development	-	-	-	-	-	-
Farmland	-	-	-	-	-	-
Commercial	-	-	-	-	-	-
Consumer						
Indirect automobile loans	-	-	-	-	-	-
Consumer, non-real estate	-	-	-	22	7	7
Total	$ 513	$ 36	$ 36	$ 774	$ 34	$ 34

The following table presents information related to loans individually evaluated for impairment as of December 31, 2015:

	Unpaid Principal Balance	Partial Charge-Offs	Loan Balance	Allowance For Loan Losses Allocated
With no related allowance recorded				
Residential real estate				
1-4 family, owner occupied	$ 482	$ 134	$ 347	$ -
1-4 family, non-owner occupied	163	72	92	-
Commercial real estate				
Commercial, owner occupied	-	-	-	-
Commercial, non-owner occupied	-	-	-	-
Construction	-	-	-	-
Land development	-	-	-	-
Farmland	-	-	-	-
Commercial	-	-	-	-
Consumer				
Indirect, auto	-	-	-	-
Consumer, non-real estate	-	-	-	-
	645	206	439	-
With an allowance recorded				
Residential real estate				
1-4 family, owner occupied	-	-	-	-
1-4 family, non-owner occupied	-	-	-	-
Commercial real estate				
Commercial, owner occupied	-	-	-	-
Commercial, non-owner occupied	-	-	-	-
Construction	-	-	-	-
Land development	-	-	-	-
Farmland	-	-	-	-
Commercial	-	-	-	-
Consumer				
Indirect, auto	-	-	-	-
Consumer, non-real estate	-	-	-	-
	-	-	-	-
	$ 645	$ 206	$ 439	$ -

The following table presents information related to loans individually evaluated for impairment as of December 31, 2014:

	Unpaid Principal Balance	Partial Charge-Offs	Loan Balance	Allowance For Loan Losses Allocated
With no related allowance recorded				
Residential real estate				
1-4 family, owner occupied	$ 369	$ 68	$ 301	$ -
1-4 family, non-owner occupied	-	-	-	-
Commercial real estate				
Commercial, owner occupied	-	-	-	-
Commercial, non-owner occupied	-	-	-	-
Construction	-	-	-	-
Land development	-	-	-	-
Farmland	-	-	-	-
Commercial	-	-	-	-
Consumer				
Indirect, auto	-	-	-	-
Consumer, non-real estate	29	-	29	-
	398	68	330	-
With an allowance recorded				
Residential real estate				
1-4 family, owner occupied	569	134	435	81
1-4 family, non-owner occupied	-	-	-	-
Commercial real estate				
Commercial, owner occupied	-	-	-	-
Commercial, non-owner occupied	-	-	-	-
Construction	-	-	-	-
Land development	-	-	-	-
Farmland	-	-	-	-
Commercial	-	-	-	-
Consumer				
Indirect, auto	-	-	-	-
Consumer, non-real estate	-	-	-	-
	569	134	435	81
	$ 967	$ 202	$ 765	$ 81

The following tables present the aging of the past due loans as of December 31, 2015 and 2014, by class of loans. Nonaccrual loans and loans past due 90 days still on accrual include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans.

	Year Ended December 31, 2015						
	30-59 Days Past Due	60-89 Days Past Due	Greater Than or Equal to 90 Days Past Due	Total Past Due	Nonaccrual	Loans Not Past Due	Total
Residential real estate							
1-4 family, owner occupied	$ -	$ -	$ -	$ -	$ -	$ 11,019	$ 11,019
1-4 family, non-owner occupied	-	92	65	157	-	1,175	1,332
Commercial real estate							
Commercial, owner occupied	3,014	-	-	3,014	-	10,249	13,263
Commercial, non-owner occupied	-	-	-	-	-	19,006	19,006
Construction	-	-	-	-	-	-	-
Land development	-	-	-	-	-	3,365	3,365
Farmland	-	-	-	-	-	929	929
Commercial	76	-	-	76	-	7,105	7,181
Consumer							
Indirect, automobile loans	-	-	-	-	-	288	288
Consumer, non-real estate	-	51	-	51	-	5,880	5,931
Total	$ 3,090	$ 143	$ 65	$ 3,298	$ -	$ 59,016	$ 62,314

	Year Ended December 31, 2014						
	30-59 Days Past Due	60-89 Days Past Due	Greater Than or Equal to 90 Days Past Due	Total Past Due	Nonaccrual	Loans Not Past Due	Total
Residential real estate							
1-4 family, owner occupied	$ -	$ -	$ -	$ -	$ 379	$ 14,473	$ 14,852
1-4 family, non-owner occupied	-	-	-	-	-	1,455	1,455
Commercial real estate							
Commercial, owner occupied	-	-	-	-	-	10,888	10,888
Commercial, non-owner occupied	-	-	-	-	-	13,530	13,530
Construction	-	-	-	-	-	246	246
Land development	-	-	-	-	-	3,693	3,693
Farmland	-	-	-	-	-	1,048	1,048
Commercial	-	-	-	-	-	5,498	5,498
Consumer							
Indirect, automobile loans	-	-	-	-	-	990	990
Consumer, non-real estate	25	52	-	77	29	5,163	5,269
Total	$ 25	$ 52	$ -	$ 77	$ 408	$ 56,984	$ 57,469

Troubled Debt Restructurings

The Bank has not allocated specific reserves to customers whose loan terms have been modified in troubled debt restructurings as of December 31, 2015. The Bank allocated $3 to customers whose loan terms have been modified in troubled debt restructurings as of December 31, 2014. The Bank has not committed to lend additional amounts as of December 31, 2015 and 2014, to customers with outstanding loans that are classified as troubled debt restructurings.

During the year ending December 31, 2015, there were no loans that were modified as troubled debt restructurings. One troubled debt restructured loan was paid off during the year.

During the year ending December 31, 2014, there were no loans that were modified as troubled debt restructurings. Two troubled debt restructured loans were paid off during the year.

A loan is considered to be in payment default once it is 60 days contractually past due under the modified terms.

Credit Quality Indicators

The Bank categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Bank analyzes loans individually by classifying the loans as to credit risk. This analysis includes non-homogeneous loans, such as commercial and commercial real estate loans. This analysis is performed generally on a monthly basis but no less than quarterly.

Watch

Loans classified as watch have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

Substandard

Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful

Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loans not meeting the criteria above that are analyzed individually as part of the above-described process are considered to be pass rated loans. Included in pass rated loans are homogenous residential real estate loans that are monitored based on the past due status of the loan. Management evaluates the risk category of these loans when a loan becomes delinquent or a borrower requests a concession. Loans listed as not rated are indirect automobile and consumer, non-real estate loans and are monitored based on the past due status of the loan. As of December 31, 2015 and 2014, and based on the most recent analysis performed, the risk category of loans by class of loans is as follows:

	Year Ended December 31, 2015					
	Not Rated	Pass	Watch	Substandard	Doubtful	Total
Residential real estate						
1-4 family, owner occupied	$ -	$ 10,097	$ 152	$ 770	$ -	$ 11,019
1-4 family, non-owner occupied	-	871	-	461	-	1,332
Commercial real estate						
Commercial, owner occupied	-	12,878	385	-	-	13,263
Commercial, non-owner occupied	-	18,093	-	913	-	19,006
Construction	-	-	-	-	-	-
Land development	-	2,286	347	732	-	3,365
Farmland	-	138	791	-	-	929
Commercial	-	7,181	-	-	-	7,181
Consumer				-		
Indirect, automobile loans	288	-	-	-	-	288
Consumer, non-real estate	5,931	-	-	-	-	5,931
Total	$ 6,219	$ 51,544	$ 1,675	$ 2,876	$ -	$ 62,314

	Year Ended December 31, 2014					
	Not Rated	Pass	Watch	Substandard	Doubtful	Total
Residential real estate						
1-4 family, owner occupied	$ -	$ 13,514	$ 178	$ 1,160	$ -	$ 14,852
1-4 family, non-owner occupied	-	1,236	-	219	-	1,455
Commercial real estate						
Commercial, owner occupied	-	10,481	236	171	-	10,888
Commercial, non-owner occupied	-	12,837	-	693	-	13,530
Construction	-	246	-	-	-	246
Land development	-	2,516	-	1,177	-	3,693
Farmland	-	159	889	-	-	1,048
Commercial	-	4,398	1,100	-	-	5,498
Consumer				-		
Indirect, automobile loans	990	-	-	-	-	990
Consumer, non-real estate	5,238	-	-	31	-	5,269
Total	$ 6,228	$ 45,387	$ 2,403	$ 3,451	$ -	$ 57,469

Note 4: Premises and Equipment

Premises and equipment at December 31, 2015 and 2014, were as follows:

	2015	2014
Furniture and equipment	$ 830	$ 777
Leasehold improvements	578	561
	1,408	1,338
Less accumulated depreciation	(928)	(831)
	$ 480	$ 507

Depreciation expense was $115 and $118 in 2015 and 2014, respectively.

The Bank leases its offices under operating leases. Rent expense, including certain common area expenses such as real estate taxes, was $227 and $222 in 2015 and 2014, respectively. Rent commitments, before considering renewal options that generally are present, are as follows:

2016	$ 169
2017	171
2018	173
2019	176
2020	181
Thereafter	1,126
	$ 1,996

Note 5: Other Real Estate Owned

Activity in other real estate owned was as follows for the years ended December 31, 2015 and 2014:

	2015	2014
Balance at beginning of year	$ 266	$ 2,281
Additions	-	339
Proceeds from sales	(328)	(2,178)
Net gains on sales of other real estate owned	62	17
Provision for valuation allowance	-	(193)
Balance at end of year	$ -	$ 266

Activity in valuation allowance was as follows for the years ended December 31, 2015 and 2014:

	2015	2014
Beginning of year	$ -	$ 134
Provision for valuation allowance	-	193
Less write-downs	-	(327)
End of year	$ -	$ -

Note 6: Deposits

Deposits at December 31, 2015 and 2014, are as follows:

	2015	2014
Noninterest-bearing demand deposits	$ 14,934	$ 12,194
Interest-bearing deposits		
Interest-bearing demand (NOW)	5,740	6,815
Money market accounts	31,661	34,879
Savings accounts	2,878	2,552
Certificates of deposit, less than $100	6,930	8,664
Certificates of deposit, $100 or more	30,505	31,540
	$ 92,648	$ 96,644

Schedule of maturities of certificates of deposit were as follows:

2016	$ 14,461
2017	17,953
2018	3,736
2019	638
2020	647
	$ 37,435

The Bank had no brokered deposits included in certificate of deposits as of December 31, 2015 and 2014.

Note 7: Federal Home Loan Bank Advances

At December 31, 2015 and 2014, the Bank had a $2,000 advance from the Federal Home Loan Bank of Chicago (FHLB), with an interest rate of 1.40% maturing on September 28, 2017.

Note 8: Federal Reserve Bank Borrowings

The Bank is eligible to borrow through a line of credit with the Federal Reserve Bank of Chicago discount window. The line of credit is collateralized by pledged home equity line of credit loans approximating $3,000 at December 31, 2015. The Bank is eligible to borrow a total amount of up to approximately $2,300. There were no outstanding borrowings from the Federal Reserve Bank at or during the years ending December 31, 2015 or 2014.

Note 9: Income Taxes

Income tax expense for the years ended December 31, 2015 and 2014, consists of:

	2015	2014
Net operating loss carryforward	$ (46)	$ (697)
Deferred income tax (benefit)	(89)	1,015
Change in valuation allowance	135	(318)
Income tax expense	$ -	$ -

Year-end deferred tax assets and liabilities as of December 31, 2015 and 2014, were due to the following:

	2015	2014
Deferred tax assets		
Organization costs	$ 121	$ 150
Net operating loss carryforwards	5,169	5,150
Other	7	7
Gross deferred tax assets	5,297	5,307
Deferred tax liabilities		
Depreciation	(32)	(60)
Allowance for loan losses	(41)	(41)
Unrealized gains on securities available-for-sale	-	(126)
Other	(29)	(20)
Gross deferred tax liabilities	(102)	(247)
Valuation allowance for deferred tax assets	(5,195)	(5,060)
Net deferred tax asset (liability)	$ -	$ -

The net operating losses are being carried forward and will be available to reduce future taxable income. The federal net operating loss carryforward of approximately $12,835 will begin to expire in 2026 if not utilized. The state loss carryforward of approximately $12,581 will begin to expire in 2022 if not utilized. A valuation allowance was established as the Bank has not generated any taxable income to date and, accordingly, has not yet demonstrated that it is likely to utilize the loss carryforwards prior to their statutory expiration dates.

The effective tax rate differs from the federal statutory rate due to the establishment of the valuation allowance discussed above, which offsets the current year income tax benefit. The Bank does not expect the total amount of unrecognized tax benefits to significantly change in the next twelve months.

The Bank is subject to U.S. federal income tax as well as income tax of the State of Illinois. The Bank is no longer subject to examination by taxing authorities for years before 2012.

There were no interest and penalties recorded in the statement of operations for the years ended December 31, 2015 and 2014.

Note 10: Related Party Transactions

Loans to principal officers, directors, and their affiliates were as follows for the years ended December 31, 2015 and 2014:

	2015	2014
Beginning balance	$ 2,771	$ 2,790
New loans	-	426
Net decrease in existing lines of credit	(504)	(445)
Ending balance	$ 2,267	$ 2,771

Deposits from principal officers, directors, and their affiliates at December 31, 2015 and 2014 were $1,867 and $2,292, respectively.

The Chairman of the Board as well as other Board of Director members of the Bank are shareholders and Board members of the Bank's core banking process system entity. Fees paid for core banking process system totaled $289 and $287 in 2015 and 2014, respectively.

Note 11: Stock Options and Warrants

The Board of Directors granted options to buy Bank stock to officers and employees under the Bank's Stock Incentive Plan, which provides for the issuance of options to purchase up to 432,000 shares of the Bank's common stock. The Bank believes that such awards better align the interests of its employees with those of its shareholders. Stock option awards were granted with an exercise price of $10, which was the initial offering price of the Bank's common stock in 2006. Option awards have a vesting period of three years and have a ten-year contractual term. In 2012, there were 423,000 of available options which were cancelled in 2012. The Board of Directors approved the re-granting of these options with an exercise price of $3 in 2012. These options were then granted in 2013.

The fair value of options, as of the grant date, is expensed over the vesting period.

The fair value of each option award is estimated on the date of grant using an option valuation model (Black-Scholes). Expected volatilities have been based on historical volatilities of the SNL MicroCap Bank index. The risk-free interest rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the grant date.

A summary of the activity in the stock option plan for 2015 follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)
Outstanding at beginning of year	423,000	$ 3	7.22
Granted	-		
Exercised	-		
Forfeited	11,000		
Outstanding at end of year	$ 412,000	$ 3	7.49

There was no stock option expense in 2015 and 2014.

The Bank's organizers and all of its initial shareholders have been granted warrants to purchase common stock, which vested immediately. The Bank's organizers, who are also initial shareholders, were granted 10,000 warrants each, or 210,000 warrants in total, to purchase one share of common stock at $10 per share. These warrants expire ten years from the date the Bank opened (September 18, 2016).

All of the shareholders who purchased common shares in the Bank's initial stock offering were granted one warrant to purchase one share of common stock at $12.50 per share for every five common shares purchased in the initial stock offering. Warrants were granted to the initial shareholders to purchase 432,000 common shares. These warrants were set to expire on September 18, 2009. On August 18, 2009, the Bank's Board of Directors amended the warrants to reduce the exercise price to $11.50 per share and to extend the expiration date to September 18, 2014. On January 10, 2012, the Bank's Board of Directors amended the warrants to reduce the exercise price to $3.00 per share.

Note 12: Regulatory Capital Requirements

Banks are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and prompt corrective action regulations involve quantitative measures of assets, liabilities and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required.

On October 12, 2011, the Bank entered into a Consent Order with the Federal Depository Insurance Corporation (FDIC) and the Illinois Department of Financial and Professional Regulation (IDFPR). In accordance with the terms of the Consent Order, the Bank has agreed to, among other things, (i) maintain a minimum Tier 1 leverage capital ratio of at least 9% and a total risk-based capital ratio of at least 13%, (ii) timely identify and reduce its overall level of problem loans and (iii) adopt a written plan to return the Bank to profitability. The Consent Order will remain in effect until modified, terminated, lifted, suspended or set aside by the regulatory authorities.

In July 2013, the FDIC and IDFPR removed the Bank's Consent Order. The Bank must maintain minimum Tier 1 leverage capital ratio of at least 8% and a total risk-based capital ratio of at least 12%. At December 31, 2015, the Bank was in compliance with the capital requirements. The Bank's Tier 1 capital to average total assets was 8.7% and the total capital to risk-weighted assets was 13.5%.

Actual and required capital amounts and ratios are presented below as of December 31, 2015 and 2014.

	Actual		Required for Capital Adequacy Purposes		Regulatory Requirements	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2015						
Total Capital (to Risk-Weighted Assets)	$ 10,228	13.5%	$ 6,076	8.0%	$ 9,113	12.0%
Tier 1 Capital (to Risk-Weighted Assets)	9,274	12.2%	3,038	4.0%	N/A	N/A
Common Equity Tier 1 Capital (to Risk-Weighted Assets)	9,274	12.2%	N/A	N/A	N/A	N/A
Tier 1 Capital (to Average Assets)	9,274	8.7%	8,491	8.0%	8,491	8.0%
As of December 31, 2014						
Total Capital (to Risk-Weighted Assets)	$ 10,051	14.8%	$ 5,430	8.0%	$ 8,145	12.0%
Tier 1 Capital (to Risk-Weighted Assets)	9,198	13.6%	2,715	4.0%	N/A	N/A
Tier 1 Capital (to Average Assets)	9,198	8.4%	8,728	8.0%	8,728	8.0%

Note 13: Commitments

Some financial instruments, such as loan commitments, credit lines, letters of credit and overdraft protection, are issued to meet customer financing needs. These are agreements to provide credit or to support the credit of others, as long as conditions established in the contract are met, and usually have expiration dates. Commitments may expire without being used. Off-balance-sheet risk to credit loss exists up to the face amount of these instruments, although material losses are not

anticipated. The same credit policies are used to make such commitments as are used for loans, including obtaining collateral at exercise of the commitment.

The contractual amounts of financial instruments with off-balance-sheet risk at year end were as follows as of December 31, 2015 and 2014:

	2015	2014
Unused lines of credit - variable rate	$ 16,111	$ 20,570
Standby letters of credit - variable rate	151	230

Note 14: Fair Value

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair value:

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

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

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

The Bank used the following methods and significant assumptions to estimate the fair value of each type of financial instrument:

Securities

The fair values for securities are determined by quoted market prices, if available (Level 1). For securities where quoted prices are not available, fair values are calculated based on market prices of similar securities (Level 2). For securities where quoted prices or market prices of similar securities are not available, fair values are calculated using discounted cash flows or other market indicators (Level 3).

Impaired Loans

The Bank does not record loans at fair value on a recurring basis. However, on occasion, a loan is considered impaired and an allowance for loan loss is established. A loan is considered impaired when it is probable that all of the principal and interest due under the original terms of the loan may not be collected. Once a loan is identified as impaired, management will measure

impairment. The fair value of loans is generally 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. Impaired loans are evaluated on a quarterly basis for additional impairment and adjusted accordingly. Impaired loans that are valued based on the present value of future cash flows are not considered in the fair value hierarchy.

Other Real Estate Owned

The Bank does not record other real estate owned at fair value on a recurring basis. Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at the lower of the carrying amount or fair value less cost to sell. Fair value is commonly based on recent real estate appraisals which are typically updated no less frequently than annually. 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. Other real estate owned properties are evaluated on a quarterly basis for additional impairment and adjusted accordingly.

Assets and Liabilities Measured on a Recurring Basis

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

		Fair Value Measurements at Reporting Date Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Unobservable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets at December 31, 2015				
Securities available-for-sale				
Mortgage-backed securities - residential	$ 4,678	$ -	$ 4,678	$ -
Collateralized mortgage obligations - residential	28,055	-	28,055	-
	$ 32,733	$ -	$ 32,733	$ -
Assets at December 31, 2014				
Securities available-for-sale				
Mortgage-backed securities - residential	$ 9,661	$ -	$ 9,661	$ -
Collateralized mortgage obligations - residential	26,686	-	26,686	-
	$ 36,347	$ -	$ 36,347	$ -

Assets measured at fair value on nonrecurring basis are summarized below:

		Fair Value Measurements Using			
	Total	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Unobservable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Gains (Losses)
Assets at December 31, 2015					
Impaired loans	$ 439	$ -	$ -	$ 439	$ (68)
Other real estate owned	-	-	-	-	-
	$ 439	$ -	$ -	$ 439	$ (68)
Assets at December 31, 2014					
Impaired loans	$ 684	$ -	$ -	$ 684	$ (81)
Other real estate owned	266	-	-	266	-
	$ 950	$ -	$ -	$ 950	$ (81)

Impaired loans that were considered collateral dependent had a carrying amount of $439 and $765, with a valuation allowance of $0 and $81 as of December 31, 2015 and 2014, respectively. Collateral dependent impaired loans were adjusted to the fair value, less costs to sell, of the underlying collateral securing these loans resulting in certain losses. The losses are not recorded directly as an adjustment to current earnings, but rather as a component in determining the allowance for loan losses.

Other real estate owned, which are measured using the fair value of the collateral, had a carrying amount of $266, with no valuation allowance as of December 31, 2014. Other real estate owned were adjusted to the fair value, less costs to sell, resulting in certain losses. The losses are recorded directly as an adjustment to current earnings.

The following table presents quantitative information about level 3 fair value measurements for financial instruments measured at fair value on a non-recurring basis at December 31, 2015:

	Fair Value	Valuation Technique(s)	Unobservable Input(s)	Range of Input (Weighted Average)
Impaired loans	$ 439	Sales comparison approach	Adjustment to comparable sale prices	-4% to 2% (0.7%)

The carrying amounts and estimated fair values of financial instruments at December 31, 2015, is as follows:

	2015	
	Carrying Amount	Estimated Fair Value
Financial assets		
Cash and cash equivalents	$ 8,835	$ 8,835
Securities available-for-sale	32,733	32,733
Loans, net	61,378	62,033
Federal Home Loan Bank stock	214	N/A
Accrued interest receivable	303	303
Financial liabilities		
Deposits	$ 92,648	$ 90,432
Accrued interest payable	35	35
Federal Home Loan Bank advances	2,000	1,995

The carrying amounts and estimated fair values of financial instruments at December 31, 2014, is as follows:

	2014	
	Amount	Fair Value
Financial assets		
Cash and cash equivalents	$ 15,592	$ 15,592
Securities available-for-sale	36,347	36,347
Loans, net	56,801	58,101
Federal Home Loan Bank stock	452	N/A
Accrued interest receivable	267	228
Financial liabilities		
Deposits	$ 96,644	$ 95,177
Accrued interest payable	43	43
Federal Home Loan Bank advances	2,000	1,998

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

Cash and Cash Equivalents

The carrying amounts of cash and short-term instruments approximate fair values and are classified as Level 1.

FHLB Stock

It is not practical to determine the fair value of FHLB stock due to restrictions placed on its transferability.

Loans

For variable-rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values. Fair values for other loans are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. Fair values of nonperforming loans are estimated using discounted cash flow analyses or underlying collateral values, where applicable.

Deposits

The fair values disclosed for demand deposits are, by definition, equal to the amount payable on demand at the reporting date (*i.e.*, their carrying amounts). The carrying amounts of interest-bearing deposits without maturity dates and variable-rate certificates of deposit approximate their fair values at the reporting date. Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on like-term certificates of deposit.

FHLB Advances

The fair values of the Bank's FHLB advances are estimated using discounted cash flow analyses based on the current borrowing rates for similar types of borrowing arrangements resulting in a Level 2 classification.

Accrued Interest Receivable/Payable

The carrying amounts of accrued interest approximate fair value resulting in a Level 2 classification.

Off-Balance-Sheet Instruments

Fair values for off-balance sheet, credit-related financial instruments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing. The fair value of commitments is not material.

Note 15: Earnings per Share

The factors used in the basic and diluted loss per share computations for the years ended December 31 follow:

	2015	2014
Net income (loss)	$ 76	$ 376
Weighted average common shares outstanding	2,333,660	2,333,660
Basic and diluted loss per common share	$ 0.03	$ 0.16

Note 16: Subsequent Events

The Bank has evaluated subsequent events for recognition and disclosure through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.