Board of Governors of the Federal Reserve System

RECEIVED
MAR 28 2016
NIC UNIT

Annual Report of Holding Companies—FR Y-6

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

This Report is required by law: Section 5(c)(1)(A) of the Bank Holding Company Act (12 U.S.C. § 1844 (c)(1)(A)); Section 8(a) of the International Banking Act (12 U.S.C. § 3106(a)); Sections 11(a)(1), 25 and 25A of the Federal Reserve Act (12 U.S.C. §§ 248(a)(1), 602, and 611a); Section 211.13(c) of Regulation K (12 C.F.R. § 211.13(c)); and Section 225.5(b) of Regulation Y (12 C.F.R. § 225.5(b)) and section 10(c)(2)(H) of the Home Owners' Loan Act. Return to the appropriate Federal Reserve Bank the original and the number of copies specified.

This report form is to be filed by all top-tier bank holding companies and top-tier savings and loan holding companies organized under U.S. law, and by any foreign banking organization that does not meet the requirements of and is not treated as a qualifying foreign banking organization under Section 211.23 of Regulation K (12 C.F.R. § 211.23). (See page one of the general instructions for more detail of who must file.) The Federal Reserve may not conduct or sponsor, and an organization (or a person) is not required to respond to, an information collection unless it displays a currently valid OMB control number.

NOTE: The *Annual Report of Holding Companies* must be signed by one director of the top-tier holding company. This individual should also be a senior official of the top-tier holding company. In the event that the top-tier holding company does not have an individual who is a senior official and is also a director, the chairman of the board must sign the report.

I, Ben Scott
Name of the Holding Company Director and Official

President and Director
Title of the Holding Company Director and Official

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

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

Ben Scott
Signature of Holding Company Director and Official

02/19/2016
Date of Signature

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

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

For Federal Reserve Bank Use Only

RSSD ID 1107072
C.I.

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

December 31, 2015
Month / Day / Year

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

Reporter's Name, Street, and Mailing Address

Coleman Bancshares, Inc.
Legal Title of Holding Company

P O Box 940
(Mailing Address of the Holding Company) Street / P.O. Box

City	State	Zip Code
Coleman	TX	76834

118 West Pecan Street, Coleman TX 76834
Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Tawnya Davis
Name

Cashier, Coleman County State Bank
Title

325-625-2172
Area Code / Phone Number / Extension

325-625-5145
Area Code / FAX Number

tdavis@colemanbank.com
E-mail Address

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

Does the reporter request confidential treatment for any portion of this submission?

- [ ] Yes Please identify the report items to which this request applies:
  - [ ] In accordance with the instructions on pages GEN-2 and 3, a letter justifying the request is being provided.
  - [ ] The information for which confidential treatment is sought is being submitted separately labeled "Confidential."
- [x] No

Public reporting burden for this information collection is estimated to vary from 1.3 to 101 hours per response, with an average of 5.25 hours per response, including time to gather and maintain data in the required form and to review instructions and complete the information collection. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to: Secretary, Board of Governors of the Federal Reserve System, 20th and C Streets, NW, Washington, DC 20551, and to the Office of Management and Budget, Paperwork Reduction Project (7100-0297), Washington, DC 20503.

Form FR Y-6
Coleman Bancshares, Inc.
Coleman, Texas
Fiscal Year Ending December 31, 2015

Report Item
1: Coleman Bancshares, Inc., prepares an annual report for it's shareholders.
Two copies are enclosed.

2a: Organization Chart

COLEMAN BANCSHARES, INC.
COLEMAN, TEXAS
INCORPORATED IN TEXAS

100%

COLEMAN COUNTY STATE BANK
COLEMAN, TEXAS
CHARTERED IN TEXAS

2b: Domestic Branch Listing
Submitted via email on
Copy attached.

AMENDED
JUL 13 2016

No entity in the organization has a LEI.

Results: A list of branches for your holding company: COLEMAN BANCSHARES, INC. (1107072) of COLEMAN, TX.
The data are as of 12/31/2015. Data reflects information that was received and processed through 01/07/2016.

Reconciliation and Verification Steps
1. In the **Data Action** column of each branch row, enter one or more of the actions specified below.
2. If required, enter the date in the **Effective Date** column.

Actions
OK: If the branch information is correct, enter 'OK' in the **Data Action** column.
Change: If the branch information is incorrect or incomplete, revise the data, enter 'Change' in the **Data Action** column and the date when this information first became valid in the **Effective Date** column.
Close: If a branch listed was sold or closed, enter 'Close' in the **Data Action** column and the sale or closure date in the **Effective Date** column.
Delete: If a branch listed was never owned by this depository institution, enter 'Delete' in the **Data Action** column.
Add: If a reportable branch is missing, insert a row, add the branch data, and enter 'Add' in the **Data Action** column and the opening or acquisition date in the **Effective Date** column.

If printing this list, you may need to adjust your page setup in MS Excel. Try using landscape orientation, page scaling, and/or legal sized paper.

Submission Procedure
When you are finished, send a saved copy to your FRB contact. See the detailed instructions on this site for more information.
If you are e-mailing this to your FRB contact, put your institution name, city and state in the subject line of the e-mail.

Note:
To satisfy the **FR Y-10 reporting requirements** , you must also submit FR Y-10 Domestic Branch Schedules for each branch with a **Data Action** of Change, Close, Delete, or Add.
The FR Y-10 report may be submitted in a hardcopy format or via the FR Y-10 Online application - https://y10online.federalreserve.gov.

* FDIC UNINUM, Office Number, and ID_RSSD columns are for reference only. Verification of these values is not required.

Data Action	Effective Date	Branch Service Type	Branch ID_RSSD*	Popular Name	Street Address	City	State	Zip Code	County	Country	FDIC UNINUM*	Office Number*	Head Office
OK		Full Service (Head Office)	761954	COLEMAN COUNTY STATE BANK	118 W. PECAN	COLEMAN	TX	76834	COLEMAN	UNITED STATES	9785	0	COLEMAN COUNTY S
OK		Full Service	3254934	COLEMAN COUNTY BRANCH	4609 SOUTHWEST DRIVE	ABILENE	TX	79606	TAYLOR	UNITED STATES	426516	3	COLEMAN COUNTY S
OK		Limited Service	944850	DRIVE-IN BRANCH	118 W COLLEGE STREET	COLEMAN	TX	76834	COLEMAN	UNITED STATES	234119	1	COLEMAN COUNTY S
OK		Electronic Banking	3541018	WWW.COLEMANBANK.COM BRANCH	118 WEST PECAN STREET	COLEMAN	TX	76834	COLEMAN	UNITED STATES	357362	2	COLEMAN COUNTY S

Form FR Y-6
Coleman Bancshares, Inc.
Fiscal Year Ending December 31, 2015

Report Item 3: Securities holders
(1)(a)(b)(c) and (2)(a)(b)(c)

Current Securities holders with ownership, control or holdings of 5% or more with power to vote as of fiscal year ending 12-31-2015			Securities holders not listed in (3) (1)(a) through (3) (1)(c) that had ownership, control or holdings of 5% or more with power to vote during the fiscal year ending 12-31-2015		
(1)(a) Name, City, State, Country	(1)(b) Country of Citizenship or Incorporation	(1)(c) Number and Percentage of Each Class of Voting Securities	(2)(a) Name, City, State, Country	(2)(b) Country of Citizenship or Incorporation	(2)(c) Number and Percentage of Each Class of Voting Securities
Coleman Bancshares, Inc., ESOP Coleman, Tx Trustees: Ben J. Scott, Joe Dan LeMay, Donnie Henderson	USA	7,410 - 11.01% common stock	N/A		
Cecil Day Coleman, Tx	USA	3,483 - 5.18% common stock			
Ben J. Scott Coleman, Tx	USA	6,775 - 10.07% common stock			
Joe Dan LeMay Coleman, Tx	USA	4,085 - 6.07% common stock			
Janie Popnoe Abilene, Tx	USA	8,662 - 12.87% common stock			
Mike Stith Coleman, TX	USA	3,802 - 5.65% common stock			

AMENDED
JUL 13 2016

Form FR Y-6
Coleman Bancshares, Inc.
Fiscal Year Ending December 31, 2015

Report Item 4: Insiders
(1), (2), (3)(a)(b)(c), and (4)(a)(b)(c)

(1) Names, City, State, Country	(2) Principal Occupation if other than with Bank Holding Company	(3)(a) Title & Position with Bank Holding Company	(3)(b) Title & Position with Subsidiaries (include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (include names of other businesses)	(4)(a) Percentage of Voting Shares in Bank Holding Company	(4)(b) Percentage of Voting Shares in Subsidiaries (include names of subsidiaries)	(4)(c) List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
Ben J. Scott Coleman, Tx	N/A	President & Director	Chairman of the Board, Director (Coleman County State Bank)	Partner (S&S Cattle Co.)	10.07%	None	S&S Cattle Co. 50%
Joe Dan LeMay Coleman, Tx	Attorney	Vice President & Director	Director (Coleman Count State Bank)	Attorney (Joe Dan LeMay); Partner (JJA Partnership)	6.07%	None	Joe Dan LeMay, Attorney 100%; JJA Partnership 25%
Reave Scott Abilene, Tx	N/A	Secretary & Director	Chief Executive Officer, President, Director,Secretary to the Board (Coleman County State Bank)	Partner (S&S Cattle Co.);	2.17%	None	S&S Cattle Co. 50%; Reave Management LLC 100%; KinsEll Ventures, Ltd 100% Vaquero Ranch HOA 100%

Coleman Bancshares, Inc.
Fiscal Year Ending December 31, 2015

AMENDED JUL 13 2016

Report Item 4: Insiders
(1), (2), (3)(a)(b)(c), and (4)(a)(b)(c)

(1) Names, City, State, Country	(2) Principal Occupation if other than with Bank Holding Company	(3)(a) Title & Position with Bank Holding Company	(3)(b) Title & Position with Subsidiaries (include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (include names of other businesses)	(4)(a) Percentage of Voting Shares in Bank Holding Company	(4)(b) Percentage of Voting Shares in Subsidiaries (include names of subsidiaries)	(4)(c) List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
Coleman Bancshares, Inc., E.S.O.P. Coleman, Tx	N/A	N/A	N/A	N/A	11.01%	None	N/A
Janie Popnoı Abilene Texas USA	Retired School Teacher	N/A	N/A	N/A	12.87%	None	N/A

Coleman County
STATE BANK

COLEMAN BANCSHARES, INC.,
AND SUBSIDIARY
Coleman, Texas

CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

December 31, 2015 and 2014

FOUNDED ON PRINCIPLE
FOCUSED ON SERVICE

COLEMAN BANCSHARES, INC., AND SUBSIDIARY
Coleman, Texas

CONTENTS

December 31, 2015 and 2014

Condley
AND COMPANY, LLP
Certified Public Accountants and Business Advisors

993 North Third Street
PO Box 2993
Abilene, Texas 79604-2993
phone 325-677-6251
fax 325-677-0006
www.condley.com

March 2, 2016

To the Board of Directors and Stockholders
Coleman Bancshares, Inc., and Subsidiary
Coleman, Texas

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Coleman Bancshares, Inc., and Subsidiary (the "Company") which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 of 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 reasonable basis for our audit opinion.

Opinion

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

Condley and Company, L.L.P.
Certified Public Accountants

COLEMAN BANCSHARES, INC., AND SUBSIDIARY
Coleman, Texas

CONSOLIDATED BALANCE SHEETS

	December 31, 2015	December 31, 2014
ASSETS		
Cash and due from banks:		
Noninterest-bearing balances and currency and coin	$ 2,637,183	$ 1,913,175
Interest-bearing deposits in other financial institutions	5,712,663	10,409,774
Securities available-for-sale	14,759,793	11,827,128
Loans receivable, net of allowance for loan losses of $1,288,629 and $784,878 for 2015 and 2014, respectively	81,103,605	77,461,145
Accrued interest receivable	604,868	669,230
Goodwill, net of accumulated amortization of $407,260	424,590	424,590
Premises and equipment, net	2,426,628	2,417,217
Other assets	247,349	503,372
TOTAL ASSETS	$ 107,916,679	$ 105,625,631

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

LIABILITIES AND STOCKHOLDERS' EQUITY	December 31, 2015	December 31, 2014
LIABILITIES:		
Demand deposits	$ 31,672,336	$ 29,681,996
Savings and NOW deposits	46,762,920	46,831,762
Other time deposits	18,522,834	18,435,556
Total deposits	96,958,090	94,949,314
Accrued expenses and other liabilities	202,371	155,436
Total Liabilities	97,160,461	95,104,750
STOCKHOLDERS' EQUITY:		
Common stock - $10 par value; 1,000,000 shares authorized, 67,294 shares issued and outstanding	672,940	672,940
Additional paid-in capital	1,521,144	1,521,144
Retained earnings	8,636,832	8,450,226
Accumulated other comprehensive loss	(74,698)	(123,429)
Total Stockholders' Equity	10,756,218	10,520,881
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 107,916,679	$ 105,625,631

COLEMAN BANCSHARES, INC., AND SUBSIDIARY
Coleman, Texas

CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31, 2015	2014
INTEREST INCOME:		
Loans receivable	$ 4,578,984	$ 4,564,667
Securities available-for-sale	244,289	201,552
Interest-bearing deposits with other financial institutions	25,257	23,217
Total Interest Income	4,848,530	4,789,436
INTEREST EXPENSE:		
Deposits	191,816	227,359
Total Interest Expense	191,816	227,359
NET INTEREST INCOME	4,656,714	4,562,077
Provision for loan losses	522,691	64,500
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	4,134,023	4,497,577
NON-INTEREST INCOME:		
Service charges and fees	964,035	871,620
Gain on sale of available-for-sale securities	529	0
Other income	82,773	84,761
Total Other Income	1,047,337	956,381
NON-INTEREST EXPENSES:		
Salaries and employee benefits	1,549,633	1,511,473
Occupancy expense	369,501	293,828
Deposit insurance premium	53,413	49,791
Other expenses	1,524,915	1,453,244
Total Other Expenses	3,497,462	3,308,336
NET INCOME	$ 1,683,898	$ 2,145,622
SUPPLEMENTARY INFORMATION (*See Independent Auditors' Report on Supplementary Information*):		
Net income per share of common stock	$ 25.02	$ 31.88
Average shares outstanding	67,294	67,294

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

COLEMAN BANCSHARES, INC., AND SUBSIDIARY
Coleman, Texas

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31, 2015	Year Ended December 31, 2014
NET INCOME	$ 1,683,898	$ 2,145,622
Other items of comprehensive income (loss):		
Unrealized gains on securities:		
Unrealized holding gain arising during period	49,260	269,926
Less: reclassification adjustment for gains included in net income	(529)	0
Total other items of comprehensive income	48,731	269,926
Comprehensive income before tax	1,732,629	2,415,548
Income tax expense related to other items of comprehensive income	0	0
Comprehensive income after tax	$ 1,732,629	$ 2,415,548

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

COLEMAN BANCSHARES, INC., AND SUBSIDIARY
Coleman, Texas

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the Years Ended December 31, 2015 and 2014

	Common Stock	Additional Paid-In Capital
BALANCE AT DECEMBER 31, 2013	$ 672,940	$ 1,521,144
Net income for 2014		
Net change in unrealized loss on available-for-sale securities, net of taxes of $0		
Dividends on common stock, $20.00 per share		
BALANCE AT DECEMBER 31, 2014	672,940	1,521,144
Net income for 2015		
Net change in unrealized loss on available-for-sale securities, net of taxes of $0		
Dividends on common stock, $22.25 per share		
BALANCE AT DECEMBER 31, 2015	$ 672,940	$ 1,521,144

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

	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	$ 7,650,484	$ (393,355)	$ 9,451,213
	2,145,622		2,145,622
		269,926	269,926
	(1,345,880)		(1,345,880)
	8,450,226	(123,429)	10,520,881
	1,683,898		1,683,898
		48,731	48,731
	(1,497,292)		(1,497,292)
	$ 8,636,832	$ (74,698)	$ 10,756,218

COLEMAN BANCSHARES, INC., AND SUBSIDIARY
Coleman, Texas

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 1,683,898	$ 2,145,622
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	154,153	130,419
Amortization and accretion	55,519	71,326
Provision for loan losses	522,691	64,500
Loss on disposal of premises and equipment	9,327	0
Gain on sale of available-for-sale securities	(529)	0
Net realized loss on sale of foreclosed assets	0	24,084
(Increase) Decrease in accrued income and other assets	320,385	(40,875)
Increase in accrued expenses and other liabilities	46,935	16,773
Total Adjustments	1,108,481	266,227
Net Cash Provided by Operating Activities	2,792,379	2,411,849
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of available-for-sale securities	(64,035,803)	(3,510,435)
Proceeds from maturities and sales of available-for-sale securities	61,096,879	2,840,670
Net increase in loans	(4,165,151)	(1,260,746)
Purchases of premises and equipment	(172,891)	(264,374)
Proceeds from sale of foreclosed assets	0	34,701
Net Cash Used in Investing Activities	(7,276,966)	(2,160,184)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in non-interest bearing demand, savings, and NOW deposit accounts	1,921,498	10,047,931
Net increase (decrease) in time deposits	87,278	(666,057)
Dividends paid	(1,497,292)	(1,345,880)
Net Cash Provided by Financing Activities	511,484	8,035,994
Net Increase (Decrease) in Cash and Due From Banks	(3,973,103)	8,287,659
Cash and due from banks at January 1	12,322,949	4,035,290
CASH AND DUE FROM BANKS AT DECEMBER 31	$ 8,349,846	$ 12,322,949
SUPPLEMENTARY INFORMATION:		
Interest paid	$ 194,939	$ 232,825
Income taxes paid (state taxes)	$ 12,835	$ 10,050
NONCASH AND FINANCING ACTIVITIES:		
Repossessions acquired in settlement of loans	$ 0	$ 12,047

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Coleman Bancshares, Inc., ("Bancshares") and its wholly owned subsidiary, Coleman County State Bank, (the "Bank") collectively referred to as the "Company". All significant intercompany transactions and balances have been eliminated in consolidation.

The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America and general industry practices.

Nature of Operations

The Company conducts domestic financial services business through its bank in Coleman, Texas and its branch in Abilene, Texas. The primary financial services provided by the Company include commercial, agricultural, real estate financing, and personal and business loans to customers who are predominantly small and middle-market businesses and middle-income individuals.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents, and due from banks includes cash on hand and demand deposits at other financial institutions including cash items in process of clearing and federal funds sold under agreements to resell, all of which mature within 90 days. Cash flows from loans and deposits are reported net.

Federal Home Loan Bank stock

The Company, as a member of the Federal Home Loan Bank ("FHLB") system, is required to maintain an investment in capital stock of the FHLB in an amount equal to the greater of 1% of its outstanding home loans or 5% of advances from the FHLB. No ready market exists for the FHLB stock, and it has no quoted market value. The balance of the stock totaled $95,000 at December 31, 2015 and 2014.

Interest-bearing Deposits in Banks

Interest-bearing deposits in banks mature within one year and are carried at cost.

Trading Securities

Securities held for sale in the near term are classified as trading account securities and recorded at their fair values. Unrealized gains and losses on trading account securities are included immediately in other income. No trading securities were owned by the Company during the years 2015 and 2014 or at December 31, 2015 and 2014.

Securities Held-to-Maturity

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

Securities Available-for-Sale

Available-for-sale securities consist of securities not classified as trading securities nor as held-to-maturity securities.

Unrealized holding gains and losses, net of tax, on available-for-sale securities are reported as a net amount in a separate component of stockholders' equity until realized.

Gains and losses on the sale of available-for-sale securities are determined using the specific-identification method.

Declines in the fair value of individual held-to-maturity and available-for-sale securities below their cost, that are other than temporary, result in write-downs of the individual securities to their fair value. The related write-downs are included in earnings as realized losses. The Company had no write-downs other than temporary in 2015 or 2014.

Premiums and discounts are recognized in interest income using the interest method over the period to maturity.

Loans Held for Sale

Loans held for sale are those loans the Company has the intent to sell in the foreseeable future. They are carried at the lower of aggregate cost or market value. Net unrealized losses, if any, are recognized through a valuation allowance by charges to income. Gains and losses on sales of loans are recognized at settlement dates and are determined by the difference between the sales proceeds and the carrying value of the loans. There were no gains or losses realized on loans sold during the years ended December 31, 2015 and 2014.

Loans Receivable

The Company generally originates single-family residential loans within its primary lending area in Coleman and Abilene, Texas. The Company's underwriting policies require such loans to be 80% loan to value based upon appraised values unless private mortgage insurance is obtained. These loans are secured by the underlying properties. The Company is also active in originating secured consumer loans to its customers, primarily automobile loans.

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are stated at the amount of unpaid principal, reduced by unearned discount and fees and an allowance for loan losses. Unearned interest on discounted loans is amortized to income over the life of the loans, using the interest method. For all other loans, interest is accrued daily on the outstanding balances.

Accounting principles generally accepted in the United States of America require that loan origination fees and certain direct origination costs be capitalized and recognized as an adjustment of the yield of the related loan. The Company has not done this to date as these fees and costs are not material to the financial statements.

Discounts and premiums on purchased residential real estate loans are amortized to income using the interest method over the remaining period to contractual maturity, adjusted for anticipated prepayments. Discounts and premiums on purchased consumer loans are recognized over the expected lives of the loans using methods that approximate the interest method. The Company had no residential real estate or consumer purchased loans during the year ended December 31, 2015 and 2014.

For impaired loans, accrual of interest is discontinued on a loan when management believes, after considering collection efforts and other factors that the borrower's financial condition is such that collection of interest is doubtful. Cash collections on impaired loans are credited to the loan receivable balance, and no interest income is recognized on those loans until the principal balance has been collected.

A loan is considered to be delinquent when payments have not been made according to contractual terms, typically evidenced by nonpayment of a monthly installment by the due date. The accrual of interest on loans is discontinued at the time the loan is 90 days delinquent unless the credit is well-secured and in the process of collection.

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

Each segment of loans has specific risks associated based on the nature of the loan. Loans secured by real estate are influenced by real estate market conditions in the area in which the property is located as well as the type of property the loan is secured by. Agriculture loans are subject to market prices as well as the local weather conditions in determining future repayment and value of collateral. Commercial and consumer loans are also subject to the local and national economic atmosphere, and the industry in which the entity conducts business.

Allowance for Loan Losses

The allowance for loan losses is established through a provision for loan losses charged to expense. Loans are charged against the allowance for loan losses when management believes that collectability of the principal is unlikely. Subsequent recoveries, if any, are credited to the allowance.

The allowance is an amount that management believes will be adequate to absorb estimated losses related to specifically identified loans, as well as probable credit losses inherent in the balance of the loan portfolio, based on an evaluation of the collectability of existing loans and prior loss experience. This evaluation also takes into consideration such factors as changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans, and current economic conditions that may affect the borrower's ability to pay. This evaluation does not include the effects of expected losses on specific loans or groups of loans that are related to future events or expected changes in economic conditions. While management uses the best information available to make its evaluation, future adjustments to the allowance may be necessary if there are significant changes in economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowance for loan losses, and may require the Bank to make additions to the allowance based on their judgment about information available to them at the time of their examinations.

The allowance consists of specific, general, and unallocated components. The specific component relates to loans that are classified as either special mention, substandard, or doubtful. For such loans that are also classified as 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. An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The uncollected component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio. This methodology is consistent among all classes of loans.

A loan is impaired when it is probable, based on current information and events, the Company will be unable to collect all contractual principal and interest payments due in accordance with the terms of the loan agreement. Impaired loans are measured on an individual basis for commercial and construction loans based on the present value of expected future cash flows discounted at the loan's effective interest rate or, as a practical expedient, at the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. The amount of impairment, if any, and any subsequent changes are included in the allowance for loan losses.

Large groups of smaller balance homogenous loans are collectively evaluated for impairment. Accordingly, the Company does not separately indentify individual consumer and residential loans for impairment disclosures.

Foreclosed Assets

Assets acquired through foreclosure or other proceedings are initially recorded at fair value at the date of foreclosure less estimated costs of disposal, which establishes a new cost. After foreclosure, valuations are periodically performed by management and foreclosed assets held for sale are carried at the lower of cost or fair value less estimated costs of disposal. Any write-down to fair value at the time of transfer to foreclosed assets is charged to the allowance for loan losses. Property is evaluated regularly to ensure the recorded amount is supported by its current fair value and valuation allowances to reduce the carrying amount to fair value less estimated costs to dispose are recorded as necessary. Revenue and expense from the operations of foreclosed assets and changes in the valuation allowance are included net expenses from foreclosed assets.

Premises and Equipment

Land is carried at cost. Company premises and equipment are carried at cost, less accumulated depreciation and amortization computed principally by the straight-line method. Depreciation expense was $154,153 and $130,419 for the years ended December 31, 2015 and 2014, respectively.

Income Taxes

Effective January 1, 2001, Bancshares elected by unanimous consent of its stockholders to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under such election, Bancshares' federal taxable income or loss is passed through to the individual stockholders for the year 2001 and for years thereafter. Since the Company has maintained its Subchapter S status, management has not identified any instances where an adjustment to the financial statements would be necessary in order to comply with ASC 740-10, *Accounting for Uncertainty in Income Taxes.* With few exceptions, the Company is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2012. State franchise taxes totaled $12,835 and $10,050 for the years ended December 31, 2015 and 2014, and is included in "Other expenses" on the consolidated statements of income due to the overall immateriality.

Loan-Servicing Rights

The cost of loan-servicing rights acquired is amortized in proportion to, and over the period of, estimated net servicing revenues. When participating interests in loans sold have an average contractual interest rate, adjusted for normal servicing fees, that differs from the agreed yield to the purchaser, gains or losses are recognized equal to the present value of such differential over the estimated remaining life of such loans. The resulting "excess servicing fees receivable" or "deferred servicing revenue" is amortized over the estimated life using a method approximating the interest method.

The unamortized cost of loan-servicing rights purchased, the excess servicing fees receivable, and the amortization thereon is periodically evaluated in relation to estimated future net servicing revenues, taking into consideration changes in interest rates, current prepayment rates, and expected future cash flows. The Company evaluates the carrying value of the servicing portfolio by estimating the future net servicing income of the portfolio based on management's best estimate of remaining loan lives. The Company had no loan servicing rights at December 31, 2015 and 2014.

Financial Instruments

Interest-Rate Exchange Agreements. Interest-rate exchange agreements (swaps), used in asset/liability management activities, are accounted for using the accrual method. Gains or losses on the sales of swaps used in asset/liability management activities are deferred and amortized into interest income or expense over the maturity period of the swap. Net interest income (expense), resulting from the differential between exchanging floating and fixed-rate interest payments is recorded on a current basis. The Company did not enter into any such agreements during the years ended December 31, 2015 and 2014.

Financial Futures. Interest-rate futures contracts may be entered into by the Company as hedges against exposure to interest-rate risk and not for speculation purposes. Changes in the market value of interest-rate futures contracts are deferred and amortized into interest income or expense over the maturity period of the hedged assets or liabilities. The Company did not enter into any such agreements during the years ended December 31, 2015 and 2014.

Financial Options. Option premiums received for writing puts and calls are recorded as a liability representing the market value of the option. The liability is to be subsequently marked to market at each balance sheet date. The Company did not receive any financial options during the years ended December 31, 2015 and 2014.

Other Off-Balance Sheet Instruments. In the ordinary course of business the Company has entered into off-balance sheet financial instruments consisting of commitments to extend credit, commitments under credit card arrangements, commercial letters of credit, and standby letters of credit. Such financial instruments are recorded in the financial statements when they are funded or related fees are incurred or received.

Intangible Assets

Goodwill represents the excess of cost of the minority shareholders' common stock in Coleman County State Bank, acquired over the book value of the stock at the date of acquisition. Accounting principles generally accepted in the United States of America does not allow for amortization of goodwill effective for the year of 2002 and beyond in accordance with Statement of ASC 350-10, *Goodwill and Other Intangible Assets.* ASC 350-10 prescribes a periodic impairment test of goodwill, which the Company has completed and determined no impairment issues for the years ended December 31, 2015 and 2014.

Subsequent Events

The Company has evaluated subsequent events through March 2, 2016, the date the financial statements were available to be issued.

Recent Accounting Pronouncements

ASU 2014-09 and ASU 2015-14

In May 2014, the Financial Accounting Standards Board (FASB) and International Accounting Standards Board (IASB) issued substantially converged final standards on revenue recognition. The FASB's Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, was issued in three parts: (1) Section A, "Summary and Amendments That Create Revenue from Contracts with Customers and Other Assets and Deferred Costs – Contracts With Customers"; (2) Section B, "Conforming Amendments to Other Topics and Subtopics in the Codification and Status Tables"; and (3) Section C, "Background Information and Basis for Conclusions". In August 2015, *ASU 2015-14 Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date* was issued.

ASU 2014-09 provides a robust framework for addressing revenue recognition issues and, upon its effective date, replaces almost all existing revenue recognition guidance, including industry-specific guidance, in current U.S. generally accepted accounting principles (GAAP). This standard will help with improved comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets. Given the broad applicability and potentially significant ramifications of the guidance in the ASU a deferral of the effective date was made with ASU 2015-14, and the ASU will not be effective until 2018 for calendar end public entities, which includes not-for-profit entities that have issued, or are conduit bond obligors for, securities that are traded, listed or quoted on an exchange or an over the count market and in 2019 for all other entities.

ASU 2014-02

In January 2014, the Financial Accounting Standards Board (FASB) through consensus of the Private Company Council issued *ASU 2014-02 Intangibles - Goodwill and Other (Topic 350) – Accounting for Goodwill.* As an alternative to the cost and complexity with applying the current goodwill accounting practice and the limited relevance to users this ASU allows for the amortization of goodwill on a straight-line basis over 10 years, or less than 10 years if the entity demonstrates that another useful life is more appropriate. An entity that makes the election is further required to make an accounting policy election to test goodwill for impairment at either the entity level or the reporting unit level when a triggering event occurs.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force) and the American Institute of Certified Public Accountants did not or are not believed by management to have a material impact on the Company's present or future financial statements.

Use of Estimates

In preparing the accompany financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of and revenue and expenses for the reporting period. Actual results could differ from those estimates. A material estimate that is particularly sensitive to significant change in the near term relates to the determination of the allowance for loan losses.

NOTE 2: RESTRICTIONS ON CASH AND DUE FROM BANKS

The Company is required to maintain reserve balances in cash or on deposit with the Federal Reserve Bank, based on a percentage of deposits. The total of those reserve balances were $1,101,000 and $1,215,000 at December 31, 2015 and 2014, respectively.

NOTE 3: DEBT AND EQUITY SECURITIES

Debt and equity securities have been classified in the consolidated balance sheets according to management's intent. The carrying amount of securities and their approximate fair values at December 31, were as follows:

	2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale securities:				
U.S. government and agency securities	$ 5,003,903	$ 0	$ (5,533)	$ 4,998,370
Mortgage-backed securities	4,262,739	11,184	(46,447)	4,227,476
Collateralized mortgage obligation securities	1,037,571	0	(39,304)	998,267
Treasury securities	1,035,800	0	(1,360)	1,034,440
State and municipal securities	3,494,478	6,762	0	3,501,240
	$ 14,834,491	$ 17,946	$ (92,644)	$ 14,759,793

	2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale securities:				
U.S. government and agency securities	$ 2,006,480	$ 0	$ (1,150)	$ 2,005,330
Mortgage-backed securities	5,115,980	30,186	(59,935)	5,086,231
Collateralized mortgage obligation securities	1,209,285	0	(53,304)	1,155,981
State and municipal securities	3,618,811	1,720	(40,946)	3,579,586
	$ 11,950,556	$ 31,906	$ (155,335)	$ 11,827,128

The scheduled maturities of securities available-for-sale at December 31, 2015, were as follows:

	Available-for-sale Securities	
	Amortized Cost	Fair Value
Due in one year or less	$ 320,349	$ 320,291
Due from one year to five years	7,667,929	7,660,105
Due from five years to ten years	1,545,904	1,553,656
Due after ten years	5,300,309	5,225,741
	$ 14,834,491	$ 14,759,793

Securities carried at approximately $8,984,799 at December 31, 2015 and $9,230,593 at December 31, 2014, were pledged to secure public deposits and for other purposes required or permitted by law.

The Company held the following investments that have been in a continuous unrealized loss position December 31, 2015:

	Less than 12 months		12 months or longer	
	FMV	Unrealized Loss	FMV	Unrealized Loss
U.S. government and agency securities	$ 0	$ 0	$ 2,989,430	$ (10,110)
Mortgage-backed securities	2,589,486	(50,797)	0	0
Collateralized mortgage obligation securities	998,267	(39,304)	0	0
Treasury securities	0	0	1,034,440	(1,360)
State and municipal securities	0	0	1,144,250	(1,157)
Total temporarily impaired securities	$ 3,587,753	$ (90,101)	$ 5,168,120	$ (12,627)

The Company held the following investments that have been in a continuous unrealized loss position December 31, 2014:

	Less than 12 months		12 months or longer	
	FMV	Unrealized Loss	FMV	Unrealized Loss
U.S. government and agency securities	$ 1,005,330	$ (1,150)	$ 0	$ 0
Mortgage-backed securities	0	0	3,107,907	(59,935)
Collateralized mortgage obligation securities	0	0	1,155,981	(53,304)
State and municipal securities	319,627	(334)	1,510,363	(40,612)
Total temporarily impaired securities	$ 1,324,957	$ (1,484)	$ 5,774,251	$ (153,851)

The above tables disclose the Company's investment securities that have been in a continuous unrealized loss position. The investment securities in the above tables are investments believed by management to be normal investments for the banking industry. The Company does not believe the unrealized loss position securities are "other than temporary" as (i) the Company has the ability to hold the investments to maturity, (ii) it is not probable that the Company will be unable to collect the amounts contractually, and (iii) no decision to dispose of the investments was made prior to the balance sheet date. Management believes the unrealized loss position securities noted above are caused by interest rate fluctuations. No credit issues were identified related to the unrealized loss position securities.

NOTE 4: LOANS RECEIVABLE

The components of loans in the consolidated balance sheet at December 31 were as follows:

	2015	2014
Commercial	$ 10,323,902	$ 9,976,675
Agriculture	7,429,309	8,338,276
Real estate	61,025,624	56,544,268
Consumer	3,550,038	3,331,580
Overdrafts	72,411	68,721
Other	(9,050)	(13,497)
Subtotal	82,392,234	78,246,023
Allowance for loan losses	(1,288,629)	(784,878)
	$ 81,103,605	$ 77,461,145

The Company purchased participations in loan agreements during 2015, with a total outstanding balance at December 31, 2015 of $253,569. The total balance is considered to be loans for the purchase of residential real estate. The total balance of purchased participation loan agreements at December 31, 2015 was $253,569. The Company sold participations in loan agreements during 2015, with a total outstanding balance at December 31, 2015 of $12,730,440, of which $5,897,487 is considered to be loans for commercial purposes and $6,832,953 for non-farmland real estate. The total balance of participation sold loan agreements at December 31, 2015 was $12,730,440.

An analysis of the change in the allowance for loan losses follows:

	2015	2014
Balance at January 1,	$ 784,878	$ 746,982
Loans charged off	(24,661)	(36,196)
Recoveries	5,721	9,592
	765,938	720,378
Provision for loan losses	522,691	64,500
Balance at December 31,	$ 1,288,629	$ 784,878

A progression of the allowance for loan losses by type as of December 31, 2015 follows:

	Beginning Balance	Charge-Offs	Recoveries	Provision	Total
Commercial	$ 245,522	$ 0	$ 2,486	$ 479,691	$ 727,699
Agriculture	63,827	0	0	12,000	75,827
Real estate	425,761	0	0	14,000	439,761
Consumer	44,471	(1,652)	6	2,000	44,825
Other	5,297	(23,009)	3,229	15,000	517
Total	$ 784,878	$ (24,661)	$ 5,721	$ 522,691	$ 1,288,629

A progression of the allowance for loan losses by type as of December 31, 2014 follows:

	Beginning Balance	Charge-Offs	Recoveries	Provision	Total
Commercial	$ 226,428	$ 0	$ 3,094	$ 16,000	$ 245,522
Agriculture	48,827	0	0	15,000	63,827
Real estate	426,786	(17,025)	0	16,000	425,761
Consumer	43,519	(1,548)	0	2,500	44,471
Other	1,422	(17,623)	6,498	15,000	5,297
Total	$ 746,982	$ (36,196)	$ 9,592	$ 64,500	$ 784,878

The allowance for loan losses consists of the following components as of December 31, 2015:

	Ending Balance	Individually Evaluated For Impairment	Collectively Evaluated For Impairment	Acquired With Deteriorated Credit Quality
Commercial	$ 767,699	$ 507,157	$ 220,542	$ 0
Agriculture	75,827	0	75,827	0
Real estate	439,761	4,247	435,514	0
Consumer	44,825	0	44,825	0
Other	517	0	517	0
Total	$ 1,288,629	$ 511,404	$ 777,225	$ 0

The allowance for loan losses consists of the following components as of December 31, 2014:

	Ending Balance	Individually Evaluated For Impairment	Collectively Evaluated For Impairment	Acquired With Deteriorated Credit Quality
Commercial	$ 245,522	$ 0	$ 245,522	$ 0
Agriculture	63,827	60,755	3,072	0
Real estate	425,761	4,985	420,776	0
Consumer	44,471	0	44,471	0
Other	5,297	0	5,297	0
Total	$ 784,878	$ 65,740	$ 719,138	$ 0

Loans receivable were evaluated for the allowance for loan losses as of December 31, 2015 as follows:

	Ending Balance	Individually Evaluated For Impairment	Collectively Evaluated For Impairment	Acquired With Deteriorated Credit Quality
Commercial	$ 10,323,902	$ 50,866	$ 10,273,036	$ 0
Agriculture	7,429,309	0	7,429,309	0
Real estate	61,025,624	676,200	60,349,424	0
Consumer	3,550,038	0	3,550,038	0
Other	63,361	0	63,361	0
Total	$ 82,392,234	$ 727,066	$ 81,665,168	$ 0

Loans receivable were evaluated for the allowance for loan losses as of December 31, 2014 as follows:

	Ending Balance	Individually Evaluated For Impairment	Collectively Evaluated For Impairment	Acquired With Deteriorated Credit Quality
Commercial	$ 9,976,675	$ 501	$ 9,976,174	$ 0
Agriculture	8,338,276	166,754	8,171,522	0
Real estate	56,544,268	99,707	56,444,561	0
Consumer	3,331,580	0	3,331,580	0
Other	55,224	0	55,224	0
Total	$ 78,246,023	$ 266,962	$ 77,979,061	$ 0

Certain credit quality indicators as used to develop the Bank's allowance for loan losses by class of loans receivable as of December 31, 2015 is as follows:

	Pass	OAEM	Substandard	Total Loans Receivable
Commercial				
General	$ 1,627,291	$ 0	$ 0	$ 1,627,291
Vehicles and equipment	6,360,139	193,106	2,143,366	8,696,611
Agriculture				
Livestock	4,917,874	0	0	4,917,874
Vehicles and equipment	2,151,659	158,668	0	2,310,327
Other	201,108	0	0	201,108
Real Estate				
Farmland	8,964,087	294,214	52,764	9,311,065
Commercial	5,067,959	0	0	5,067,959
Residential	17,283,681	733,364	344,408	18,361,453
Non-farmland	27,686,152	0	598,995	28,285,147

		Pass		OAEM		Substandard		Total Loans Receivable
Consumer								
Personal		1,041,909		22,107		0		1,064,016
Automobile		2,478,499		7,523		0		2,486,022
Other		63,361		0		0		63,361
Total	$	77,843,719	$	1,408,982	$	3,139,533	$	82,392,234

Certain credit quality indicators as used to develop the Company's allowance for loan losses by class of loans receivable as of December 31, 2014 is as follows:

		Pass		OAEM		Substandard		Total Loans Receivable
Commercial								
General	$	3,191,110	$	0	$	0	$	3,191,110
Vehicles and equipment		6,785,064		0		501		6,785,565
Agriculture								
Livestock		5,787,105		0		88,630		5,875,735
Vehicles and equipment		2,125,984		0		78,124		2,204,108
Other		258,433		0		0		258,433
Real Estate								
Farmland		12,098,021		347,772		0		12,445,793
Commercial		3,910,020		0		0		3,910,020
Residential		15,847,438		434,682		33,258		16,315,378
Non-farmland		23,806,627		0		66,449		23,873,076
Consumer								
Personal		331,622		15,396		0		347,018
Automobile		2,966,935		17,627		0		2,984,562
Other		55,225		0		0		55,225
Total	$	77,163,584	$	815,477	$	266,962	$	78,246,023

The Company utilizes an asset quality rating system in order to assess credit quality. The following ratings are used for criticized and classified assets. All remaining assets are referred to as "Pass".

Criticized Asset – OAEM – Loans in this category have existing or potential credit weaknesses that could ultimately lead to a more sever classification. The weaknesses could relate to collateral, documentation, finances, repayment ability, economic conditions, performance, or any other area. These assets should be monitored closely for further deterioration.

Classified Asset – Substandard – Loans in this category have specific weaknesses that jeopardize the liquidation of the debt. Collateral, net worth, insufficient cash flow to support borrowings, and loss potential exists unless the deficiencies are corrected. These assets merit close attention and corrective actions in order to ensure their ultimate collections.

Classified Asset – Doubtful – These loans have a high probability of loss. The extent of loss is not exactly determinable due to mitigating factors that could enhance collectability of the loan such as proposed mergers, acquisitions, liquidations procedures, capital injection, additional collateral, or refinancing efforts.

Charge off of doubtful loans is made when appropriate and not necessarily deferred until a more exact status can be ascertained.

Classified Asset – Loss – These loans are those that are not bankable assets in their present state. The loan is a recovery matter and while some recovery may be realized, debt satisfaction is not likely in the near term.

The Company had no "Doubtful" or "Loss" assets as of December 31, 2015 and 2014; therefore, they were not included in the detail above.

Loans transferred to foreclosed assets totaled $0 and $12,047 in 2015 and 2014, respectively. Loans on non-accrual status totaled $108,144 and $166,804 at December 31, 2015 and 2014 respectively. Loans past due over 90 days totaled $443,973 and $235,555 at December 31, 2015 and 2014, respectively. The Company is not committed to lend additional funds to debtors whose loans have been modified.

The Company had the following investments in impaired loans as of December 31, 2015:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Quarterly Recorded Investment	Interest Income Recognized
Commercial					
Vehicles and equipment	$ 1,956,176	$ 2,463,333	$ 507,157	$ 62,796	$ 27,551
Agriculture					
Livestock	0	0	0	0	0
Vehicles and equipment	0	0	0	0	0
Real Estate					
Residential	27,657	27,657	0	0	0
Non-farmland	53,031	57,278	4,247	4,618	3,767
Consumer					
Automobile	0	0	0	0	0
Total	$ 2,036,864	$ 2,548,268	$ 511,404	$ 67,414	$ 31,318

The Bank had the following investments in impaired loans as of December 31, 2014:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Quarterly Recorded Investment	Interest Income Recognized
Commercial					
Vehicles and equipment	$ 0	$ 0	$ 0	$ 5,708	$ 966
Agriculture					
Livestock	27,875	88,630	60,755	88,630	0
Vehicles and equipment	78,124	78,124	0	78,124	0
Real Estate					
Residential	33,258	33,258	0	35,773	2,835
Non-farmland	61,464	66,449	4,985	62,811	5,046

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Quarterly Recorded Investment	Interest Income Recognized
Consumer					
Automobile	0	0	0	2,801	108
Total	$ 200,721	$ 266,461	$ 65,740	$ 273,847	$ 8,955

The age analysis of past due financing receivables as of December 31, 2015 is as follows:

	Days Past Due					
	30-59 Days	60-89 Days	Greater than 90 Days[1]	Total Past Due	Current	Total Loans Receivable
Commercial						
General	$ 129,001	$ 0	$ 0	$ 129,001	$ 1,498,290	$ 1,627,291
Vehicles and equipment	0	0	384,921	384,921	8,311,690	8,696,611
Agriculture						
Livestock	22,905	0	0	22,905	4,894,969	4,917,874
Vehicles and equipment	14,557	0	0	14,557	2,295,770	2,310,327
Other	0	0	0	0	201,108	201,108
Real Estate						
Farmland	0	0	0	0	9,311,065	9,311,065
Commercial	0	0	0	0	5,067,959	5,067,959
Residential	764,073	16,237	0	780,310	17,581,143	18,361,453
Non-farmland	195,201	0	57,278	252,479	28,032,668	28,285,147
Consumer						
Personal	36,220	0	661	36,881	1,027,135	1,064,016
Automobile	70,610	11,163	1,113	82,886	2,403,136	2,486,022
Other	0	0	0	0	63,361	63,361
Total	$ 1,232,567	$ 27,400	$ 443,973	$ 1,703,940	$ 80,688,294	$ 82,392,234

[1]Loans totaling $386,695 past due greater than ninety days were accruing interest as of December 31, 2015 as management believes they are adequately collateralized and in process of collection.

The age analysis of past due financing receivables as of December 31, 2014 is as follows:

	Days Past Due					
	30-59 Days	60-89 Days	Greater than 90 Days[1]	Total Past Due	Current	Total Loans Receivable
Commercial						
General	$ 0	$ 0	$ 0	$ 0	$ 3,191,110	$ 3,191,110
Vehicles and equipment	319,146	50,000	501	369,647	6,415,918	6,785,565
Agriculture						
Livestock	1,088	9,000	90,480	100,568	5,775,167	5,875,735
Vehicles and equipment	99,495	11,000	78,124	188,619	2,015,489	2,204,108
Other	0	0	0	0	258,433	258,433
Real Estate						
Farmland	88,692	120,966	0	209,658	12,236,135	12,445,793
Commercial	0	0	0	0	3,910,020	3,910,020
Residential	497,567	19,313	0	516,880	15,798,498	16,315,378
Non-farmland	223,072	0	66,449	289,521	23,583,555	23,873,076
Consumer						
Personal	27,655	2,461	0	30,116	316,902	347,018
Automobile	24,698	35,077	0	59,775	2,924,787	2,984,562
Other	0	0	0	0	55,225	55,225
Total	$ 1,281,413	$ 247,817	$ 235,554	$ 1,764,784	$ 76,481,239	$ 78,246,023

[1]Loans totaling $68,750 past due greater than ninety days were accruing interest as of December 31, 2014 as management believes they are adequately collateralized and in process of collection.

NOTE 5: PREMISES AND EQUIPMENT

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

	2015	2014
Cost:		
Land	$ 574,305	$ 574,304
Bank premises	2,935,064	2,969,831
Furniture and equipment	1,159,412	2,229,440
Total cost	4,668,781	5,773,575
Less accumulated depreciation	(2,242,153)	(3,356,358)
Net book value	$ 2,426,628	$ 2,417,217

Certain Company facilities and equipment are leased under various operating leases. Rental expense was $11,894 in 2014 and $11,175 in 2015. Payment requirements for operating leases for the fiscal years ending 2016, 2017, and 2018 are $9,929, $9,929, and $2,349 respectively.

NOTE 6: DEPOSITS

A summary of deposits at December 31, follows:

	2015	2014
Non-interest bearing demand	$ 31,672,336	$ 29,681,996
Interest-bearing demand	39,919,023	40,177,243
Savings	6,843,897	6,654,519
Certificates of deposit of $100,000 or more	11,603,484	11,158,866
Other time deposits	6,919,350	7,276,690
	$ 96,958,090	$ 94,949,314

At December 31, 2015 and 2014, overdraft demand deposits reclassified to loans totaled $72,411 and $68,721, respectively.

At December 31, 2015, the scheduled maturities of certificates of deposits and other time deposits are as follows:

Year ending	
2016	$ 13,994,883
2017	927,282
2018	96,440
2019 and thereafter	3,504,229
	$ 18,522,834

NOTE 7: FINANCIAL INSTRUMENTS

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

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

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 drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if it is deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the counterpart. Collateral held varies but may include accounts receivable, crops, livestock, inventory, property, plant and equipment, residential real estate, income-producing commercial properties and other financial instruments.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. Collateral held varies and is required in instances in which the Company deems necessary.

The Company has not incurred any losses on its commitments in either 2015 or 2014.

A summary of the notional amounts of the Company's financial instruments with off-balance-sheet risk at December 31, 2015, follows:

		Notional Amount
Commitments to extend credit	$	12,082,658
Standby letters of credit		484,785

NOTE 8: SIGNIFICANT GROUP CONCENTRATIONS OF CREDIT RISK

Most of the Company's business activity is with customers located within its market area. Investments in state and municipal securities involve governmental entities within the state. Although the Company's loan portfolio is diversified, there is a relationship in this region between the agricultural economy and the economic performance of loans made to nonagricultural customers. As of December 31, 2015, the Company's loans from and guarantees of, obligations of borrowers to commercial entities and real estate related loans were $10,323,902 and $61,025,624 respectively. Collateral for agricultural loans includes equipment, crops, livestock, and land. Collateral for real estate loans includes property. The loans are expected to be repaid from cash flows or proceeds from the sale of selected assets of the borrowers. Credit losses from loans related to the agricultural economy are consistent with credit losses experienced in the portfolio as a whole. The concentration of credit in the regional agricultural economy is taken into consideration by management in determining the allowance for loan losses. Substantially all of the Company's loans and commitments have been granted to customers in the Company's market area. The distribution of commitments to extend credit approximates the distribution of loans outstanding.

The Company had a concentration of funds on deposits over insured limits at December 31, as follows:

		2015		2014
Interest-bearing:				
Frost Bank Dallas, EBA	$	3,350,000	$	10,100,000
TIB Dallas, MMA		2,110,117		0
	$	5,460,117	$	10,100,000

		2015		2014
Non-interest-bearing:				
Federal Reserve Bank Dallas	$	0	$	207,209
Frost Bank Dallas		640,987		176,632
Total Non-interest-bearing:	$	640,987	$	383,841

The nature of the Company's business requires that it maintain amounts due from banks which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts.

The Company held no deposit relationship that exceeded five percent of total deposits as of December 31, 2015 and 2014.

NOTE 9: RELATED PARTIES

The Company has had, and may be expected to have in the future, banking transactions in the ordinary course of business with directors, significant stockholder, principal officers, their immediate families and affiliated companies in which they are principal stockholders (commonly referred to as related parties). In management's opinion, these loans and transactions were on the same terms as those for comparable loans and transactions with non related parties.

Aggregate loan transactions with related parties for year ended December 31, were as follows:

	2015	2014
Balance, beginning	$ 376,663	$ 336,962
New loans	128,896	356,013
Repayments	(91,654)	(316,312)
Balance, ending	$ 413,905	$ 376,663

The Company received rental income in the amount of $4,488 from a related party that was considered to be in the ordinary course of business for the years ended December 31, 2015 and 2014.

NOTE 10: LONG-TERM DEBT

The Company's available line-of-credit from the Federal Home Loan Bank fluctuates based on the Bank's real estate portfolio available for collateral. The available balance totaled $39,375,118 and $26,838,678 as of December 31, 2015 and 2014, respectively.

The Company also has an unsecured line-of-credit available with Texas Independent Bankers totaling $1,750,000 as of December 31, 2015 and 2014.

NOTE 11: EMPLOYEE STOCK OWNERSHIP PLAN

The Company sponsors an employee stock ownership plan (the "Plan"). The purpose of the Plan is to enable full-time employees who are at least twenty-one years of age and have been employed for at least one year to acquire stock ownership in the Company. The employer shall determine the amount of contributions made to the plan each year. The employer shall contribute to the Plan the amount necessary to provide the top heavy minimum contribution. For the years ended December 31, 2015 and 2014, the Company made contributions of $113,200 and $108,000, respectively. This contribution is included in salaries and employee benefits expense in the accompanying consolidated financial statements.

NOTE 12: COMMITMENTS AND CONTINGENCIES

In the ordinary course of business, the Company has various outstanding commitments and contingent liabilities that are not reflected in the accompanying consolidated financial statements. In the opinion of management any liability resulting from such commitments and contingent liabilities would not have a material adverse effect on the Company's consolidated financial statements.

NOTE 13: FAIR VALUE MEASUREMENTS

The estimated fair value amounts of the financial instruments have been determined by using available market information and appropriate valuation methodologies. However, considerable judgment is required to interpret data to develop estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market exchange.

The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

In addition, reasonable comparability between financial institutions may not be likely due to the wide range of permitted valuation techniques and numerous estimates that must be made given the absence of active secondary markets for many of the financial instruments. This lack of uniform valuation methodologies also introduces a greater degree of subjectivity to these estimated fair values.

The estimated fair values of the Company's financial instruments are as follows at December 31:

	2015	
	Carrying Amount	Fair Value
Cash, cash equivalents, and interest-bearing balances	$ 8,349,846	$ 8,349,846
Investment securities:		
Available-for-sale	14,759,793	14,759,793
Loans, net	81,103,605	81,995,000
Deposits	96,958,090	96,162,000

The Company has commitments to extend credit in the amount of $12,082,658 and standby letters of credit in the amount of $484,785 as of December 31, 2015.

ASC 820-10, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). ASC 820-10 applies to all financial instruments that are being measured and reported on a fair value basis.

As defined in ASC 820-10, fair value 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. In determining fair value, the Company uses various methods including market, income, and cost approaches. Based on these approaches, the Company often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Company utilized valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques the Company is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs to the limited market activity of the instrument.

For fiscal years ended December 31, 2015 and 2014, the application of valuation techniques applied to similar assets has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value.

Cash and short-term investments

The carrying amount is a reasonable estimate of fair value.

Investment securities

Valued at the close price reported on the active market on which the individual securities are traded. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs to the limited market activity of the instrument.

Loan receivables

For certain homogeneous categories of loans, such as some residential mortgages, credit card receivables, and other consumer loans, fair value is estimated using the quoted market prices for securities backed by similar loans, adjusted for differences in loan characteristics. The fair value of other types of loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

Impaired loans

Based on the fair value of the underlying collateral if repayment is expected solely from the collateral. Collateral values are estimated using Level 3 inputs based upon internally discounted criteria.

Deposit liabilities

The fair value of demand deposits, savings accounts, and certain money market deposits is the amount payable on demand at the reporting date. The fair value of fixed-maturity certificates of deposit is estimated using the rates currently offered for deposits of similar remaining maturities.

Commitments to extend credit, standby letters of credit, and financial guarantees written

The fair value of commitments is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed-rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates. The fair values of the guarantees and letters of credit are based on fees currently charged for similar agreements or on the estimated costs to terminate them or otherwise settle the obligations with the counterparties at the reporting date. Estimating the fair values of the commitments and letters of credit is not practical when considering the preceding factors.

The table below presents the balances of assets measured at fair value:

Description	12/31/2015	Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Recurring fair value measurements:				
Available-for-sale securities:				
U.S. government and agency securities:				
FHLB	$ 3,998,380	$ 0	$ 3,998,380	$ 0
FNMA	999,990		999,990	
Mortgage-backed securities:				
FNMA	1,185,346	0	1,185,346	0
FGMA	3,042,129	0	3,042,129	0
Collateralized mortgage obligations	998,268	0	998,268	0
Municipal bonds (state)	3,501,240	0	3,501,240	0
Treasury securities	1,034,440	0	1,034,440	0
Nonrecurring fair value measurements:				
Impaired loans, net	2,036,864	0	0	2,036,864
Total	$ 16,796,657	$ 0	$ 14,759,793	$ 2,036,864

The changes in Level 3 assets measured at fair value on a non-recurring basis are as follows for the year ended December 31:

	Impaired Loans
	2015
Beginning balance	$ 200,721
Principal / new additions to impaired listing	2,017,667
Principal payments / removals from impaired listing	(181,524)
Ending balance	$ 2,036,864

The table below present the balances of assets measured at fair value:

		Fair Value Measurements at Reporting Date Using		
Description	12/31/2014	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Recurring fair value measurements:				
Available-for-sale securities:				
U.S. government and agency securities:				
FHLB	$ 2,005,330	$ 0	$ 2,005,330	$ 0
Mortgage-backed securities:				
FNMA	1,419,430	0	1,419,430	0
FGMA	3,610,958	0	3,610,958	0
GNMA	55,843	0	55,843	0
Collateralized mortgage obligations	1,155,981	0	1,155,981	0
Municipal bonds (state)	3,579,586	0	3,579,586	0
Nonrecurring fair value measurements:				
Impaired Loans, net	200,721	0	0	200,721
Total	$ 12,027,849	$ 0	$ 11,827,128	$ 200,721

The changes in Level 3 assets measured at fair value on a non-recurring basis are as follows for the year ended December 31:

	Impaired Loans	
		2014
Beginning balance	$	119,557
Principal / new additions to impaired listing		94,820
Principal payments / removals from impaired listing		(13,656)
Ending balance	$	200,721

NOTE 14: REGULATORY MATTERS

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

Quantitative measures established by regulation to ensure capital adequacy require the Company to maintain minimum amounts and ratios (set forth in the table below) of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier 1 capital (as defined) to average assets (as defined). Management believes, as of December 31, 2015, the Company meets all capital adequacy requirements to which it is subject.

As of December 31, 2015, the most recent notification from the Federal Deposit Insurance Corporation categorized the Company as well capitalized under regulatory framework for prompt corrective action. To be categorized as well capitalized the Company must maintain minimum total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios as set forth in the table. There are no conditions or events since the notification that management believes have changed the institution's category.

The Company's actual capital amounts and ratios are also presented in the following table:

	Actual		For Capital Adequacy Purposes:		To Be Well Capitalized Under Prompt Corrective Action Provisions:	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2015:						
Total Capital (to Risk Weighted Assets)	$ 11,625,000	14.54%	$ 6,396,240	8%	$ 7,995,300	10%
Tier 1 Capital (to Risk Weighted Assets)	$ 10,804,000	13.51%	$ 3,198,120	4%	$ 4,797,180	6%
Tier 1 Capital (to Average Assets)	$ 10,804,000	10.13%	$ 4,264,520	4%	$ 5,330,650	5%

	Actual		For Capital Adequacy Purposes:		To Be Well Capitalized Under Prompt Corrective Action Provisions:	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2014:						
Total Capital (to Risk Weighted Assets)	$ 10,919,000	14.42%	$ 6,056,400	8%	$ 7,570,500	10%
Tier 1 Capital (to Risk Weighted Assets)	$ 10,133,000	13.38%	$ 3,028,200	4%	$ 4,542,300	6%
Tier 1 Capital (to Average Assets)	$ 10,133,000	9.41%	$ 4,309,520	4%	$ 5,386,900	5%

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March 2, 2016

To the Board of Directors and Stockholders
Coleman Bancshares, Inc., and Subsidiary
Coleman, Texas

Independent Auditors' Report on Supplementary Information

We have audited the consolidated financial statements of Coleman Bancshares, Inc., and Subsidiary, as of and for the years ended December 31, 2015 and 2014, and have issued our report thereon, dated March 2, 2016, which contained an unmodified opinion on those consolidated financial statements. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole.

The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Condley and Company, L.L.P.

Certified Public Accountants

COLEMAN BANCSHARES, INC., AND SUBSIDIARY
Coleman, Texas

CONSOLIDATING BALANCE SHEET

December 31, 2015

ASSETS	Coleman Bancshares, Inc.	Coleman County State Bank
Cash and due from banks:		
Noninterest-bearing balances and currency and coin	$ 69,456	$ 2,637,183
Interest-bearing deposits in other financial institutions		5,712,663
Securities available-for-sale		14,759,793
Investment in Coleman County State Bank	10,262,172	
Loans receivable, net of allowance for loan losses of $1,288,629		81,103,605
Accrued interest receivable		604,868
Goodwill, net of accumulated amortization of $407,260	424,590	
Premises and equipment, net		2,426,628
Other assets		247,349
TOTAL ASSETS	$ 10,756,218	$ 107,492,089

	Eliminations and Reclassifications		Consolidated
$	(69,456)	$	2,637,183
			5,712,663
			14,759,793
	(10,262,172)		0
			81,103,605
			604,868
			424,590
			2,426,628
			247,349
$	(10,331,628)	$	107,916,679

COLEMAN BANCSHARES, INC., AND SUBSIDIARY
Coleman, Texas

CONSOLIDATING BALANCE SHEET (CONTINUED)

December 31, 2015

LIABILITIES AND STOCKHOLDERS' EQUITY		Coleman Bancshares, Inc.		Coleman County State Bank
LIABILITIES:				
Demand deposits	$		$	31,673,007
Savings and NOW deposits				46,831,705
Other time deposits				18,522,834
Total deposits		0		97,027,546
Accrued expenses and other liabilities		0		202,371
Total Liabilities		0		97,229,917
STOCKHOLDERS' EQUITY:				
Common stock		672,940		375,000
Additional paid-in capital		1,521,144		5,125,038
Retained earnings		8,636,832		4,836,832
Accumulated other comprehensive loss		(74,698)		(74,698)
Total Stockholders' Equity		10,756,218		10,262,172
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	10,756,218	$	107,492,089

Eliminations and Reclassifications	Consolidated
$ (671)	$ 31,672,336
(68,785)	46,762,920
	18,522,834
(69,456)	96,958,090
	202,371
(69,456)	97,160,461
(375,000)	672,940
(5,125,038)	1,521,144
(4,836,832)	8,636,832
74,698	(74,698)
(10,262,172)	10,756,218
$ (10,331,628)	$ 107,916,679

COLEMAN BANCSHARES, INC., AND SUBSIDIARY
Coleman, Texas

CONSOLIDATING STATEMENT OF INCOME

Year Ended December 31, 2015

	Coleman Bancshares, Inc.	Coleman County State Bank
INTEREST INCOME:		
Loans receivable	$	$ 4,578,984
Securities available-for-sale		244,289
Deposits with other financial institutions	101	25,257
Total Interest Income	101	4,848,530
INTEREST EXPENSE:		
Deposits		191,917
Total Interest Expense	0	191,917
NET INTEREST INCOME	101	4,656,613
Provision for loan losses		522,691
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	101	4,133,922
NON-INTEREST INCOME:		
Equity in earnings of subsidiary	1,728,480	
Service charges and fees		964,035
Gain on sale of available-for-sale securities		529
Other income		82,773
Total Other Income	1,728,480	1,047,337
NON-INTEREST EXPENSES:		
Salaries and employee benefits		1,549,633
Occupancy expense		369,501
Deposit insurance premium		53,413
Other expenses	44,683	1,480,232
Total Other Expenses	44,683	3,452,779
NET INCOME	$ 1,683,898	$ 1,728,480

Eliminations and Reclassifications	Consolidated
$	$ 4,578,984
	244,289
(101)	25,257
(101)	4,848,530
(101)	191,816
(101)	191,816
0	4,656,714
	522,691
0	4,134,023
(1,728,480)	0
	964,035
	529
	82,773
(1,728,480)	1,047,337
	1,549,633
	369,501
	53,413
	1,524,915
0	3,497,462
$ (1,728,480)	$ 1,683,898

COLEMAN BANCSHARES, INC., AND SUBSIDIARY
Coleman, Texas

CONSOLIDATING STATEMENT OF CASH FLOWS

Year Ended December 31, 2015

	Coleman Bancshares, Inc.	Coleman County State Bank
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 1,683,898	$ 1,728,480
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation		154,153
Amortization and accretion		55,519
Provision for loan losses		522,691
Loss on disposal of premises and equipment		9,327
Gain on sale of available-for-sale securities		(529)
Decrease in accrued income and other assets		320,385
Increase in accrued expenses and other liabilities		46,935
Total Adjustments	0	1,108,481
Net Cash Provided by Operating Activities	1,683,898	2,836,961
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of available-for-sale securities		(64,035,803)
Proceeds from maturities and sales of available-for-sale securities		61,096,879
Net increase in loans		(4,165,151)
Purchases of premises and equipment		(172,891)
Net increase in investment in Coleman County State Bank	(203,480)	
Net Cash Used in Investing Activities	(203,480)	(7,276,966)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in non-interest bearing demand, savings, and NOW deposit accounts		1,904,624
Net decrease in time deposits		87,278
Dividends paid	(1,497,292)	(1,525,000)
Net Cash Provided by (Used in) Financing Activities	(1,497,292)	466,902
Net Decrease in Cash and Due From Banks	(16,874)	(3,973,103)
Cash and Due From Banks at January 1	86,330	12,322,949
CASH AND DUE FROM BANKS AT DECEMBER 31	$ 69,456	$ 8,349,846

Eliminations and Reclassifications	Consolidated
$ (1,728,480)	$ 1,683,898
	154,153
	55,519
	522,691
	9,327
	(529)
	320,385
	46,935
0	1,108,481
(1,728,480)	2,792,379
	(64,035,803)
	61,096,879
	(4,165,151)
	(172,891)
203,480	0
203,480	(7,276,966)
16,874	1,921,498
	87,278
1,525,000	(1,497,292)
1,541,874	511,484
16,874	(3,973,103)
(86,330)	12,322,949
$ (69,456)	$ 8,349,846

Coleman County
STATE BANK

COLEMAN BANCSHARES, INC.,
AND SUBSIDIARY
Coleman, Texas

CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

December 31, 2015 and 2014

FOUNDED ON PRINCIPLE

FOCUSED ON SERVICE

COLEMAN BANCSHARES, INC., AND SUBSIDIARY
Coleman, Texas

CONTENTS

December 31, 2015 and 2014

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March 2, 2016

To the Board of Directors and Stockholders
Coleman Bancshares, Inc., and Subsidiary
Coleman, Texas

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Coleman Bancshares, Inc., and Subsidiary (the "Company") which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 of 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 reasonable basis for our audit opinion.

Opinion

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

Condley and Company, L.L.P.
Certified Public Accountants

COLEMAN BANCSHARES, INC., AND SUBSIDIARY
Coleman, Texas

CONSOLIDATED BALANCE SHEETS

	December 31, 2015	December 31, 2014
ASSETS		
Cash and due from banks:		
Noninterest-bearing balances and currency and coin	$ 2,637,183	$ 1,913,175
Interest-bearing deposits in other financial institutions	5,712,663	10,409,774
Securities available-for-sale	14,759,793	11,827,128
Loans receivable, net of allowance for loan losses of $1,288,629 and $784,878 for 2015 and 2014, respectively	81,103,605	77,461,145
Accrued interest receivable	604,868	669,230
Goodwill, net of accumulated amortization of $407,260	424,590	424,590
Premises and equipment, net	2,426,628	2,417,217
Other assets	247,349	503,372
TOTAL ASSETS	$ 107,916,679	$ 105,625,631

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

LIABILITIES AND STOCKHOLDERS' EQUITY	December 31, 2015	2014
LIABILITIES:		
Demand deposits	$ 31,672,336	$ 29,681,996
Savings and NOW deposits	46,762,920	46,831,762
Other time deposits	18,522,834	18,435,556
Total deposits	96,958,090	94,949,314
Accrued expenses and other liabilities	202,371	155,436
Total Liabilities	97,160,461	95,104,750
STOCKHOLDERS' EQUITY:		
Common stock - $10 par value; 1,000,000 shares authorized, 67,294 shares issued and outstanding	672,940	672,940
Additional paid-in capital	1,521,144	1,521,144
Retained earnings	8,636,832	8,450,226
Accumulated other comprehensive loss	(74,698)	(123,429)
Total Stockholders' Equity	10,756,218	10,520,881
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 107,916,679	$ 105,625,631

COLEMAN BANCSHARES, INC., AND SUBSIDIARY
Coleman, Texas

CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31, 2015	Year Ended December 31, 2014
INTEREST INCOME:		
Loans receivable	$ 4,578,984	$ 4,564,667
Securities available-for-sale	244,289	201,552
Interest-bearing deposits with other financial institutions	25,257	23,217
Total Interest Income	4,848,530	4,789,436
INTEREST EXPENSE:		
Deposits	191,816	227,359
Total Interest Expense	191,816	227,359
NET INTEREST INCOME	4,656,714	4,562,077
Provision for loan losses	522,691	64,500
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	4,134,023	4,497,577
NON-INTEREST INCOME:		
Service charges and fees	964,035	871,620
Gain on sale of available-for-sale securities	529	0
Other income	82,773	84,761
Total Other Income	1,047,337	956,381
NON-INTEREST EXPENSES:		
Salaries and employee benefits	1,549,633	1,511,473
Occupancy expense	369,501	293,828
Deposit insurance premium	53,413	49,791
Other expenses	1,524,915	1,453,244
Total Other Expenses	3,497,462	3,308,336
NET INCOME	$ 1,683,898	$ 2,145,622
SUPPLEMENTARY INFORMATION (*See Independent Auditors' Report on Supplementary Information*):		
Net income per share of common stock	$ 25.02	$ 31.88
Average shares outstanding	67,294	67,294

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

COLEMAN BANCSHARES, INC., AND SUBSIDIARY
Coleman, Texas

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31, 2015	2014
NET INCOME	$ 1,683,898	$ 2,145,622
Other items of comprehensive income (loss):		
Unrealized gains on securities:		
Unrealized holding gain arising during period	49,260	269,926
Less: reclassification adjustment for gains included in net income	(529)	0
Total other items of comprehensive income	48,731	269,926
Comprehensive income before tax	1,732,629	2,415,548
Income tax expense related to other items of comprehensive income	0	0
Comprehensive income after tax	$ 1,732,629	$ 2,415,548

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

COLEMAN BANCSHARES, INC., AND SUBSIDIARY
Coleman, Texas

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the Years Ended December 31, 2015 and 2014

	Common Stock	Additional Paid-In Capital
BALANCE AT DECEMBER 31, 2013	$ 672,940	$ 1,521,144
Net income for 2014		
Net change in unrealized loss on available-for-sale securities, net of taxes of $0		
Dividends on common stock, $20.00 per share		
BALANCE AT DECEMBER 31, 2014	672,940	1,521,144
Net income for 2015		
Net change in unrealized loss on available-for-sale securities, net of taxes of $0		
Dividends on common stock, $22.25 per share		
BALANCE AT DECEMBER 31, 2015	$ 672,940	$ 1,521,144

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

Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
$ 7,650,484	$ (393,355)	$ 9,451,213
2,145,622		2,145,622
	269,926	269,926
(1,345,880)		(1,345,880)
8,450,226	(123,429)	10,520,881
1,683,898		1,683,898
	48,731	48,731
(1,497,292)		(1,497,292)
$ 8,636,832	$ (74,698)	$ 10,756,218

COLEMAN BANCSHARES, INC., AND SUBSIDIARY
Coleman, Texas

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 1,683,898	$ 2,145,622
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	154,153	130,419
Amortization and accretion	55,519	71,326
Provision for loan losses	522,691	64,500
Loss on disposal of premises and equipment	9,327	0
Gain on sale of available-for-sale securities	(529)	0
Net realized loss on sale of foreclosed assets	0	24,084
(Increase) Decrease in accrued income and other assets	320,385	(40,875)
Increase in accrued expenses and other liabilities	46,935	16,773
Total Adjustments	1,108,481	266,227
Net Cash Provided by Operating Activities	2,792,379	2,411,849
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of available-for-sale securities	(64,035,803)	(3,510,435)
Proceeds from maturities and sales of available-for-sale securities	61,096,879	2,840,670
Net increase in loans	(4,165,151)	(1,260,746)
Purchases of premises and equipment	(172,891)	(264,374)
Proceeds from sale of foreclosed assets	0	34,701
Net Cash Used in Investing Activities	(7,276,966)	(2,160,184)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in non-interest bearing demand, savings, and NOW deposit accounts	1,921,498	10,047,931
Net increase (decrease) in time deposits	87,278	(666,057)
Dividends paid	(1,497,292)	(1,345,880)
Net Cash Provided by Financing Activities	511,484	8,035,994
Net Increase (Decrease) in Cash and Due From Banks	(3,973,103)	8,287,659
Cash and due from banks at January 1	12,322,949	4,035,290
CASH AND DUE FROM BANKS AT DECEMBER 31	$ 8,349,846	$ 12,322,949
SUPPLEMENTARY INFORMATION:		
Interest paid	$ 194,939	$ 232,825
Income taxes paid (state taxes)	$ 12,835	$ 10,050
NONCASH AND FINANCING ACTIVITIES:		
Repossessions acquired in settlement of loans	$ 0	$ 12,047

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

COLEMAN BANCSHARES, INC., AND SUBSIDIARY
Coleman, Texas

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Coleman Bancshares, Inc., ("Bancshares") and its wholly owned subsidiary, Coleman County State Bank, (the "Bank") collectively referred to as the "Company". All significant intercompany transactions and balances have been eliminated in consolidation.

The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America and general industry practices.

Nature of Operations

The Company conducts domestic financial services business through its bank in Coleman, Texas and its branch in Abilene, Texas. The primary financial services provided by the Company include commercial, agricultural, real estate financing, and personal and business loans to customers who are predominantly small and middle-market businesses and middle-income individuals.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents, and due from banks includes cash on hand and demand deposits at other financial institutions including cash items in process of clearing and federal funds sold under agreements to resell, all of which mature within 90 days. Cash flows from loans and deposits are reported net.

Federal Home Loan Bank stock

The Company, as a member of the Federal Home Loan Bank ("FHLB") system, is required to maintain an investment in capital stock of the FHLB in an amount equal to the greater of 1% of its outstanding home loans or 5% of advances from the FHLB. No ready market exists for the FHLB stock, and it has no quoted market value. The balance of the stock totaled $95,000 at December 31, 2015 and 2014.

Interest-bearing Deposits in Banks

Interest-bearing deposits in banks mature within one year and are carried at cost.

Trading Securities

Securities held for sale in the near term are classified as trading account securities and recorded at their fair values. Unrealized gains and losses on trading account securities are included immediately in other income. No trading securities were owned by the Company during the years 2015 and 2014 or at December 31, 2015 and 2014.

Securities Held-to-Maturity

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

Securities Available-for-Sale

Available-for-sale securities consist of securities not classified as trading securities nor as held-to-maturity securities.

Unrealized holding gains and losses, net of tax, on available-for-sale securities are reported as a net amount in a separate component of stockholders' equity until realized.

Gains and losses on the sale of available-for-sale securities are determined using the specific-identification method.

Declines in the fair value of individual held-to-maturity and available-for-sale securities below their cost, that are other than temporary, result in write-downs of the individual securities to their fair value. The related write-downs are included in earnings as realized losses. The Company had no write-downs other than temporary in 2015 or 2014.

Premiums and discounts are recognized in interest income using the interest method over the period to maturity.

Loans Held for Sale

Loans held for sale are those loans the Company has the intent to sell in the foreseeable future. They are carried at the lower of aggregate cost or market value. Net unrealized losses, if any, are recognized through a valuation allowance by charges to income. Gains and losses on sales of loans are recognized at settlement dates and are determined by the difference between the sales proceeds and the carrying value of the loans. There were no gains or losses realized on loans sold during the years ended December 31, 2015 and 2014.

Loans Receivable

The Company generally originates single-family residential loans within its primary lending area in Coleman and Abilene, Texas. The Company's underwriting policies require such loans to be 80% loan to value based upon appraised values unless private mortgage insurance is obtained. These loans are secured by the underlying properties. The Company is also active in originating secured consumer loans to its customers, primarily automobile loans.

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are stated at the amount of unpaid principal, reduced by unearned discount and fees and an allowance for loan losses. Unearned interest on discounted loans is amortized to income over the life of the loans, using the interest method. For all other loans, interest is accrued daily on the outstanding balances.

Accounting principles generally accepted in the United States of America require that loan origination fees and certain direct origination costs be capitalized and recognized as an adjustment of the yield of the related loan. The Company has not done this to date as these fees and costs are not material to the financial statements.

Discounts and premiums on purchased residential real estate loans are amortized to income using the interest method over the remaining period to contractual maturity, adjusted for anticipated prepayments. Discounts and premiums on purchased consumer loans are recognized over the expected lives of the loans using methods that approximate the interest method. The Company had no residential real estate or consumer purchased loans during the year ended December 31, 2015 and 2014.

For impaired loans, accrual of interest is discontinued on a loan when management believes, after considering collection efforts and other factors that the borrower's financial condition is such that collection of interest is doubtful. Cash collections on impaired loans are credited to the loan receivable balance, and no interest income is recognized on those loans until the principal balance has been collected.

A loan is considered to be delinquent when payments have not been made according to contractual terms, typically evidenced by nonpayment of a monthly installment by the due date. The accrual of interest on loans is discontinued at the time the loan is 90 days delinquent unless the credit is well-secured and in the process of collection.

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

Each segment of loans has specific risks associated based on the nature of the loan. Loans secured by real estate are influenced by real estate market conditions in the area in which the property is located as well as the type of property the loan is secured by. Agriculture loans are subject to market prices as well as the local weather conditions in determining future repayment and value of collateral. Commercial and consumer loans are also subject to the local and national economic atmosphere, and the industry in which the entity conducts business.

Allowance for Loan Losses

The allowance for loan losses is established through a provision for loan losses charged to expense. Loans are charged against the allowance for loan losses when management believes that collectability of the principal is unlikely. Subsequent recoveries, if any, are credited to the allowance.

The allowance is an amount that management believes will be adequate to absorb estimated losses related to specifically identified loans, as well as probable credit losses inherent in the balance of the loan portfolio, based on an evaluation of the collectability of existing loans and prior loss experience. This evaluation also takes into consideration such factors as changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans, and current economic conditions that may affect the borrower's ability to pay. This evaluation does not include the effects of expected losses on specific loans or groups of loans that are related to future events or expected changes in economic conditions. While management uses the best information available to make its evaluation, future adjustments to the allowance may be necessary if there are significant changes in economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowance for loan losses, and may require the Bank to make additions to the allowance based on their judgment about information available to them at the time of their examinations.

The allowance consists of specific, general, and unallocated components. The specific component relates to loans that are classified as either special mention, substandard, or doubtful. For such loans that are also classified as 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. An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The uncollected component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio. This methodology is consistent among all classes of loans.

A loan is impaired when it is probable, based on current information and events, the Company will be unable to collect all contractual principal and interest payments due in accordance with the terms of the loan agreement. Impaired loans are measured on an individual basis for commercial and construction loans based on the present value of expected future cash flows discounted at the loan's effective interest rate or, as a practical expedient, at the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. The amount of impairment, if any, and any subsequent changes are included in the allowance for loan losses.

Large groups of smaller balance homogenous loans are collectively evaluated for impairment. Accordingly, the Company does not separately indentify individual consumer and residential loans for impairment disclosures.

Foreclosed Assets

Assets acquired through foreclosure or other proceedings are initially recorded at fair value at the date of foreclosure less estimated costs of disposal, which establishes a new cost. After foreclosure, valuations are periodically performed by management and foreclosed assets held for sale are carried at the lower of cost or fair value less estimated costs of disposal. Any write-down to fair value at the time of transfer to foreclosed assets is charged to the allowance for loan losses. Property is evaluated regularly to ensure the recorded amount is supported by its current fair value and valuation allowances to reduce the carrying amount to fair value less estimated costs to dispose are recorded as necessary. Revenue and expense from the operations of foreclosed assets and changes in the valuation allowance are included net expenses from foreclosed assets.

Premises and Equipment

Land is carried at cost. Company premises and equipment are carried at cost, less accumulated depreciation and amortization computed principally by the straight-line method. Depreciation expense was $154,153 and $130,419 for the years ended December 31, 2015 and 2014, respectively.

Income Taxes

Effective January 1, 2001, Bancshares elected by unanimous consent of its stockholders to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under such election, Bancshares' federal taxable income or loss is passed through to the individual stockholders for the year 2001 and for years thereafter. Since the Company has maintained its Subchapter S status, management has not identified any instances where an adjustment to the financial statements would be necessary in order to comply with ASC 740-10, *Accounting for Uncertainty in Income Taxes*. With few exceptions, the Company is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2012. State franchise taxes totaled $12,835 and $10,050 for the years ended December 31, 2015 and 2014, and is included in "Other expenses" on the consolidated statements of income due to the overall immateriality.

Loan-Servicing Rights

The cost of loan-servicing rights acquired is amortized in proportion to, and over the period of, estimated net servicing revenues. When participating interests in loans sold have an average contractual interest rate, adjusted for normal servicing fees, that differs from the agreed yield to the purchaser, gains or losses are recognized equal to the present value of such differential over the estimated remaining life of such loans. The resulting "excess servicing fees receivable" or "deferred servicing revenue" is amortized over the estimated life using a method approximating the interest method.

The unamortized cost of loan-servicing rights purchased, the excess servicing fees receivable, and the amortization thereon is periodically evaluated in relation to estimated future net servicing revenues, taking into consideration changes in interest rates, current prepayment rates, and expected future cash flows. The Company evaluates the carrying value of the servicing portfolio by estimating the future net servicing income of the portfolio based on management's best estimate of remaining loan lives. The Company had no loan servicing rights at December 31, 2015 and 2014.

Financial Instruments

Interest-Rate Exchange Agreements. Interest-rate exchange agreements (swaps), used in asset/liability management activities, are accounted for using the accrual method. Gains or losses on the sales of swaps used in asset/liability management activities are deferred and amortized into interest income or expense over the maturity period of the swap. Net interest income (expense), resulting from the differential between exchanging floating and fixed-rate interest payments is recorded on a current basis. The Company did not enter into any such agreements during the years ended December 31, 2015 and 2014.

Financial Futures. Interest-rate futures contracts may be entered into by the Company as hedges against exposure to interest-rate risk and not for speculation purposes. Changes in the market value of interest-rate futures contracts are deferred and amortized into interest income or expense over the maturity period of the hedged assets or liabilities. The Company did not enter into any such agreements during the years ended December 31, 2015 and 2014.

Financial Options. Option premiums received for writing puts and calls are recorded as a liability representing the market value of the option. The liability is to be subsequently marked to market at each balance sheet date. The Company did not receive any financial options during the years ended December 31, 2015 and 2014.

Other Off-Balance Sheet Instruments. In the ordinary course of business the Company has entered into off-balance sheet financial instruments consisting of commitments to extend credit, commitments under credit card arrangements, commercial letters of credit, and standby letters of credit. Such financial instruments are recorded in the financial statements when they are funded or related fees are incurred or received.

Intangible Assets

Goodwill represents the excess of cost of the minority shareholders' common stock in Coleman County State Bank, acquired over the book value of the stock at the date of acquisition. Accounting principles generally accepted in the United States of America does not allow for amortization of goodwill effective for the year of 2002 and beyond in accordance with Statement of ASC 350-10, *Goodwill and Other Intangible Assets*. ASC 350-10 prescribes a periodic impairment test of goodwill, which the Company has completed and determined no impairment issues for the years ended December 31, 2015 and 2014.

Subsequent Events

The Company has evaluated subsequent events through March 2, 2016, the date the financial statements were available to be issued.

Recent Accounting Pronouncements

ASU 2014-09 and ASU 2015-14
In May 2014, the Financial Accounting Standards Board (FASB) and International Accounting Standards Board (IASB) issued substantially converged final standards on revenue recognition. The FASB's Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, was issued in three parts: (1) Section A, "Summary and Amendments That Create Revenue from Contracts with Customers and Other Assets and Deferred Costs – Contracts With Customers"; (2) Section B, "Conforming Amendments to Other Topics and Subtopics in the Codification and Status Tables"; and (3) Section C, "Background Information and Basis for Conclusions". In August 2015, *ASU 2015-14 Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date* was issued.

ASU 2014-09 provides a robust framework for addressing revenue recognition issues and, upon its effective date, replaces almost all existing revenue recognition guidance, including industry-specific guidance, in current U.S. generally accepted accounting principles (GAAP). This standard will help with improved comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets. Given the broad applicability and potentially significant ramifications of the guidance in the ASU a deferral of the effective date was made with ASU 2015-14, and the ASU will not be effective until 2018 for calendar end public entities, which includes not-for-profit entities that have issued, or are conduit bond obligors for, securities that are traded, listed or quoted on an exchange or an over the count market and in 2019 for all other entities.

ASU 2014-02
In January 2014, the Financial Accounting Standards Board (FASB) through consensus of the Private Company Council issued *ASU 2014-02 Intangibles - Goodwill and Other (Topic 350) – Accounting for Goodwill.* As an alternative to the cost and complexity with applying the current goodwill accounting practice and the limited relevance to users this ASU allows for the amortization of goodwill on a straight-line basis over 10 years, or less than 10 years if the entity demonstrates that another useful life is more appropriate. An entity that makes the election is further required to make an accounting policy election to test goodwill for impairment at either the entity level or the reporting unit level when a triggering event occurs.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force) and the American Institute of Certified Public Accountants did not or are not believed by management to have a material impact on the Company's present or future financial statements.

Use of Estimates

In preparing the accompany financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of and revenue and expenses for the reporting period. Actual results could differ from those estimates. A material estimate that is particularly sensitive to significant change in the near term relates to the determination of the allowance for loan losses.

NOTE 2: RESTRICTIONS ON CASH AND DUE FROM BANKS

The Company is required to maintain reserve balances in cash or on deposit with the Federal Reserve Bank, based on a percentage of deposits. The total of those reserve balances were $1,101,000 and $1,215,000 at December 31, 2015 and 2014, respectively.

NOTE 3: DEBT AND EQUITY SECURITIES

Debt and equity securities have been classified in the consolidated balance sheets according to management's intent. The carrying amount of securities and their approximate fair values at December 31, were as follows:

	2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale securities:				
U.S. government and agency securities	$ 5,003,903	$ 0	$ (5,533)	$ 4,998,370
Mortgage-backed securities	4,262,739	11,184	(46,447)	4,227,476
Collateralized mortgage obligation securities	1,037,571	0	(39,304)	998,267
Treasury securities	1,035,800	0	(1,360)	1,034,440
State and municipal securities	3,494,478	6,762	0	3,501,240
	$ 14,834,491	$ 17,946	$ (92,644)	$ 14,759,793

	2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale securities:				
U.S. government and agency securities	$ 2,006,480	$ 0	$ (1,150)	$ 2,005,330
Mortgage-backed securities	5,115,980	30,186	(59,935)	5,086,231
Collateralized mortgage obligation securities	1,209,285	0	(53,304)	1,155,981
State and municipal securities	3,618,811	1,720	(40,946)	3,579,586
	$ 11,950,556	$ 31,906	$ (155,335)	$ 11,827,128

The scheduled maturities of securities available-for-sale at December 31, 2015, were as follows:

	Available-for-sale Securities	
	Amortized Cost	Fair Value
Due in one year or less	$ 320,349	$ 320,291
Due from one year to five years	7,667,929	7,660,105
Due from five years to ten years	1,545,904	1,553,656
Due after ten years	5,300,309	5,225,741
	$ 14,834,491	$ 14,759,793

Securities carried at approximately $8,984,799 at December 31, 2015 and $9,230,593 at December 31, 2014, were pledged to secure public deposits and for other purposes required or permitted by law.

The Company held the following investments that have been in a continuous unrealized loss position December 31, 2015:

	Less than 12 months		12 months or longer	
	FMV	Unrealized Loss	FMV	Unrealized Loss
U.S. government and agency securities	$ 0	$ 0	$ 2,989,430	$ (10,110)
Mortgage-backed securities	2,589,486	(50,797)	0	0
Collateralized mortgage obligation securities	998,267	(39,304)	0	0
Treasury securities	0	0	1,034,440	(1,360)
State and municipal securities	0	0	1,144,250	(1,157)
Total temporarily impaired securities	$ 3,587,753	$ (90,101)	$ 5,168,120	$ (12,627)

The Company held the following investments that have been in a continuous unrealized loss position December 31, 2014:

	Less than 12 months		12 months or longer	
	FMV	Unrealized Loss	FMV	Unrealized Loss
U.S. government and agency securities	$ 1,005,330	$ (1,150)	$ 0	$ 0
Mortgage-backed securities	0	0	3,107,907	(59,935)
Collateralized mortgage obligation securities	0	0	1,155,981	(53,304)
State and municipal securities	319,627	(334)	1,510,363	(40,612)
Total temporarily impaired securities	$ 1,324,957	$ (1,484)	$ 5,774,251	$ (153,851)

The above tables disclose the Company's investment securities that have been in a continuous unrealized loss position. The investment securities in the above tables are investments believed by management to be normal investments for the banking industry. The Company does not believe the unrealized loss position securities are "other than temporary" as (i) the Company has the ability to hold the investments to maturity, (ii) it is not probable that the Company will be unable to collect the amounts contractually, and (iii) no decision to dispose of the investments was made prior to the balance sheet date. Management believes the unrealized loss position securities noted above are caused by interest rate fluctuations. No credit issues were identified related to the unrealized loss position securities.

NOTE 4: LOANS RECEIVABLE

The components of loans in the consolidated balance sheet at December 31 were as follows:

	2015	2014
Commercial	$ 10,323,902	$ 9,976,675
Agriculture	7,429,309	8,338,276
Real estate	61,025,624	56,544,268
Consumer	3,550,038	3,331,580
Overdrafts	72,411	68,721
Other	(9,050)	(13,497)
Subtotal	82,392,234	78,246,023
Allowance for loan losses	(1,288,629)	(784,878)
	$ 81,103,605	$ 77,461,145

The Company purchased participations in loan agreements during 2015, with a total outstanding balance at December 31, 2015 of $253,569. The total balance is considered to be loans for the purchase of residential real estate. The total balance of purchased participation loan agreements at December 31, 2015 was $253,569. The Company sold participations in loan agreements during 2015, with a total outstanding balance at December 31, 2015 of $12,730,440, of which $5,897,487 is considered to be loans for commercial purposes and $6,832,953 for non-farmland real estate. The total balance of participation sold loan agreements at December 31, 2015 was $12,730,440.

An analysis of the change in the allowance for loan losses follows:

	2015	2014
Balance at January 1,	$ 784,878	$ 746,982
Loans charged off	(24,661)	(36,196)
Recoveries	5,721	9,592
	765,938	720,378
Provision for loan losses	522,691	64,500
Balance at December 31,	$ 1,288,629	$ 784,878

A progression of the allowance for loan losses by type as of December 31, 2015 follows:

	Beginning Balance	Charge-Offs	Recoveries	Provision	Total
Commercial	$ 245,522	$ 0	$ 2,486	$ 479,691	$ 727,699
Agriculture	63,827	0	0	12,000	75,827
Real estate	425,761	0	0	14,000	439,761
Consumer	44,471	(1,652)	6	2,000	44,825
Other	5,297	(23,009)	3,229	15,000	517
Total	$ 784,878	$ (24,661)	$ 5,721	$ 522,691	$ 1,288,629

A progression of the allowance for loan losses by type as of December 31, 2014 follows:

	Beginning Balance	Charge-Offs	Recoveries	Provision	Total
Commercial	$ 226,428	$ 0	$ 3,094	$ 16,000	$ 245,522
Agriculture	48,827	0	0	15,000	63,827
Real estate	426,786	(17,025)	0	16,000	425,761
Consumer	43,519	(1,548)	0	2,500	44,471
Other	1,422	(17,623)	6,498	15,000	5,297
Total	$ 746,982	$ (36,196)	$ 9,592	$ 64,500	$ 784,878

The allowance for loan losses consists of the following components as of December 31, 2015:

	Ending Balance	Individually Evaluated For Impairment	Collectively Evaluated For Impairment	Acquired With Deteriorated Credit Quality
Commercial	$ 767,699	$ 507,157	$ 220,542	$ 0
Agriculture	75,827	0	75,827	0
Real estate	439,761	4,247	435,514	0
Consumer	44,825	0	44,825	0
Other	517	0	517	0
Total	$ 1,288,629	$ 511,404	$ 777,225	$ 0

The allowance for loan losses consists of the following components as of December 31, 2014:

	Ending Balance	Individually Evaluated For Impairment	Collectively Evaluated For Impairment	Acquired With Deteriorated Credit Quality
Commercial	$ 245,522	$ 0	$ 245,522	$ 0
Agriculture	63,827	60,755	3,072	0
Real estate	425,761	4,985	420,776	0
Consumer	44,471	0	44,471	0
Other	5,297	0	5,297	0
Total	$ 784,878	$ 65,740	$ 719,138	$ 0

Loans receivable were evaluated for the allowance for loan losses as of December 31, 2015 as follows:

	Ending Balance	Individually Evaluated For Impairment	Collectively Evaluated For Impairment	Acquired With Deteriorated Credit Quality
Commercial	$ 10,323,902	$ 50,866	$ 10,273,036	$ 0
Agriculture	7,429,309	0	7,429,309	0
Real estate	61,025,624	676,200	60,349,424	0
Consumer	3,550,038	0	3,550,038	0
Other	63,361	0	63,361	0
Total	$ 82,392,234	$ 727,066	$ 81,665,168	$ 0

Loans receivable were evaluated for the allowance for loan losses as of December 31, 2014 as follows:

	Ending Balance	Individually Evaluated For Impairment	Collectively Evaluated For Impairment	Acquired With Deteriorated Credit Quality
Commercial	$ 9,976,675	$ 501	$ 9,976,174	$ 0
Agriculture	8,338,276	166,754	8,171,522	0
Real estate	56,544,268	99,707	56,444,561	0
Consumer	3,331,580	0	3,331,580	0
Other	55,224	0	55,224	0
Total	$ 78,246,023	$ 266,962	$ 77,979,061	$ 0

Certain credit quality indicators as used to develop the Bank's allowance for loan losses by class of loans receivable as of December 31, 2015 is as follows:

	Pass	OAEM	Substandard	Total Loans Receivable
Commercial				
General	$ 1,627,291	$ 0	$ 0	$ 1,627,291
Vehicles and equipment	6,360,139	193,106	2,143,366	8,696,611
Agriculture				
Livestock	4,917,874	0	0	4,917,874
Vehicles and equipment	2,151,659	158,668	0	2,310,327
Other	201,108	0	0	201,108
Real Estate				
Farmland	8,964,087	294,214	52,764	9,311,065
Commercial	5,067,959	0	0	5,067,959
Residential	17,283,681	733,364	344,408	18,361,453
Non-farmland	27,686,152	0	598,995	28,285,147

		Pass		OAEM		Substandard		Total Loans Receivable
Consumer								
Personal		1,041,909		22,107		0		1,064,016
Automobile		2,478,499		7,523		0		2,486,022
Other		63,361		0		0		63,361
Total	$	77,843,719	$	1,408,982	$	3,139,533	$	82,392,234

Certain credit quality indicators as used to develop the Company's allowance for loan losses by class of loans receivable as of December 31, 2014 is as follows:

		Pass		OAEM		Substandard		Total Loans Receivable
Commercial								
General	$	3,191,110	$	0	$	0	$	3,191,110
Vehicles and equipment		6,785,064		0		501		6,785,565
Agriculture								
Livestock		5,787,105		0		88,630		5,875,735
Vehicles and equipment		2,125,984		0		78,124		2,204,108
Other		258,433		0		0		258,433
Real Estate								
Farmland		12,098,021		347,772		0		12,445,793
Commercial		3,910,020		0		0		3,910,020
Residential		15,847,438		434,682		33,258		16,315,378
Non-farmland		23,806,627		0		66,449		23,873,076
Consumer								
Personal		331,622		15,396		0		347,018
Automobile		2,966,935		17,627		0		2,984,562
Other		55,225		0		0		55,225
Total	$	77,163,584	$	815,477	$	266,962	$	78,246,023

The Company utilizes an asset quality rating system in order to assess credit quality. The following ratings are used for criticized and classified assets. All remaining assets are referred to as "Pass".

Criticized Asset – OAEM – Loans in this category have existing or potential credit weaknesses that could ultimately lead to a more sever classification. The weaknesses could relate to collateral, documentation, finances, repayment ability, economic conditions, performance, or any other area. These assets should be monitored closely for further deterioration.

Classified Asset – Substandard – Loans in this category have specific weaknesses that jeopardize the liquidation of the debt. Collateral, net worth, insufficient cash flow to support borrowings, and loss potential exists unless the deficiencies are corrected. These assets merit close attention and corrective actions in order to ensure their ultimate collections.

Classified Asset – Doubtful – These loans have a high probability of loss. The extent of loss is not exactly determinable due to mitigating factors that could enhance collectability of the loan such as proposed mergers, acquisitions, liquidations procedures, capital injection, additional collateral, or refinancing efforts.

Charge off of doubtful loans is made when appropriate and not necessarily deferred until a more exact status can be ascertained.

Classified Asset – Loss – These loans are those that are not bankable assets in their present state. The loan is a recovery matter and while some recovery may be realized, debt satisfaction is not likely in the near term.

The Company had no "Doubtful" or "Loss" assets as of December 31, 2015 and 2014; therefore, they were not included in the detail above.

Loans transferred to foreclosed assets totaled $0 and $12,047 in 2015 and 2014, respectively. Loans on non-accrual status totaled $108,144 and $166,804 at December 31, 2015 and 2014 respectively. Loans past due over 90 days totaled $443,973 and $235,555 at December 31, 2015 and 2014, respectively. The Company is not committed to lend additional funds to debtors whose loans have been modified.

The Company had the following investments in impaired loans as of December 31, 2015:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Quarterly Recorded Investment	Interest Income Recognized
Commercial					
Vehicles and equipment	$ 1,956,176	$ 2,463,333	$ 507,157	$ 62,796	$ 27,551
Agriculture					
Livestock	0	0	0	0	0
Vehicles and equipment	0	0	0	0	0
Real Estate					
Residential	27,657	27,657	0	0	0
Non-farmland	53,031	57,278	4,247	4,618	3,767
Consumer					
Automobile	0	0	0	0	0
Total	$ 2,036,864	$ 2,548,268	$ 511,404	$ 67,414	$ 31,318

The Bank had the following investments in impaired loans as of December 31, 2014:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Quarterly Recorded Investment	Interest Income Recognized
Commercial					
Vehicles and equipment	$ 0	$ 0	$ 0	$ 5,708	$ 966
Agriculture					
Livestock	27,875	88,630	60,755	88,630	0
Vehicles and equipment	78,124	78,124	0	78,124	0
Real Estate					
Residential	33,258	33,258	0	35,773	2,835
Non-farmland	61,464	66,449	4,985	62,811	5,046

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Quarterly Recorded Investment	Interest Income Recognized
Consumer					
Automobile	0	0	0	2,801	108
Total	$ 200,721	$ 266,461	$ 65,740	$ 273,847	$ 8,955

The age analysis of past due financing receivables as of December 31, 2015 is as follows:

	Days Past Due					
	30-59 Days	60-89 Days	Greater than 90 Days[1]	Total Past Due	Current	Total Loans Receivable
Commercial						
General	$ 129,001	$ 0	$ 0	$ 129,001	$ 1,498,290	$ 1,627,291
Vehicles and equipment	0	0	384,921	384,921	8,311,690	8,696,611
Agriculture						
Livestock	22,905	0	0	22,905	4,894,969	4,917,874
Vehicles and equipment	14,557	0	0	14,557	2,295,770	2,310,327
Other	0	0	0	0	201,108	201,108
Real Estate						
Farmland	0	0	0	0	9,311,065	9,311,065
Commercial	0	0	0	0	5,067,959	5,067,959
Residential	764,073	16,237	0	780,310	17,581,143	18,361,453
Non-farmland	195,201	0	57,278	252,479	28,032,668	28,285,147
Consumer						
Personal	36,220	0	661	36,881	1,027,135	1,064,016
Automobile	70,610	11,163	1,113	82,886	2,403,136	2,486,022
Other	0	0	0	0	63,361	63,361
Total	$ 1,232,567	$ 27,400	$ 443,973	$ 1,703,940	$ 80,688,294	$ 82,392,234

[1]Loans totaling $386,695 past due greater than ninety days were accruing interest as of December 31, 2015 as management believes they are adequately collateralized and in process of collection.

The age analysis of past due financing receivables as of December 31, 2014 is as follows:

	Days Past Due					
	30-59 Days	60-89 Days	Greater than 90 Days[1]	Total Past Due	Current	Total Loans Receivable
Commercial						
General	$ 0	$ 0	$ 0	$ 0	$ 3,191,110	$ 3,191,110
Vehicles and equipment	319,146	50,000	501	369,647	6,415,918	6,785,565
Agriculture						
Livestock	1,088	9,000	90,480	100,568	5,775,167	5,875,735
Vehicles and equipment	99,495	11,000	78,124	188,619	2,015,489	2,204,108
Other	0	0	0	0	258,433	258,433
Real Estate						
Farmland	88,692	120,966	0	209,658	12,236,135	12,445,793
Commercial	0	0	0	0	3,910,020	3,910,020
Residential	497,567	19,313	0	516,880	15,798,498	16,315,378
Non-farmland	223,072	0	66,449	289,521	23,583,555	23,873,076
Consumer						
Personal	27,655	2,461	0	30,116	316,902	347,018
Automobile	24,698	35,077	0	59,775	2,924,787	2,984,562
Other	0	0	0	0	55,225	55,225
Total	$ 1,281,413	$ 247,817	$ 235,554	$ 1,764,784	$ 76,481,239	$ 78,246,023

[1]Loans totaling $68,750 past due greater than ninety days were accruing interest as of December 31, 2014 as management believes they are adequately collateralized and in process of collection.

NOTE 5: PREMISES AND EQUIPMENT

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

	2015	2014
Cost:		
Land	$ 574,305	$ 574,304
Bank premises	2,935,064	2,969,831
Furniture and equipment	1,159,412	2,229,440
Total cost	4,668,781	5,773,575
Less accumulated depreciation	(2,242,153)	(3,356,358)
Net book value	$ 2,426,628	$ 2,417,217

Certain Company facilities and equipment are leased under various operating leases. Rental expense was $11,894 in 2014 and $11,175 in 2015. Payment requirements for operating leases for the fiscal years ending 2016, 2017, and 2018 are $9,929, $9,929, and $2,349 respectively.

NOTE 6: DEPOSITS

A summary of deposits at December 31, follows:

	2015	2014
Non-interest bearing demand	$ 31,672,336	$ 29,681,996
Interest-bearing demand	39,919,023	40,177,243
Savings	6,843,897	6,654,519
Certificates of deposit of $100,000 or more	11,603,484	11,158,866
Other time deposits	6,919,350	7,276,690
	$ 96,958,090	$ 94,949,314

At December 31, 2015 and 2014, overdraft demand deposits reclassified to loans totaled $72,411 and $68,721, respectively.

At December 31, 2015, the scheduled maturities of certificates of deposits and other time deposits are as follows:

Year ending	
2016	$ 13,994,883
2017	927,282
2018	96,440
2019 and thereafter	3,504,229
	$ 18,522,834

NOTE 7: FINANCIAL INSTRUMENTS

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

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

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 drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if it is deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the counterpart. Collateral held varies but may include accounts receivable, crops, livestock, inventory, property, plant and equipment, residential real estate, income-producing commercial properties and other financial instruments.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. Collateral held varies and is required in instances in which the Company deems necessary.

The Company has not incurred any losses on its commitments in either 2015 or 2014.

A summary of the notional amounts of the Company's financial instruments with off-balance-sheet risk at December 31, 2015, follows:

		Notional Amount
Commitments to extend credit	$	12,082,658
Standby letters of credit		484,785

NOTE 8: SIGNIFICANT GROUP CONCENTRATIONS OF CREDIT RISK

Most of the Company's business activity is with customers located within its market area. Investments in state and municipal securities involve governmental entities within the state. Although the Company's loan portfolio is diversified, there is a relationship in this region between the agricultural economy and the economic performance of loans made to nonagricultural customers. As of December 31, 2015, the Company's loans from and guarantees of, obligations of borrowers to commercial entities and real estate related loans were $10,323,902 and $61,025,624 respectively. Collateral for agricultural loans includes equipment, crops, livestock, and land. Collateral for real estate loans includes property. The loans are expected to be repaid from cash flows or proceeds from the sale of selected assets of the borrowers. Credit losses from loans related to the agricultural economy are consistent with credit losses experienced in the portfolio as a whole. The concentration of credit in the regional agricultural economy is taken into consideration by management in determining the allowance for loan losses. Substantially all of the Company's loans and commitments have been granted to customers in the Company's market area. The distribution of commitments to extend credit approximates the distribution of loans outstanding.

The Company had a concentration of funds on deposits over insured limits at December 31, as follows:

		2015		2014
Interest-bearing:				
Frost Bank Dallas, EBA	$	3,350,000	$	10,100,000
TIB Dallas, MMA		2,110,117		0
	$	5,460,117	$	10,100,000

		2015		2014
Non-interest-bearing:				
Federal Reserve Bank Dallas	$	0	$	207,209
Frost Bank Dallas		640,987		176,632
Total Non-interest-bearing:	$	640,987	$	383,841

The nature of the Company's business requires that it maintain amounts due from banks which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts.

The Company held no deposit relationship that exceeded five percent of total deposits as of December 31, 2015 and 2014.

NOTE 9: RELATED PARTIES

The Company has had, and may be expected to have in the future, banking transactions in the ordinary course of business with directors, significant stockholder, principal officers, their immediate families and affiliated companies in which they are principal stockholders (commonly referred to as related parties). In management's opinion, these loans and transactions were on the same terms as those for comparable loans and transactions with non related parties.

Aggregate loan transactions with related parties for year ended December 31, were as follows:

	2015	2014
Balance, beginning	$ 376,663	$ 336,962
New loans	128,896	356,013
Repayments	(91,654)	(316,312)
Balance, ending	$ 413,905	$ 376,663

The Company received rental income in the amount of $4,488 from a related party that was considered to be in the ordinary course of business for the years ended December 31, 2015 and 2014.

NOTE 10: LONG-TERM DEBT

The Company's available line-of-credit from the Federal Home Loan Bank fluctuates based on the Bank's real estate portfolio available for collateral. The available balance totaled $39,375,118 and $26,838,678 as of December 31, 2015 and 2014, respectively.

The Company also has an unsecured line-of-credit available with Texas Independent Bankers totaling $1,750,000 as of December 31, 2015 and 2014.

NOTE 11: EMPLOYEE STOCK OWNERSHIP PLAN

The Company sponsors an employee stock ownership plan (the "Plan"). The purpose of the Plan is to enable full-time employees who are at least twenty-one years of age and have been employed for at least one year to acquire stock ownership in the Company. The employer shall determine the amount of contributions made to the plan each year. The employer shall contribute to the Plan the amount necessary to provide the top heavy minimum contribution. For the years ended December 31, 2015 and 2014, the Company made contributions of $113,200 and $108,000, respectively. This contribution is included in salaries and employee benefits expense in the accompanying consolidated financial statements.

NOTE 12: COMMITMENTS AND CONTINGENCIES

In the ordinary course of business, the Company has various outstanding commitments and contingent liabilities that are not reflected in the accompanying consolidated financial statements. In the opinion of management any liability resulting from such commitments and contingent liabilities would not have a material adverse effect on the Company's consolidated financial statements.

NOTE 13: FAIR VALUE MEASUREMENTS

The estimated fair value amounts of the financial instruments have been determined by using available market information and appropriate valuation methodologies. However, considerable judgment is required to interpret data to develop estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market exchange.

The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

In addition, reasonable comparability between financial institutions may not be likely due to the wide range of permitted valuation techniques and numerous estimates that must be made given the absence of active secondary markets for many of the financial instruments. This lack of uniform valuation methodologies also introduces a greater degree of subjectivity to these estimated fair values.

The estimated fair values of the Company's financial instruments are as follows at December 31:

	2015	
	Carrying Amount	Fair Value
Cash, cash equivalents, and interest-bearing balances	$ 8,349,846	$ 8,349,846
Investment securities:		
Available-for-sale	14,759,793	14,759,793
Loans, net	81,103,605	81,995,000
Deposits	96,958,090	96,162,000

The Company has commitments to extend credit in the amount of $12,082,658 and standby letters of credit in the amount of $484,785 as of December 31, 2015.

ASC 820-10, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). ASC 820-10 applies to all financial instruments that are being measured and reported on a fair value basis.

As defined in ASC 820-10, fair value 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. In determining fair value, the Company uses various methods including market, income, and cost approaches. Based on these approaches, the Company often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Company utilized valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques the Company is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs to the limited market activity of the instrument.

For fiscal years ended December 31, 2015 and 2014, the application of valuation techniques applied to similar assets has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value.

Cash and short-term investments

The carrying amount is a reasonable estimate of fair value.

Investment securities

Valued at the close price reported on the active market on which the individual securities are traded. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs to the limited market activity of the instrument.

Loan receivables

For certain homogeneous categories of loans, such as some residential mortgages, credit card receivables, and other consumer loans, fair value is estimated using the quoted market prices for securities backed by similar loans, adjusted for differences in loan characteristics. The fair value of other types of loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

Impaired loans

Based on the fair value of the underlying collateral if repayment is expected solely from the collateral. Collateral values are estimated using Level 3 inputs based upon internally discounted criteria.

Deposit liabilities

The fair value of demand deposits, savings accounts, and certain money market deposits is the amount payable on demand at the reporting date. The fair value of fixed-maturity certificates of deposit is estimated using the rates currently offered for deposits of similar remaining maturities.

Commitments to extend credit, standby letters of credit, and financial guarantees written

The fair value of commitments is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed-rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates. The fair values of the guarantees and letters of credit are based on fees currently charged for similar agreements or on the estimated costs to terminate them or otherwise settle the obligations with the counterparties at the reporting date. Estimating the fair values of the commitments and letters of credit is not practical when considering the preceding factors.

The table below presents the balances of assets measured at fair value:

Description	12/31/2015	Fair Value Measurements at Reporting Date Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Recurring fair value measurements:				
Available-for-sale securities:				
U.S. government and agency securities:				
FHLB	$ 3,998,380	$ 0	$ 3,998,380	$ 0
FNMA	999,990		999,990	
Mortgage-backed securities:				
FNMA	1,185,346	0	1,185,346	0
FGMA	3,042,129	0	3,042,129	0
Collateralized mortgage obligations	998,268	0	998,268	0
Municipal bonds (state)	3,501,240	0	3,501,240	0
Treasury securities	1,034,440	0	1,034,440	0
Nonrecurring fair value measurements:				
Impaired loans, net	2,036,864	0	0	2,036,864
Total	$ 16,796,657	$ 0	$ 14,759,793	$ 2,036,864

The changes in Level 3 assets measured at fair value on a non-recurring basis are as follows for the year ended December 31:

	Impaired Loans	
		2015
Beginning balance	$	200,721
Principal / new additions to impaired listing		2,017,667
Principal payments / removals from impaired listing		(181,524)
Ending balance	$	2,036,864

The table below present the balances of assets measured at fair value:

		Fair Value Measurements at Reporting Date Using		
Description	12/31/2014	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Recurring fair value measurements:				
Available-for-sale securities:				
U.S. government and agency securities:				
FHLB	$ 2,005,330	$ 0	$ 2,005,330	$ 0
Mortgage-backed securities:				
FNMA	1,419,430	0	1,419,430	0
FGMA	3,610,958	0	3,610,958	0
GNMA	55,843	0	55,843	0
Collateralized mortgage obligations	1,155,981	0	1,155,981	0
Municipal bonds (state)	3,579,586	0	3,579,586	0
Nonrecurring fair value measurements:				
Impaired Loans, net	200,721	0	0	200,721
Total	$ 12,027,849	$ 0	$ 11,827,128	$ 200,721

The changes in Level 3 assets measured at fair value on a non-recurring basis are as follows for the year ended December 31:

		Impaired Loans
		2014
Beginning balance	$	119,557
Principal / new additions to impaired listing		94,820
Principal payments / removals from impaired listing		(13,656)
Ending balance	$	200,721

NOTE 14: REGULATORY MATTERS

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

Quantitative measures established by regulation to ensure capital adequacy require the Company to maintain minimum amounts and ratios (set forth in the table below) of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier 1 capital (as defined) to average assets (as defined). Management believes, as of December 31, 2015, the Company meets all capital adequacy requirements to which it is subject.

As of December 31, 2015, the most recent notification from the Federal Deposit Insurance Corporation categorized the Company as well capitalized under regulatory framework for prompt corrective action. To be categorized as well capitalized the Company must maintain minimum total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios as set forth in the table. There are no conditions or events since the notification that management believes have changed the institution's category.

The Company's actual capital amounts and ratios are also presented in the following table:

	Actual		For Capital Adequacy Purposes:		To Be Well Capitalized Under Prompt Corrective Action Provisions:	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2015:						
Total Capital (to Risk Weighted Assets)	$ 11,625,000	14.54%	$ 6,396,240	8%	$ 7,995,300	10%
Tier 1 Capital (to Risk Weighted Assets)	$ 10,804,000	13.51%	$ 3,198,120	4%	$ 4,797,180	6%
Tier 1 Capital (to Average Assets)	$ 10,804,000	10.13%	$ 4,264,520	4%	$ 5,330,650	5%

	Actual		For Capital Adequacy Purposes:		To Be Well Capitalized Under Prompt Corrective Action Provisions:	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2014:						
Total Capital (to Risk Weighted Assets)	$ 10,919,000	14.42%	$ 6,056,400	8%	$ 7,570,500	10%
Tier 1 Capital (to Risk Weighted Assets)	$ 10,133,000	13.38%	$ 3,028,200	4%	$ 4,542,300	6%
Tier 1 Capital (to Average Assets)	$ 10,133,000	9.41%	$ 4,309,520	4%	$ 5,386,900	5%

Condley
AND COMPANY, LLP
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March 2, 2016

To the Board of Directors and Stockholders
Coleman Bancshares, Inc., and Subsidiary
Coleman, Texas

Independent Auditors' Report on Supplementary Information

We have audited the consolidated financial statements of Coleman Bancshares, Inc., and Subsidiary, as of and for the years ended December 31, 2015 and 2014, and have issued our report thereon, dated March 2, 2016, which contained an unmodified opinion on those consolidated financial statements. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole.

The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Condley and Company, L.L.P.

Certified Public Accountants

COLEMAN BANCSHARES, INC., AND SUBSIDIARY
Coleman, Texas

CONSOLIDATING BALANCE SHEET

December 31, 2015

ASSETS	Coleman Bancshares, Inc.	Coleman County State Bank
Cash and due from banks:		
Noninterest-bearing balances and currency and coin	$ 69,456	$ 2,637,183
Interest-bearing deposits in other financial institutions		5,712,663
Securities available-for-sale		14,759,793
Investment in Coleman County State Bank	10,262,172	
Loans receivable, net of allowance for loan losses of $1,288,629		81,103,605
Accrued interest receivable		604,868
Goodwill, net of accumulated amortization of $407,260	424,590	
Premises and equipment, net		2,426,628
Other assets		247,349
TOTAL ASSETS	$ 10,756,218	$ 107,492,089

	Eliminations and Reclassifications		Consolidated
$	(69,456)	$	2,637,183
			5,712,663
			14,759,793
	(10,262,172)		0
			81,103,605
			604,868
			424,590
			2,426,628
			247,349
$	(10,331,628)	$	107,916,679

COLEMAN BANCSHARES, INC., AND SUBSIDIARY
Coleman, Texas

CONSOLIDATING BALANCE SHEET (CONTINUED)

December 31, 2015

LIABILITIES AND STOCKHOLDERS' EQUITY	Coleman Bancshares, Inc.	Coleman County State Bank
LIABILITIES:		
Demand deposits	$	$ 31,673,007
Savings and NOW deposits		46,831,705
Other time deposits		18,522,834
Total deposits	0	97,027,546
Accrued expenses and other liabilities	0	202,371
Total Liabilities	0	97,229,917
STOCKHOLDERS' EQUITY:		
Common stock	672,940	375,000
Additional paid-in capital	1,521,144	5,125,038
Retained earnings	8,636,832	4,836,832
Accumulated other comprehensive loss	(74,698)	(74,698)
Total Stockholders' Equity	10,756,218	10,262,172
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 10,756,218	$ 107,492,089

Eliminations and Reclassifications	Consolidated
$ (671)	$ 31,672,336
(68,785)	46,762,920
	18,522,834
(69,456)	96,958,090
	202,371
(69,456)	97,160,461
(375,000)	672,940
(5,125,038)	1,521,144
(4,836,832)	8,636,832
74,698	(74,698)
(10,262,172)	10,756,218
$ (10,331,628)	$ 107,916,679

COLEMAN BANCSHARES, INC., AND SUBSIDIARY
Coleman, Texas

CONSOLIDATING STATEMENT OF INCOME

Year Ended December 31, 2015

	Coleman Bancshares, Inc.	Coleman County State Bank
INTEREST INCOME:		
Loans receivable	$	$ 4,578,984
Securities available-for-sale		244,289
Deposits with other financial institutions	101	25,257
Total Interest Income	101	4,848,530
INTEREST EXPENSE:		
Deposits		191,917
Total Interest Expense	0	191,917
NET INTEREST INCOME	101	4,656,613
Provision for loan losses		522,691
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	101	4,133,922
NON-INTEREST INCOME:		
Equity in earnings of subsidiary	1,728,480	
Service charges and fees		964,035
Gain on sale of available-for-sale securities		529
Other income		82,773
Total Other Income	1,728,480	1,047,337
NON-INTEREST EXPENSES:		
Salaries and employee benefits		1,549,633
Occupancy expense		369,501
Deposit insurance premium		53,413
Other expenses	44,683	1,480,232
Total Other Expenses	44,683	3,452,779
NET INCOME	$ 1,683,898	$ 1,728,480

Eliminations and Reclassifications	Consolidated
$	$ 4,578,984
	244,289
(101)	25,257
(101)	4,848,530
(101)	191,816
(101)	191,816
0	4,656,714
	522,691
0	4,134,023
(1,728,480)	0
	964,035
	529
	82,773
(1,728,480)	1,047,337
	1,549,633
	369,501
	53,413
	1,524,915
0	3,497,462
$ (1,728,480)	$ 1,683,898

COLEMAN BANCSHARES, INC., AND SUBSIDIARY
Coleman, Texas

CONSOLIDATING STATEMENT OF CASH FLOWS

Year Ended December 31, 2015

	Coleman Bancshares, Inc.	Coleman County State Bank
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 1,683,898	$ 1,728,480
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation		154,153
Amortization and accretion		55,519
Provision for loan losses		522,691
Loss on disposal of premises and equipment		9,327
Gain on sale of available-for-sale securities		(529)
Decrease in accrued income and other assets		320,385
Increase in accrued expenses and other liabilities		46,935
Total Adjustments	0	1,108,481
Net Cash Provided by Operating Activities	1,683,898	2,836,961
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of available-for-sale securities		(64,035,803)
Proceeds from maturities and sales of available-for-sale securities		61,096,879
Net increase in loans		(4,165,151)
Purchases of premises and equipment		(172,891)
Net increase in investment in Coleman County State Bank	(203,480)	
Net Cash Used in Investing Activities	(203,480)	(7,276,966)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in non-interest bearing demand, savings, and NOW deposit accounts		1,904,624
Net decrease in time deposits		87,278
Dividends paid	(1,497,292)	(1,525,000)
Net Cash Provided by (Used in) Financing Activities	(1,497,292)	466,902
Net Decrease in Cash and Due From Banks	(16,874)	(3,973,103)
Cash and Due From Banks at January 1	86,330	12,322,949
CASH AND DUE FROM BANKS AT DECEMBER 31	$ 69,456	$ 8,349,846

Eliminations and Reclassifications	Consolidated
$ (1,728,480)	$ 1,683,898
	154,153
	55,519
	522,691
	9,327
	(529)
	320,385
	46,935
0	1,108,481
(1,728,480)	2,792,379
	(64,035,803)
	61,096,879
	(4,165,151)
	(172,891)
203,480	0
203,480	(7,276,966)
16,874	1,921,498
	87,278
1,525,000	(1,497,292)
1,541,874	511,484
16,874	(3,973,103)
(86,330)	12,322,949
$ (69,456)	$ 8,349,846