Board of Governors of the Federal Reserve System

Annual Report of Holding Companies—FR Y-6

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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, Tieman H. Dippel, Jr.
Name of the Holding Company Director and Official

Chairman of the Board & President
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.

Tieman H. Dippel, Jr., President
Signature of Holding Company Director and Official

02/22/2016
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 1108789
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
Brenham Bancshares, Inc.
Legal Title of Holding Company

P.O. Box 583
(Mailing Address of the Holding Company) Street / P.O. Box

Brenham	TX	77834
City	State	Zip Code

2211 South Day Street, Brenham, Texas 77833
Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Lynn	Van Eman
Name	Title

979-277-6141
Area Code / Phone Number / Extension

979-836-4398
Area Code / FAX Number

lvaneman@bnbank.com
E-mail Address

www.bnbank.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

For Use By Tiered Holding Companies

Top-tiered holding companies must list the names, mailing address, and physical locations of each of their subsidiary holding companies below.

None

Legal Title of Subsidiary Holding Company

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

City State Zip Code

Physical Location (if different from mailing address)

Legal Title of Subsidiary Holding Company

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City State Zip Code

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

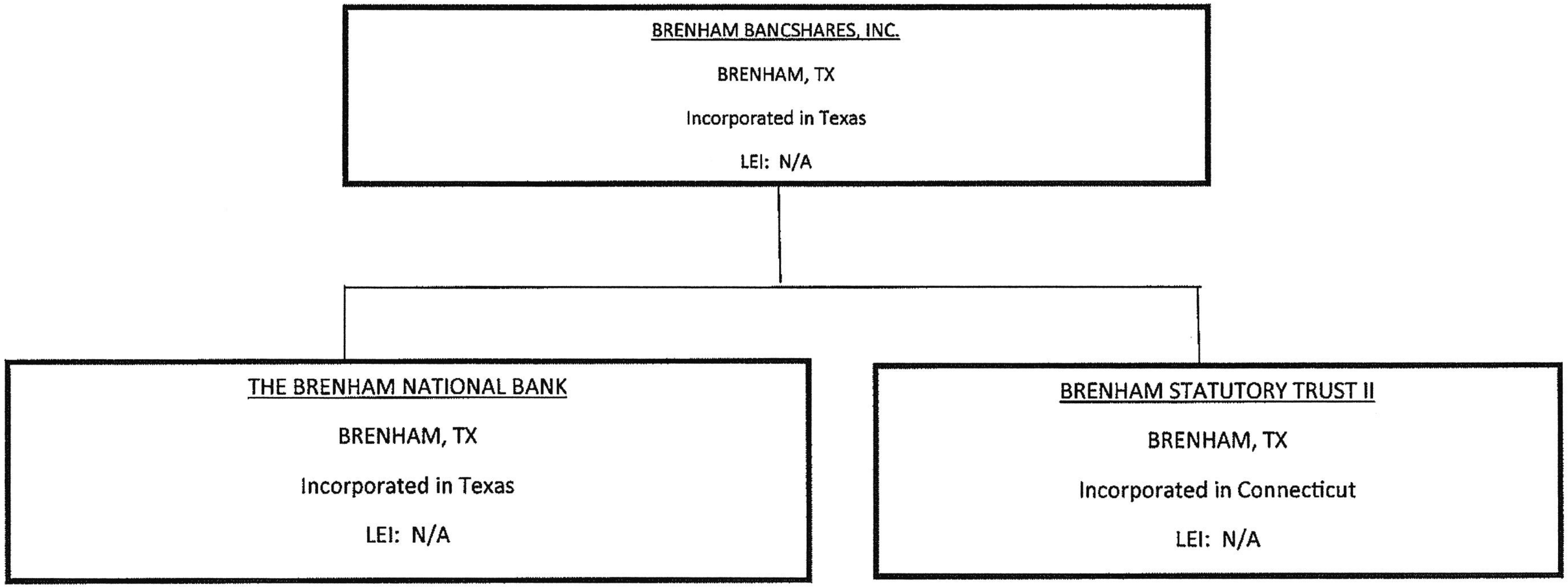
City State Zip Code

Physical Location (if different from mailing address)

BRENHAM BANCSHARES, INC.

REPORT ITEM 2.a

DECEMBER 31, 2015



Brenham Bancshares, Inc. owns 100% of the Brenham Statutory Trust II

and The Brenham National Bank

AMENDED
JUL 22 2016

Results: A list of branches for your depository institution: BRENHAM NATIONAL BANK, THE (ID_RSSD: 227357).
This depository institution is held by BRENHAM BANCSHARES, INC. (1108789) of BRENHAM, 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	Head Office ID_RSSD*	Comments
		Full Service (Head Office)	227357	BRENHAM NATIONAL BANK, THE	2211 S DAY	BRENHAM	TX	77833	WASHINGTON	UNITED STATES	1987	0	BRENHAM NATIONAL BANK, THE	227357	
		Full Service	3846562	CHAPPELL HILL BRANCH	9005 HIGHWAY 290 EAST	CHAPPELL HILL	TX	77426	WASHINGTON	UNITED STATES	492748	2	BRENHAM NATIONAL BANK, THE	227357	
		Full Service	3650705	COLLEGE STATION BRANCH	2470 EARL RUDDER FREEWAY SOUTH	COLLEGE STATION	TX	77840	BRAZOS	UNITED STATES	463491	1	BRENHAM NATIONAL BANK, THE	227357	

BRENHAM BANCSHARES, INC.
REPORT ITEM 3(1)
DECEMBER 31, 2015

AMENDED
JUL 22 2016

Shareholders who directly or indirectly own 5% or more of the voting securities of Brenham Bancshares, Inc. as of December 31, 2015

	Country of Citizenship	Number of shares Owned	Percentage of Total Shares
1. Dr. Deanna Alfred Family Brenham, Texas 77833	U.S.	24,091*	20.03%
2. Tieman H. Dippel, Jr. Family Brenham, Texas 77833	U.S.	29, 503**	24.52%
3. Gloria Dietz Brenham, Texas 77833	U.S.	11,395***	9.47%

*	Deanna Alfred – 19,204 shares Brenham, Texas 77833 US	15.96%
	Ronald D. Alfred (spouse) – 1,041 shares Brenham, Texas 77833 US	.87%
	Corby Alfred (son) – 1,902 shares Austin, Texas 78727 US	1.58%
	Kurt & Lauren Alfred (son & DIL) – 1,944 shares Brenham, Texas 77833 US	1.62%
**	Tieman H. Dippel Jr. – 14,400 shares Brenham, Texas 77833 US	11.96%
	Katherine Dippel (spouse) – 1,000 shares Brenham, Texas 77833 US	.83%
	Tieman H. Dippel, III (son) – 3,796 shares Brenham, Texas 77833 US	3.15%
	Margaret Dippel Voelter (daughter) – 2.970 shares Austin, Texas 78737 US	2.46%
	Elizabeth Dippel Masser (daughter) – 3,337 shares Brenham, Texas 77833 US	2.76%
	Victoria Dippel (granddaughter) – 500 shares Brenham, Texas 77833 US	.42%
	Tieman H. Dippel, IV (grandson) – 500 shares Brenham, Texas 77833 US	.42%
	Evan Dippel (grandson) – 500 shares Brenham, Texas 77833 US	.42%

Evelyn Voelter (granddaughter) – 500 shares Austin, Texas 78737 US	.42%
Dathan Wright Voelter (grandson) – 500 shares Austin, Texas 78737 US	.42%
Margaret Voelter (granddaughter) – 500 shares Austin, Texas 78737 US	.42%
Ted Henry Masser (grandson) – 500 shares Brenham, Texas 77833 US	.42%
Katherine Massser (granddaughter) – 500 shares Brenham, Texas 77833 US	.42%
*** Gloria Dietz – 7,085 shares Brenham, Texas 77833 US	5.89%
Valerie Dietz (daughter) – 2,765 shares Traverse City, MI 49686 US	2.30%
Sharon Guelker (daughter) – 700 shares Brenham, Texas 77833 US	.58%
Pam & Mitch Cooper (daughter & SIL) – 845 shares New Orleans, LA 70118 US	.70%

AMENDED
JUL 22 2016

BRENHAM BANCSHARES, INC.
REPORT ITEM 3(2)
DECEMBER 31, 2015

Shareholders not listed in section 3(1) that owned or controlled 5% or more of any class of voting securities in the holding company during 2015

None

AMENDED
JUL 22 2016

BRENHAM BANCSHARES, INC.
REPORT ITEM 4
DECEMBER 31, 2015

NAME & ADDRESS (City, State, Country)	PRINCIPAL OCCUPATION IF OTHER THAN WITH HOLDING COMPANY	TITLE & POSITION WITH HOLDING COMPANY & SUBSIDIARIES (1) BRENHAM BANCSHARES, INC. (2) BRENHAM NATIONAL BANK (3) BRENHAM STATUTORY TRUST II	TITLE & POSITIONS WITH OTHER BUSINESSES	PERCENTAGE OF VOTING SECURITIES IN HOLDING COMPANY & SUBSIDIARIES (1) BRENHAM BANCSHARES, INC. (2) BRENHAM NATIONAL BANK (3) BRENHAM STATUTORY TRUST II	NAMES OF OTHER COMPANIES IF 25% OR MORE OF VOTING SECURITIES ARE HELD
*Corby Alfred Austin, Texas USA	Sales Manager	Advisory Director (1) & (2)	N/A	1.58% (1)	N/A
*Dr. Deanna Alfred Brenham, Texas USA	Retired School Administrator	Director (1) & (2)	Partner, Dippel & Alfred Interests, LLC	15.96% (1)	25% - Dippel & Alfred Interests, LLC
*Kurt Alfred Brenham, Texas USA	N/A	Vice President (2)	N/A	.081% (1)	N/A
*Lauren Alfred Brenham, Texas USA	College Instructor	NA	N/A	.081% (1)	N/A
*Ronald D. Alfred Brenham, Texas USA	N/A	Director (1) & (2) Vice Chairman (1) & (2) Administrator (3)	Partner, Dippel & Alfred Interests, LLC	.87% (1)	25% - Dippel & Alfred Interests, LLC
Darrell Blum Brenham, Texas USA	Owner & Operator of Car Dealership	Director (1) & (2)	President, LaRoche Chevrolet-Cadillac, Pontiac/Buick/GMC	.42% (1)	51% - LaRoche Chevrolet-Cadillac, Pontiac/Buick/GMC
Douglas Borchardt Brenham, Texas USA	N/A	Executive VP & CFO (2) Advisory Director (1) & (2) Asst. Secretary (1) & (2)	N/A	N/A	N/A
Ricky Bosse Brenham, Texas USA	Welder	Advisory Director (1) & (2)	Owner, Korth & Linke Welding, LLC	.58% (1)	51% - Korth & Linke Welding, LLC
***Pam & Mitch Cooper New Orleans, LA USA	Housewife/Civil Engineer	N/A	N/A	.70% (1)	N/A
*** Gloria Dietz Brenham, Texas USA	Widow/Housewife	N/A	N/A	5.89% (1)	N/A
*** Valerie Dietz Traverse City, MI USA	Housewife	N/A	N/A	2.30% (1)	N/A
**Evan Dippel Brenham, Texas USA	minor child	N/A	N/A	.42% (1)	N/A

BRENHAM BANCSHARES, INC.
REPORT ITEM 4
DECEMBER 31, 2015

AMENDED
JUL 22 2016

NAME & ADDRESS (City, State, Country)	PRINCIPAL OCCUPATION IF OTHER THAN WITH HOLDING COMPANY	TITLE & POSITION WITH HOLDING COMPANY & SUBSIDIARIES (1) BRENHAM BANCSHARES, INC. (2) BRENHAM NATIONAL BANK (3) BRENHAM STATUTORY TRUST II	TITLE & POSITIONS WITH OTHER BUSINESSES	PERCENTAGE OF VOTING SECURITIES IN HOLDING COMPANY & SUBSIDIARIES (1) BRENHAM BANCSHARES, INC. (2) BRENHAM NATIONAL BANK (3) BRENHAM STATUTORY TRUST II	NAMES OF OTHER COMPANIES IF 25% OR MORE OF VOTING SECURITIES ARE HELD
** Katherine Dippel Brenham, Texas USA	Housewife	N/A	Owner, Dippel Venture Capital Corporation^	.83% (1)	25.61% - Dippel Venture Capital^
**Tieman H. Dippel, Jr. Brenham, Texas USA	N/A	Chairman of the Board & Director (1) & (2) President (1) Administrator (3)	President & Director, Dippel Venture Capital Corporation ^ Pres. & Managing Partner, Dippel & Alfred Interests, LLC Managing Partner, Texas Peacemaker Publications, LLC Managing Partner, The Language of Conscience.com, LLC	11.96% (1)	25.61% - Dippel Venture Capital^

^ Katherine Dippel & Tieman H. Dippel, Jr., each own 25.61% of Dippel Venture Capital Corporation. The Family Investment Company has 3 subsidiaries with stock owned not by them individually, but by the corporation in which they control over 25%. These companies are wholly owned and include Dippel & Alfred Interests, LLC, Texas Peacemakers Publications, LLC, and TheLanguageof Conscience.com, LLC.

NAME & ADDRESS (City, State, Country)	PRINCIPAL OCCUPATION IF OTHER THAN WITH HOLDING COMPANY	TITLE & POSITION WITH HOLDING COMPANY & SUBSIDIARIES	TITLE & POSITIONS WITH OTHER BUSINESSES	PERCENTAGE OF VOTING SECURITIES	NAMES OF OTHER COMPANIES IF 25% OR MORE OF VOTING SECURITIES ARE HELD
**Tieman H. Dippel, III Brenham, Texas USA	N/A	President & CEO (2) Director (1) & (2) Secretary (1) & (2)	Partner, Triple Dippel Ventures, LLC	3.15% (1)	33.33% - Triple Dippel Ventures, LLC
**Tieman H. Dippel, IV Brenham, Texas USA	minor child	N/A	N/A	.42% (1)	N/A
**Victoria Dippel Brenham, Texas USA	minor child	N/A	N/A	.42% (1)	N/A
*** Sharon Guelker Brenham, Texas USA	Retired School Teacher	N/A	N/A	.58% (1)	N/A
John Hasskarl Brenham, Texas USA	N/A	Executive Vice President (2) Advisory Director (1) & (2)	Partner, W&E Stone Investments, LLC	.83% (1)	50% - W&E Stone Investments, LLC
David Klemsteadt Brenham, Texas USA	N/A	Executive Vice President & COO (2)	N/A	N/A	N/A
Barney Loesch Brenham, Texas USA	Financial Advisor/Planner	Director (1) & (2)	N/A	.29% (1)	N/A

BRENHAM BANCSHARES, INC.
REPORT ITEM 4
DECEMBER 31, 2015

AMENDED
JUL 22 2016

NAME & ADDRESS (City, State, Country)	PRINCIPAL OCCUPATION IF OTHER THAN WITH HOLDING COMPANY	TITLE & POSITION WITH HOLDING COMPANY & SUBSIDIARIES (1) BRENHAM BANCSHARES, INC. (2) BRENHAM NATIONAL BANK (3) BRENHAM STATUTORY TRUST II	TITLE & POSITIONS WITH OTHER BUSINESSES	PERCENTAGE OF VOTING SECURITIES IN HOLDING COMPANY & SUBSIDIARIES (1) BRENHAM BANCSHARES, INC. (2) BRENHAM NATIONAL BANK (3) BRENHAM STATUTORY TRUST II	NAMES OF OTHER COMPANIES IF 25% OR MORE OF VOTING SECURITIES ARE HELD
**Elizabeth Dippel Masser Brenham, Texas USA	Housewife	N/A	Partner, Triple Dippel Ventures, LLC	2.76% (1)	33.33% - Triple Dippel Ventures, LLC
**Katherine Masser Brenham, Texas USA	minor child	N/A	N/A	.42% (1)	N/A
**Ted Henry Masser Brenham, Texas USA	minor child	N/A	N/A	.42% (1)	N/A
Michael Rudloff Brenham, Texas USA	N/A	Executive Vice President (2)	N/A	N/A	N/A
Stanley Sommer Brenham, Texas USA	Insurance Agent	Director (1) & (2)	N/A	.55% (1)	N/A
Donald Spiess Brenham, Texas USA	Retired Insurance Agent	Director (1) & (2)	N/A	.20% (1)	N/A
**Dathan Wright Voelter Austin, Texas USA	minor child	N/A	N/A	.42% (1)	N/A
**Evelyn Voelter Austin, Texas USA	minor child	N/A	N/A	.42% (1)	N/A
**Margaret Dippel Voelter Austin, Texas USA	College Instructor	N/A	Partner, Triple Dippel Ventures, LLC	2.46% (1)	33.33% - Triple Dippel Ventures, LLC
**Margaret Grace Voelter Austin, Texas USA	minor child	N/A	N/A	.42% (1)	N/A

No insiders own shares of Brenham National Bank or Brenham Statutory Trust II.

BRENHAM BANCSHARES, INC.
REPORT ITEM 4
DECEMBER 31, 2015

	(1) BRENHAM BANCSHARES, INC.	(2) BRENHAM STATUTORY TRUST II	(3) BRENHAM NATIONAL BANK	(4) PRINCIPAL OCCUPATION IF NOT BANK HOLDING COMPANY	NUMBER & PERCENT OF SHARES OWNED IN: (1) BRENHAM BANCSHARES, INC. (2) BRENHAM STATUTORY TRUST II (3) BRENHAM NATIONAL BANK (4) OTHER BUSINESS COMPANIES		
*Member of the Deanna Alfred Family							
Deanna Aflred					(1)	19,204	15.96%
Ronald D. Alfred (spouse)					(1)	1,041	0.87%
Corby Alfred (son)					(1)	1,902	1.58%
Kurt & Lauren Alfred (son & daughter-in-law)					(1)	1,944	1.62%
Total						24,091	20.03%
**Member of Tieman H. Dippel, Jr. Family							
Tieman H. Dippel, Jr.					(1)	14,400	11.96%
Katherine Dippel (spouse)					(1)	1,000	0.83%
Tieman H. Dippel, III (son)					(1)	3,796	3.15%
Margaret Dippel Voelter (daughter)					(1)	2,970	2.46%
Elizabeth Dippel Masser (daughter)					(1)	3,337	2.76%
Victoria Dippel (granddaughter)					(1)	500	0.42%
Tieman H. Dippel, IV (grandson)					(1)	500	0.42%
Evan Dippel (grandson)					(1)	500	0.42%
Evelyn Voelter (grandaughter					(1)	500	0.42%
Dathan Wright Voelter (grandson)					(1)	500	0.42%
Margaret Voelter (granddaughter)					(1)	500	0.42%
Ted Henry Masser (grandson)					(1)	500	0.42%
Katherine Masser (granddaughter)					(1)	500	0.42%
Total						29,503	24.52%
*Member of the Gloria Dietz Family							
Gloria Dietz					(1)	7,085	5.89%
Valerie Dietz (daughter)					(1)	2,765	2.30%
Sharon Guelker (Daughter)					(1)	700	0.58%
Pam & Mitch Cooper (daughter & son-in-law)					(1)	845	0.70%
Total						11,395	9.47%

BRENHAM BANCSHARES, INC.

INDEPENDENT AUDITORS' REPORT

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

GREEN & McELREATH CPAs PLLC
Certified Public Accountants

Robert Purnell, CPA
J. Brent Ripple, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders
Brenham Bancshares, Inc.
Brenham, Texas

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Houston
600 Travis, Suite 6150
Houston, TX 77002
phone: 713.228.1040
fax: 713.228.0028

Lake Jackson
122 West Way, Suite 401
Lake Jackson, TX 77566
phone: 979.297.0726
fax: 979.297.3390

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

Opinion

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

Green & McElreath CPAs PLLC

February 1, 2016
Houston, Texas

BRENHAM BANCSHARES, INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2015 AND 2014

Assets	2015	2014
Cash and due from banks - cash equivalents	$ 8,012,914	$ 16,373,885
Interest-bearing deposits in banks	1,960,000	2,445,000
Securities available-for-sale	101,192,834	99,182,773
Securities held-to-maturity	31,744,661	33,633,509
Regulatory and bank stocks, at cost	695,050	568,250
Loans, net of allowance for loan losses	142,755,697	124,931,773
Accrued interest receivable	1,404,490	1,301,927
Premises and equipment, net	4,486,339	4,704,077
Other assets	3,823,447	3,656,962
Total assets	$ 296,075,432	$ 286,798,156
Liabilities and Shareholders' Equity		
Deposits:		
Noninterest-bearing	$ 64,163,453	$ 61,765,818
Interest-bearing	194,680,520	189,050,958
Total deposits	258,843,973	250,816,776
Accrued expenses and other liabilities	1,713,820	1,735,266
Long-term debt	5,871,379	6,544,905
Junior subordinated debt	4,124,000	4,124,000
Total liabilities	270,553,172	263,220,947
Shareholders' equity:		
Common stock-$10 par value; 1,000,000 shares authorized, 156,600 issued in 2015 and 2014	1,566,000	1,566,000
Retained earnings	23,200,826	21,497,748
Treasury stock, at par, 36,297 shares in 2015 and 2014	(362,970)	(362,970)
Accumulated other comprehensive income	1,118,404	876,431
Total shareholders' equity	25,522,260	23,577,209
Total liabilities and shareholders' equity	$ 296,075,432	$ 286,798,156

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

BRENHAM BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
Interest and dividend income:		
Loans, including fees	$ 6,908,134	$ 6,294,807
Debt securities:		
Taxable	1,611,391	1,651,299
Tax-Exempt	1,412,379	1,284,648
Deposits in banks	27,536	17,384
Dividends	12,682	12,896
Total interest and dividend income	9,972,122	9,261,034
Interest expense	756,415	866,862
Net interest and dividend income	9,215,707	8,394,172
Provision for loan losses	188,500	20,500
Net interest and dividend income, after provision for loan losses	9,027,207	8,373,672
Noninterest income:		
Customer service fees	589,306	540,042
Other noninterest income	870,373	687,998
Gains on sale of assets	165,819	28,239
Total noninterest income	1,625,498	1,256,279
Noninterest expenses:		
Salaries and employee benefits	4,094,027	3,732,604
Occupancy expense	599,307	614,054
Equipment	398,881	413,305
Other general and administrative	2,627,915	2,612,850
Total noninterest expenses	7,720,130	7,372,813
Net income	2,932,575	2,257,138
Other comprehensive income:		
Unrealized holding gain (loss) during the period on securities available for sale	407,792	1,442,352
Less reclassification adjustments for (gain) loss included in net income	(165,819)	10,463
Total comprehensive income (loss)	$ 3,174,548	$ 3,709,953
Net income per share - basic	$ 24.38	$ 18.76

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

BRENHAM BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2015 AND 2014

	Shares of Common Stock	Common Stock	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balances at December 31, 2013	120,303	$ 1,566,000	$ 20,274,015	$ (362,970)	$ (576,384)	$ 20,900,661
Total comprehensive income (loss)			2,257,138		1,452,815	3,709,953
Cash dividends declared ($8.59 per share)			(1,033,405)		-	(1,033,405)
Balances at December 31, 2014	120,303	1,566,000	21,497,748	(362,970)	876,431	23,577,209
Total comprehensive income (loss)			2,932,575		241,973	3,174,548
Cash dividends declared ($10.22 per share)			(1,229,497)		-	(1,229,497)
Balances at December 31, 2015	120,303	$ 1,566,000	$ 23,200,826	$ (362,970)	$ 1,118,404	$ 25,522,260

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

BRENHAM BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
Cash flows from operating activities:		
Net income	$ 2,932,575	$ 2,257,138
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provision for loan losses	188,500	20,500
Amortization of deferred loan fees	223,144	243,090
Amortization of securities	381,555	411,361
(Gain) loss on sale of securities	(165,819)	10,463
Depreciation and amortization	435,193	478,455
Net change in:		
Accrued income and other assets	(269,047)	(717,901)
Accrued expenses and other liabilities	121,890	11,392
Net cash provided by operating activities	3,847,991	2,714,498
Cash flows from investing activities:		
Net (increase) decrease in interest-bearing deposits in banks	485,000	(240,000)
Activity in Available-For-Sale securities:		
Maturities, prepayments and calls	83,268,468	82,360,078
Purchases	(85,363,304)	(72,733,298)
Sale of Held-To-Maturity Securities	1,999,860	-
Purchase of Held-To-Maturity Securities	-	(2,156,934)
Purchase of Federal Home Loan Bank stock	(2,948,400)	(2,687,700)
Redemption of Federal Home Loan Bank stock	2,821,600	2,987,200
Net increase in loans	(18,235,570)	(13,777,982)
Purchase of premises and equipment	(217,454)	(194,708)
Net cash used by investing activities	(18,189,800)	(6,443,344)
Cash flows from financing activities:		
Net increase in deposits	8,027,197	16,263,294
Net increase (decrease) in long-term debt	(673,526)	(2,321,824)
Cash dividends paid	(1,372,833)	(1,033,405)
Net cash provided by financing activities	5,980,838	12,908,065
Net change in cash and cash equivalents	(8,360,971)	9,179,219
Cash and cash equivalents at beginning of year	16,373,885	7,194,666
Cash and cash equivalents at end of year	$ 8,012,914	$ 16,373,885
Supplementary cash flow information:		
Interest paid on deposits and borrowed funds	$ 692,994	$ 881,455

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

BRENHAM BANCSHARES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

(1) Summary of Significant Accounting Policies

(a) Basis of presentation and consolidation - The consolidated financial statements include the accounts of Brenham Bancshares, Inc. and its wholly owned subsidiary The Brenham National Bank (the Bank). All significant intercompany balances and transactions have been eliminated in consolidation.

(b) Use of estimates - In preparing consolidated financial statements in conformity with U.S. generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, and the valuation of foreclosed real estate and trading activities.

(c) Business - The Bank provides a variety of financial services to individuals and small businesses through its offices in Brenham, College Station, and Chappell Hill, Texas. Its primary deposit products are savings and term certificate accounts and its primary lending products are consumer and commercial mortgage loans.

(d) Cash and Cash Equivalents - For the purpose of the consolidated statements of cash flows, cash and cash equivalents include cash, balances due from banks, federal funds sold and interest-bearing deposits in banks, all of which mature within ninety days.

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

(f) Securities - All debt and equity securities have been classified as either available-for-sale or held-to-maturity in accordance with management's intent. Available-for-sale securities for which there are readily determinable fair values are carried at fair value and unrealized holding gains and losses are reported as accumulated other comprehensive income. Held-to-maturity securities are carried at amortized historical cost. Declines in the fair value of the available-for-sale securities below their cost that are deemed to be other than temporary are reflected in the earnings as realized losses. In estimating other than temporary impairment losses, Management considers independent price valuations and the financial condition of the issuer. Gains and losses on the sale of the securities are recorded on the trade date and are determined using the specific identification method.

(g) Loans - The Bank grants mortgage, commercial and consumer loans to customers. A substantial portion of the portfolio is represented by mortgages throughout Central Texas. The ability of the Bank's debtors to honor their contracts is dependent upon the real estate and general economic conditions in this area.

(1) Summary of Significant Accounting Policies - continued

Loans are reported at their outstanding principal balances adjusted for charge-offs, the allowance for loan losses, and any deferred fees or costs on originated loans. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the related loan yield using the interest method.

The accrual of interest on loans is discontinued at the time the loan is 90 days delinquent when, in management's opinion, the borrower may be unable to meet payments as they become due. All interest accrued, but not collected for loans that are placed on nonaccrual, 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 principal and interest amounts contractually due are brought current and future payments are reasonably assured.

(h) Allowance for loan losses - The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Management believes that the allowance for loan losses will be adequate to absorb all possible losses on existing loans that may become uncollectible.

The allowance consists of specific, general and unallocated components. The specific component relates to loans that are classified as either doubtful, substandard or special mention. 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 and current loss experience adjusted for qualitative factors. An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable loss. The unallocated 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.

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

(1) Summary of Significant Accounting Policies - continued

A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reason for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis that considers various factors such as expected future cash flows or the fair value of the collateral if the loan is collateral dependent. Large groups of smaller balance homogenous loans are collectively evaluated for impairment. Accordingly, the Bank does not separately identify individual consumer and residential loans for impairment disclosure, unless such loans are the subject of a restructuring agreement.

(i) Off-Balance Sheet credit related financial instruments - In the ordinary course of business, the Bank has entered into commitments to extend credit, including commercial letters of credit and standby letters of credit. Such financial instruments are recorded when they are funded.

(j) Significant group concentrations of credit risk - Most of the Bank's activities are with customers located within the Central Texas region. Note 3 discusses the types of securities that the Bank invests in. Note 4 discusses the type of lending that the Bank engages in. The Bank does not have any significant concentrations to any one industry or customer.

(k) Foreclosed assets - Foreclosed assets are assets acquired through, or in lieu of, loan foreclosures, are held for sale and carried at the lower of the carrying amount of the loan, or fair market value less cost to sell.

(l) Banking premises and equipment - Land is carried at cost. Buildings and equipment are carried at cost, less accumulated depreciation computed on the straight-line method over the estimated useful lives of the assets.

(m) Net income per share - Net income per share represents income from continuing operations available to the common shareholders divided by the weighted-average number of shares of common stock outstanding during the period.

(n) Comprehensive income - In accordance with Topic 220 the presentation of other comprehensive income is made in a single continuous statement of comprehensive income along with reclassification adjustments for items that are reclassified from other comprehensive income to net income in the statements where the components of net income and components of other comprehensive income are presented.

(1) Summary of Significant Accounting Policies - continued

(o) Reclassifications - Certain items in the 2014 report have been reclassified to conform to current year classifications. Such reclassifications had no effect on previously reported net income.

(2) New Accounting Standards

ASU 2015-01 "Income Statement - Extraordinary and Unusual Items (Subtopic 225-20) - Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items." ASU 2015-01 eliminates from U.S. GAAP the concept of extraordinary items, which, among other things, required an entity to segregate extraordinary items considered to be unusual and infrequent from the results of ordinary operations and show the item separately in the income statement, net of tax, after income from continuing operations. ASU 2015-01 is effective for the Company beginning January 1, 2016, though early adoption is permitted. ASU 2015-01 is not expected to have a significant impact on the Bank's financial statements.

ASU 2014-04 "Receivables-Troubled Debt Restructurings by Creditors (Subtopic 310-40) - Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure." ASU 2014-04 intends to reduce diversity by clarifying when an in substance repossession or foreclosure occurs, that is, when a creditor should be considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan such that the loan receivable should be derecognized and the real estate property recognized. ASU 2014-04 will become effective for the Company on January 1, 2015 and is not expected to have a significant impact on the Company's financial statements.

ASU 2014-09 "Revenue from Contract with Customers (Topic 606)." ASU 2014-09 supersedes the revenue recognition requirements in Revenue Recognition (Topic 605), and most industry-specific guidance throughout the Industry Topics of the Codification. Additionally, ASU 2014-09 supersedes some cost guidance included in Revenue Recognition-Construction-Type and Production-Type Contracts (Subtopic 605-35). In addition, the existing requirements for the recognition of a gain or loss on the transfer of nonfinancial assets that are not in a contract with a customer are amended to be consistent with the guidance on recognition and measurement. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for the Company beginning January 1, 2017 with retrospective application to each prior reporting period presented, and is not expected to have a significant impact on the Company's financial statements.

ASU 2014-11 "Transfers and Servicing (Topic 860) - Repurchase-to-Maturity Transactions, Repurchase Financings and Disclosure." ASU 2014-11 changes the accounting for repurchase-to-maturity transactions to secured borrowing accounting. It also requires separate accounting for a transfer of a financial asset executed contemporaneously with a repurchase agreement with the same counterparty, which will result in secured borrowing accounting and disclosure for the repurchase agreement. ASU 2014-11 is effective for the Company beginning January 1, 2016 and is not expected to have a significant impact on the Company's financial statements.

(2) New Accounting Standards - continued

ASU 2014-12 "Compensation-Stock Compensation (Topic 718) - Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period." ASU 2014-12 requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. The performance target should not be reflected in estimating the grant-date fair value of the award. Compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. If the performance target becomes probable of being achieved before the end of the requisite service period, the remaining unrecognized compensation cost should be recognized prospectively over the remaining requisite service period. The total amount of compensation cost recognized during and after the requisite service period should reflect the number of awards that ultimately vest. The requisite service period ends when the employee can cease rendering service and still be eligible to vest in the award if the performance target is achieved. ASU 2014-12 is effective for the Company beginning January 1, 2016 and is not expected to have a significant impact on the Company's financial statements.

(3) Investment Securities

The amortized cost and fair value of investment securities available for sale at December 31, 2015 are summarized as follows:

	Amortized Costs	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Agency	$ 35,823,410	$ 282,191	$ 61,030	$ 36,044,571
U.S. Treasuries	4,985,086	14,503	43,389	4,956,200
Mortgage backed Securities	2,512,591	43,464	8,351	2,547,704
Tax-exempt Municipals	37,747,244	1,911,026	29,393	39,628,877
Taxable municipals	3,579,564	370,124	-	3,949,688
CMO's	14,004,158	108,580	62,893	14,049,845
Preferred stock	15,949	-	-	15,949
Totals	$ 98,668,002	$ 2,729,888	$ 205,056	$ 101,192,834

(3) Investment Securities - continued

The amortized cost and fair value of investment securities held to maturity at December 31, 2015 are summarized as follows:

	Amortized Costs	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Agency	$ 20,588,517	$ 724,208	$ -	$ 21,312,725
Tax-exempt Municipals	10,079,386	719,252	-	10,798,638
Taxable municipals	1,076,758	112,870	-	1,189,628
Totals	$ 31,744,661	$ 1,556,330	$ -	$ 33,300,991

The amortized cost and fair value of investment securities available for sale at December 31, 2014 are summarized as follows:

	Amortized Costs	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. agency	$ 35,390,934	$ 456,532	$ 44,885	$ 35,802,581
U.S. Treasuries	4,981,576	-	68,906	4,912,670
Mortgage backed Securities	3,225,611	71,883	11,195	3,286,299
Tax-exempt Municipals	34,131,340	1,705,963	21,610	35,815,693
Taxable municipals	3,588,203	417,418	-	4,005,621
CMO's	15,336,801	111,212	104,053	15,343,960
Preferred stock	15,949	-	-	15,949
Totals	$ 96,670,414	$ 2,763,008	$ 250,649	$ 99,182,773

The amortized cost and fair value of investment securities held to maturity at December 31, 2014 are summarized as follows:

	Amortized Costs	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. agency	$ 22,472,275	$ 674,175	$ -	$ 23,146,450
Tax-exempt Municipals	10,088,032	543,780	-	10,631,812
Taxable municipals	1,073,202	109,875	-	1,183,077
Totals	$ 33,633,509	$ 1,327,830	$ -	$ 34,961,339

(3) Investment Securities - continued

The scheduled maturities of debt securities at December 31, 2015 are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available for sale		Held to maturity	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Due within one year	$ 5,306,042	$ 5,320,910	$ -	$ -
Due one year through five years	22,576,204	22,962,974	11,796,448	12,009,090
Due five years through ten years	34,118,257	35,075,092	10,749,002	11,440,683
Due after ten years	20,150,750	21,236,309	9,199,211	9,851,218
Subtotals	82,151,253	84,595,285	31,744,661	33,300,991
Mortgage-backed securities	2,512,591	2,547,704	-	-
Collateralized mortgage obligations	14,004,158	14,049,845	-	-
Totals	$ 98,668,002	$101,192,834	$ 31,744,661	$ 33,300,991

For the years ended December 31, 2015 and 2014, proceeds from the sales of securities available-for-sale were $66,241,166 and $80,048,186, respectively. Gross realized gains on sales of securities available-for-sale were $164,367 and $28,239, respectively. Gross realized losses on sales of securities available-for-sale were $-0- and $38,702, respectively. Proceeds from sales of securities held-to-maturity were $1,999,860 and gross realized gains were $1,452 for the year ended December 31, 2015.

At December 31, 2015 and 2014, securities with a carrying value of $11,614,877 and $10,834,007, respectively, were pledged to secure public deposits and for other purposes required by law.

(3) Investment securities - continued

The following table shows gross unrealized losses and fair value aggregated by investment category and length of time the securities have been in a continuous unrealized loss position at December 31, 2015. Management is unaware of any issues that would cause the Bank to determine that the impairment is other than temporary.

	Less than 12 months		12 months or more		Total	
Description Of Securities	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Held to maturity						
U.S. Government and agency securities	$ -	$ -	$ -	$ -	$ -	$ -
Municipals	-	-	-	-	-	-
Total held to maturity	-	-	-	-	-	-
Available for sale						
U.S. Government and agency securities	$16,152,667	$ (61,030)	$ -	$ -	$ 16,152,667	$ (61,030)
Mortgage-backed securities	591,262	(8,351)	6,074,671	(62,893)	6,665,933	(71,244)
Municipals	441,634	(29,039)	364,848	(354)	806,482	(29,393)
U.S. Treasuries	-	-	1,951,640	(43,389)	1,951,640	(43,389)
CMO's	-	-	-	-	-	-
Total available for sale	17,185,563	(98,420)	8,391,159	(106,636)	25,576,722	(205,056)
Portfolio total	$17,185,563	$ (98,420)	$ 8,391,159	$ (106,636)	$ 25,576,722	$ (205,056)

(3) Investment securities - continued

The following table shows gross unrealized losses and fair value aggregated by investment category and length of time the securities have been in a continuous unrealized loss position at December 31, 2014.

	Less than 12 months		12 months or more		Total	
Description Of Securities	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Held to maturity						
U.S. Government and agency securities	$ -	$ -	$ -	$ -	$ -	$ -
Municipals	-	-	-	-	-	-
Total held to maturity	-	-	-	-	-	-
Available for sale						
U.S. Government and agency securities	$ 3,462,817	$ (17,780)	$ 5,031,890	$ (27,106)	$ 8,494,707	$ (44,886)
Mortgage-backed securities	-	-	702,289	(11,195)	702,289	(11,195)
Municipals	1,862,887	(21,610)	-	-	1,862,887	(21,610)
U.S. Treasuries	2,981,730	(5,519)	1,930,940	(63,387)	4,912,670	(68,906)
CMO's	2,245,702	(13,669)	6,209,993	(90,383)	8,455,695	(104,052)
Total available for sale	10,553,136	(58,578)	13,875,112	(192,071)	24,428,248	(250,649)
Portfolio total	$ 10,553,136	$ (58,578)	$13,875,112	$ (192,071)	$ 24,428,248	$ (250,649)

(4) Loans

The composition of the recorded investment in loans by segment is as follows:

	2015	2014
Agriculture	$ 1,285,938	$ 1,210,927
Agriculture real estate	17,996,474	19,724,736
Commercial	23,233,462	19,886,282
Commercial real estate	63,746,878	56,008,141
Consumer loans	9,164,884	6,609,408
Residential real estate	26,075,621	20,919,928
Loans collateralized by savings and time deposits	2,233,380	1,357,899
Loans collateralized by stocks and bonds	1,357,387	1,372,841
Overdrafts	37,002	55,191
Subtotals	145,131,026	127,145,353
Deferred loan fees	(279,911)	(307,106)
Allowance for loan losses	(2,095,418)	(1,906,474)
Loans, net	$ 142,755,697	$ 124,931,773

An analysis of the allowance for loan losses follows:

	2015	2014
Balance at beginning of year	$ 1,906,474	$ 1,715,972
Provision for loan losses	188,500	20,500
Loans charged-off	(25,781)	(27,597)
Recoveries of loans charged-off	26,225	197,599
Balance at end of year	$ 2,095,418	$ 1,906,474

Allowance for loan losses - The allowance for loan losses is a valuation established through charges to earnings in the form of a provision for loan losses. Management has established an allowance for loan losses which it believes is adequate for estimated losses in the Bank's loan portfolio. The amount of the allowance for loan losses is affected by the following: (i) charge-offs of loans that occur when loans are deemed uncollectible and decrease the allowance, (ii) recoveries on loans previously charged off that increase the allowance and (iii) provisions for credit losses charged to earnings that increase the allowance. Based on an evaluation of the loan portfolio and consideration of the factors listed below, management presents a quarterly review of the allowance for loan losses to the Bank's Board of Directors, indicating any change in the allowance since the last review and any recommendations as to adjustments in the allowance.

The Bank's allowance for loan losses consists of two components: a specific valuation allowance based on probable losses on specifically identified loans and a general valuation allowance based on historical loan loss experience, general economic conditions and other qualitative risk factors both internal and external to the Bank.

(4) Loans - continued

In setting the specific valuation allowance, the Bank follows a loan review program to evaluate the credit risk in the loan portfolio. Through this loan review process, the Bank maintains an internal list of impaired loans which, along with the delinquency list of loans, helps management assess the overall quality of the loan portfolio and the adequacy of the allowance for loan losses. All loans that have been identified as impaired are reviewed on a quarterly basis in order to determine whether a specific reserve is required. For each impaired loan, the Bank allocates a specific loan loss reserve primarily based on the value of the collateral securing the impaired loan in accordance with ASC Topic 310, Receivables. The specific reserves are determined on an individual loan basis. Loans for which specific reserves are provided are excluded from the general valuation allowance described below.

In determining the amount of the general valuation allowance, management considers factors such as historical loan loss experience, industry diversification of the Bank's commercial loan portfolio, concentration risk of specific loan types, the volume, growth and composition of the Bank's loan portfolio, current economic conditions that may affect the borrower's ability to pay and the value of collateral, the evaluation of the Bank's loan portfolio through its internal loan review process, general economic conditions and other qualitative risk factors both internal and external to the Bank and other relevant factors in accordance with ASC Topic 450, Contingencies. Based on a review of these factors for each loan type, the Bank applies an estimated percentage to the outstanding balance of each loan type, excluding any loan that has a specific reserve allocated to it. The Bank uses this information to establish the amount of the general valuation allowance.

In connection with its review of the loan portfolio, the Bank considers risk elements attributable to particular loan types or categories in assessing the quality of individual loans. Some of the risk elements include:

- for non-real estate agricultural loans, the operating results, experience and financial capability of the borrower, historical and expected market conditions and the value, nature and marketability of collateral.

- for agricultural real estate loans, the experience and financial capability of the borrower, projected debt service coverage of the operations of the borrower and loan to value ratio of the underlying collateral.

- for commercial and industrial loans, the operating results of the commercial, industrial or professional enterprise, the borrower's business, professional and financial ability and expertise, the specific risks and volatility of income and operating results typical for businesses in that category and the value, nature and marketability of collateral.

(4) Loans - continued

- for commercial mortgage loans and multifamily residential loans, the debt service coverage ratio (income from the property in excess of operating expenses compared to loan payment requirements), operating results of the owner in the case of owner-occupied properties, the loan to value ratio, the age and condition of the collateral and the volatility of income, property value and future operating results typical of properties of that type.

- for construction and land development loans, the perceived feasibility of the project including the ability to sell developed lots or improvements constructed for resale or the ability to lease property constructed for lease, the quality and nature of contracts for presale or prelease, if any, experience and ability of the developer and loan to value ratio.

- for 1-4 family residential mortgage loans, the borrower's ability to repay the loan, including a consideration of the debt to income ratio and employment and income stability, the loan to value ratio, and the age, condition and marketability of collateral.

In addition, for each category, the Bank considers secondary sources of income and the financial strength and credit history of the borrower and any guarantors.

At December 31, 2015 the allowance for loan losses totaled $2,095,418 or 1.44% of total loans. At December 31, 2014 the allowance totaled $1,906,474 or 1.50% of total loans.

(4) Loans - continued

Loans by segment - The total allowance reflects management's estimate of loan losses inherent in the loa portfolio at the balance sheet date. The Bank considers the allowance for loan losses of $2.1 million adequate t cover loan losses inherent in the loan portfolio, at December 31, 2015. The following table presents by portfoli segment, the changes in the allowance for loan losses and the recorded investment in loans. Allocation of portion of the allowance to one category does not preclude its availability to absorb losses in other categories.

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

(dollars in thousands)

	Agriculture	Agriculture Real Estate	Commercial	Commercial Real Estate	Consumer	Residential Real Estate	Savings and Time Deposits	Stocks and Bonds	Total
Allowance for loan losses:									
Beginning balance	$ 12	163	982	474	83	154	12	26	$ 1,906
Charge-offs	$ -	-	-	-	(26)	-	-	-	$ (26)
Recoveries	$ -	-	-	-	26	-	-	-	$ 26
Provision	$ 1	17	65	97	-	9	-	-	$ 189
Ending balance	$ 13	180	1,047	571	83	163	12	26	$ 2,095
Ending balance: individually evaluated for impairment	$ -	-	461	-	-	-	-	-	$ 461
Ending balance: collectively evaluated for impairment	$ 13	180	586	571	83	163	12	26	$ 1,634
Ending balance: acquired loans with deteriorated credit quality	$ -	-	-	-	-	-	-	-	$ -
Financing receivables:									
Ending balance: individually evaluated for impairment	$ -	-	1,785	1,226	-	-	-	-	$ 3,011
Ending balance: collectively evaluated for impairment	$ 1,286	17,997	21,448	62,521	9,201	26,077	2,233	1,357	$ 142,120
Ending balance: acquired loans with deteriorated credit quality	$ -	-	-	-	-	-	-	-	$ -
Ending balance	$ 1,286	17,997	23,233	63,747	9,201	26,077	2,233	1,357	$ 145,131

(4) Loans - continued

Loans by segment - The total allowance reflects management's estimate of loan losses inherent in the loa portfolio at the balance sheet date. The Bank considers the allowance for loan losses of $1.91 million adequat to cover loan losses inherent in the loan portfolio, at December 31, 2014. The following table presents b portfolio segment, the changes in the allowance for loan losses and the recorded investment in loans. Allocatio of a portion of the allowance to one category does not preclude its availability to absorb losses in othe categories.

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

(dollars in thousands)

		Agriculture	Agriculture Real Estate	Commercial	Commercial Real Estate	Consumer	Residential Real Estate	Savings and Time Deposits	Stocks and Bonds		Total
Allowance for loan losses:											
Beginning balance	$	12	163	807	454	91	151	12	26	$	1,716
Charge-offs	$	-	-	(19)	-	(9)	-	-	-	$	(28)
Recoveries	$	-	-	194	-	1	3	-	-	$	198
Provision	$	-	-	-	20	-	-	-	-	$	20
Ending balance	$	12	163	982	474	83	154	12	26	$	1,906
Ending balance: individually evaluated for impairment	$	-	-	601	-	-	-	-	-	$	601
Ending balance: collectively evaluated for impairment	$	12	163	381	474	83	154	12	26	$	1,305
Ending balance: acquired loans with deteriorated credit quality	$	-	-	-	-	-	-	-	-	$	-
Financing receivables:											
Ending balance: individually evaluated for impairment	$	-	-	1,053	-	-	-	-	-	$	1,053
Ending balance: collectively evaluated for impairment	$	1,210	19,725	18,833	56,008	6,665	20,920	1,358	1,373	$	126,092
Ending balance: acquired loans with deteriorated credit quality	$	-	-	-	-	-	-	-	-	$	-
Ending balance	$	1,210	19,725	19,886	56,008	6,665	20,920	1,358	1,373	$	127,145

(4) Loans - continued

Credit Quality Indication - As part of the ongoing monitoring of the credit quality of the Bank's loan portfolio and methodology for calculating the allowance for loan losses, management assigns and tracks loan risk grades to be used as credit quality indicators. The following is a general description of the loan risk grades used:

Grade 1 - Credits in this category are of the highest standards of credit quality with virtually no risk of loss. These borrowers would represent top rated companies and individuals with unquestionable financial standing with excellent global cash flow coverage, net worth, liquidity and collateral coverage and/or secured by CD/savings accounts.

Grade 2 - Credits in this category are not immune from risk but are well-protected by the collateral and paying capacity of the borrower. These loans may exhibit a minor unfavorable credit factor, but the overall credit is sufficiently strong to minimize the possibility of loss.

Grade 3 - Credits graded 3 constitute an undue and unwarranted credit risk, however the factors do not rise to a level of substandard. These credits have potential weaknesses and/or declining trends that, if not corrected, could expose the Bank to risk at a future date. Credits graded 3 are monitored on the Bank's internally generated watch list and evaluated on a quarterly basis.

Grade 4 - Credits in this category are deemed "substandard" loans in accordance with regulatory guidelines. Loans in this category have well-defined weakness that, if not corrected, could make default of principal and interest possible, but it is not yet certain. Loans in this category are still accruing interest and may be dependent upon secondary sources of repayment and/or collateral liquidation.

Grade 5 - Credits in this category are deemed "substandard" and "impaired" pursuant to regulatory guidelines. As such, the Bank has determined that it is probable that less than 100% of the principal and interest will be collected. Loans graded 5 are individually evaluated for a specific reserve valuation and will typically have the accrual of interest stopped.

Grade 6 - Credits in this category include "doubtful" loans in accordance with regulatory guidance. Such loans are on nonaccrual and factors have indicated a loss is imminent. These loans are also deemed "impaired." While a specific reserve may be in place while the loan and collateral is being evaluated, these loans are typically charged down to an amount the Bank deems can be collected.

Grade 7 - Credits in this category are deemed a "loss" in accordance with regulatory guidelines and charged off or charged down. The Bank may continue collection efforts and may have partial recovery in the future.

(4) Loans - continued

The following table presents loan risk grades and classified loans by class of loan at December 31, 201
Classified loans include loans in risk grades 5 through 7.

(dollars in thousands)

	Agriculture	Agriculture Real Estate	Commercial	Commercial Real Estate	Consumer	Residential Real Estate	Savings and Time Deposits	Stocks and Bonds	Total
Grade 1	$ 1,286	$ 17,398	$ 20,875	$ 62,507	$ 9,162	$ 26,074	$ 2,233	$ 1,357	$ 140,892
Grade 2	-	599	1,405	1,240	39	3	-	-	3,286
Grade 3	-	-	-	-	-	-	-	-	-
Grade 4	-	-	-	-	-	-	-	-	-
Grade 5	-	-	953	-	-	-	-	-	953
Grade 6	-	-	-	-	-	-	-	-	-
Grade 7	-	-	-	-	-	-	-	-	-
Total	$ 1,286	$ 17,997	$ 23,233	$ 63,747	$ 9,201	$ 26,077	$ 2,233	$ 1,357	$ 145,131

The following table presents loan risk grades and classified loans by class of loan at December 31, 201
Classified loans include loans in risk grades 5 through 7.

(dollars in thousands)

	Agriculture	Agriculture Real Estate	Commercial	Commercial Real Estate	Consumer	Residential Real Estate	Savings and Time Deposits	Stocks and Bonds	Total
Grade 1	$ 1,210	$ 19,725	$ 18,631	$ 54,688	$ 6,599	$ 20,491	$ 1,358	$ 1,373	$ 124,075
Grade 2	-	-	208	1,320	60	-	-	-	1,588
Grade 3	-	-	-	-	-	429	-	-	429
Grade 4	-	-	5	-	6	-	-	-	11
Grade 5	-	-	1,042	-	-	-	-	-	1,042
Grade 6	-	-	-	-	-	-	-	-	-
Grade 7	-	-	-	-	-	-	-	-	-
Total	$ 1,210	$ 19,725	$ 19,886	$ 56,008	$ 6,665	$ 20,920	$ 1,358	$ 1,373	$ 127,145

(4) Loans - continued

The following tables present performing and nonperforming loans based on payment activity for the years ende December 31, 2015 and 2014. Payment activity is reviewed by management on a quarterly basis to determine ho loans are performing. Loans are considered to be nonperforming when days delinquent is greater than 90 days i the previous quarter. The decrease in nonperforming in 2015 was due to collections of principal on non performin assets.

Nonperforming loans also include certain loans that have been modified where economic concessions have bee granted to borrowers who have experienced or are expected to experience financial difficulties. These concession typically result from the Bank's loss mitigation activities and could include reductions in the interest rate payment extensions, forgiveness of principal, forbearance or other actions. Certain restructured loans ar classified as nonperforming at the time of restructure and may only be returned to performing status afte considering the borrower's sustained repayment performance for a reasonable period, generally six months.

2015
(dollars in thousands)

	Agriculture	Agriculture Real Estate	Commercial	Commercial Real Estate	Consumer	Residential Real Estate	Savings and Time Deposits	Stocks and Bonds	Totals
Performing	$ 1,286	$ 17,997	$ 22,589	$ 63,747	$ 9,201	$ 26,077	$ 2,233	$ 1,357	$ 144,487
Non-Performing	-	-	644	-	-	-	-	-	644
Total	$ 1,286	$ 17,997	$ 23,233	$ 63,747	$ 9,201	$ 26,077	$ 2,233	$ 1,357	$ 145,131

2014
(dollars in thousands)

	Agriculture	Agriculture Real Estate	Commercial	Commercial Real Estate	Consumer	Residential Real Estate	Savings and Time Deposits	Stocks and Bonds	Totals
Performing	$ 1,210	$ 19,725	$ 18,844	$ 56,008	$ 6,665	$ 20,920	$ 1,358	$ 1,373	$ 126,103
Non-Performing	-	-	1,042	-	-	-	-	-	1,042
Total	$ 1,210	$ 19,725	$ 19,886	$ 56,008	$ 6,665	$ 20,920	$ 1,358	$ 1,373	$ 127,145

(4) Loans - continued

Age analysis of past due financing receivables by class - Following is a table which includes an aging analys of the recorded investment of past due financing receivables as of December 31, 2015 and 2014. Also included a loans that are 90 days or more past due as to interest and principal and still accruing, because they are (well-secured and in the process of collection or (b) real estate loans or loans exempt under regulatory rul from being classified as nonaccrual.

Credit Quality Information
Age Analysis of Past Due Financial Receivables by Class of Financing Receivables
As of December 31, 2015

(dollars in thousands)

	31-60 Days Past Due	61-90 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Current	Total Financing Receivables	Recorded Investment > 90 Days and Accruing
Agriculture	$ -	$ -	$ -	$ -	$ 1,286	$ 1,286	$ -
Agriculture Real Estate	-	-	-	-	17,997	17,997	-
Commercial	308	-	-	308	22,925	23,233	-
Commercial Real Estate	-	-	-	-	63,747	63,747	-
Consumer	7	-	-	7	9,194	9,201	-
Residential Real Estate	-	-	-	-	26,077	26,077	-
Savings and Time Deposit	-	-	-	-	2,233	2,233	-
Stocks and Bonds	-	-	-	-	1,357	1,357	-
Total	$ 315	$ -	$ -	$ 315	$ 144,816	$ 145,131	$ -

(4) Loans - continued

Credit Quality Information
Age Analysis of Past Due Financial Receivables by Class of Financing Receivables
As of December 31, 2014

(dollars in thousands)

	31-60 Days Past Due	61-90 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Current	Total Financing Receivables	Recorded Investment > 90 Days and Accruing
Agriculture	$ -	$ -	$ -	$ -	$ 1,210	$ 1,210	$ -
Agriculture Real Estate	-	-	-	-	19,725	19,725	-
Commercial	377	-	-	377	19,509	19,886	-
Commercial Real Estate	-	-	-	-	56,008	56,008	-
Consumer	8	7	-	15	6,650	6,665	-
Residential Real Estate	-	-	-	-	20,920	20,920	-
Savings and Time Deposit	-	-	-	-	1,358	1,358	-
Stocks and Bonds	-	-	-	-	1,373	1,373	-
Total	$ 385	$ 7	$ -	$ 392	$ 126,753	$ 127,145	$ -

(4) Loans - continued

Impaired loans - The Bank considers a loan to be impaired when, based on current information and events, the Bank determines that it will not be able to collect all amounts due according to the loan contract, including scheduled interest payments. Determination of impairment is treated the same across all classes of loans. When the Bank identifies a loan as impaired, the Bank measures the impairment based on the present value of expected future cash flows, discounted at the loan's effective interest rate, except when the sole (remaining) source of repayment for the loan is the operation or liquidation of the collateral. In these cases, the Bank uses the current fair value of the collateral, less selling costs when foreclosure is probable, instead of discounted cash flows. If the Bank determines that the value of the impaired loan is less than the recorded investment in the loan (net of previous charge-offs, deferred loan fees or costs and unamortized premium or discount), the Bank recognizes impairment through an allowance estimate or a charge-off to the allowance.

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

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

Also presented is the average recorded investment of the impaired loans and the related amount of interest recognized during the time within the period that the impaired loans were impaired. When the ultimate collectability of the total principal of an impaired loan is in doubt the loan is on nonaccrual status, all payments are applied to principal, under the cost recovery method. When the ultimate collectability of the total principal of an impaired loan is not in doubt and the loan is on nonaccrual status, contractual interest is credited to interest income when received, under the cash basis method. The average balances are calculated based on the month-end balances of the financing receivables of the period reported.

(4) Loans - continued

Impaired Loans by Class
For the Year Ended December 31, 2015
(dollars in thousands)

	Recorded Investment	Unpaid Principal Balance	Associated Allowance	Average Recorded Investment	Interest Income Recognized
With no specified allowance recorded:					
Real Estate Loan	$ -	$ -	$ -	$ -	$ -
Commercial Loan	$ -	$ -	$ -	$ -	$ -
With an allowance recorded:					
Real Estate Loan	$ -	$ -	$ -	$ -	$ -
Commercial Loan	$ 953	$ 953	$ 461	$ 998	$ 52

Impaired Loans by Class
For the Year Ended December 31, 2014
(dollars in thousands)

	Recorded Investment	Unpaid Principal Balance	Associated Allowance	Average Recorded Investment	Interest Income Recognized
With no specified allowance recorded:					
Real Estate Loan	$ -	$ -	$ -	$ -	$ -
Commercial Loan	$ -	$ -	$ -	$ -	$ -
With an allowance recorded:					
Real Estate Loan	$ -	$ -	$ -	$ -	$ -
Commercial Loan	$ 1,042	$ 1,042	$ 601	$ 1,042	$ 57

(4) Loans - continued

Nonaccrual loans - The Bank generally places loans on nonaccrual status when the full and timely collection of interest or principal becomes uncertain, part of the principal balance has been charged off and no restructuring has occurred or the loans are 90 days past due.

When the Bank places a loan on nonaccrual status, the Bank reverses the accrued unpaid interest receivable against interest income and accounts for the loan on the cash or cost recovery method, until it qualifies for return to accrual status. Generally the Bank returns a loan to accrual status when (a) all delinquent interest and principal become current under the terms of the loan agreement or (b) the loan is both well-secured and in the process of collection and collectability is no longer doubtful.

The following table presents the financing receivables on nonaccrual status as of December 31, 2015 and 2014. The balances are presented by class of financing receivable (dollars in thousands).

	2015	2014
Commercial loans	$ 953	$ 664
Total	$ 953	$ 664

(5) Premises and Equipment

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

	2015	2014
Land	$ 1,309,213	$ 1,309,213
Building	6,412,897	6,388,390
Leasehold Improvements	499,150	499,150
Furniture and equipment	4,610,256	4,721,829
Work in progress	70,477	43,789
Subtotals	12,901,993	12,962,371
Accumulated depreciation	(8,415,654)	(8,258,294)
Totals	$ 4,486,339	$ 4,704,077

Depreciation expense for the years ended December 31, 2015 and 2014 amounted to $435,193 and $478,455, respectively.

(5) Premises and Equipment - continued

Pursuant to the terms of noncancellable lease agreements in effect at December 31, 2015, pertaining to banking premises and equipment, future minimum rent commitments under various operating leases are as follows:

Years Ended December 31,	Amount
2016	$ 49,966
2017	49,966
2018	49,966
2019	49,966
2020 and thereafter	52,965
Total	$ 252,829

The leases contain provisions to extend for periods from five to ten years. The cost of such rentals is not included above. Total rent expense for the years ended December 31, 2015 and 2014 amounted to $46,966 in both years.

(6) Deposits

The aggregate amount of time deposits in denominations of $100,000 or more at December 31, 2015 and 2014 was $18,313,000 and $22,830,000, respectively.

At December 31, 2015 and 2014, the scheduled maturities of time deposits over $100,000 are as follows:

	2015 In Thousands	2014 In Thousands
Three months or less	$ 3,494	$ 7,215
Three months through twelve months	9,883	11,525
One year through three years	3,474	2,920
Over three years	1,462	1,170
Total	$ 18,313	$ 22,830

(7) Long-Term Debt

The Bank established a line of credit with the Federal Home Loan Bank to provide additional sources of operating capital. The line of credit is collateralized by the assets of the bank. Total advances are $5,871,379 and $6,544,905 at December 31, 2015 and 2014, respectively, with a weighted average interest rate of 4.92% for 2015 and 4.95% for 2014, respectively.

The contractual maturities are as follows:

Due in 2016	$ 2,600,000
Due in 2017	300,179
Due in 2018	229,914
Due in 2019	132,265
Due in 2020	408,749
Thereafter	2,200,272
Totals	$ 5,871,379

(8) Off-Balance Sheet Activities

Credit-Related Financial Instruments: The Bank is a party to credit related financial instruments with off-balance-sheet risks in the normal course of business to meet the financing needs of its customers. These financial instruments, at fixed and variable rates, include commitments to extend credit, standby letters of credit and commercial letters of credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets.

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

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

	Contract Amounts (In Thousands)	
	2015	2014
Commitments to extend credit	$ 23,884	$ 29,834
Unfunded commitments under commercial lines of credit	5,611	3,965
Commercial and standby letters of credit	798	610

Commitments to extend credit are agreements to lend to a customer as long as there are no violations of any conditions established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The commitments for lines of credit may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary by the Bank, is based on management's evaluation of the customer.

Unfunded commitments under commercial lines of credit, revolving credit lines and overdraft protection agreements are commitments for possible future extensions of credit to existing customers. These lines of credit are collateralized and usually contain a specified maturity date and may not be drawn upon to the total extent to which the Bank is committed. The Bank generally holds collateral supporting those commitments if deemed necessary.

Commercial and standby letters of credit are conditional commitments issued by the Bank to guarantee the performances of a customer to a third party. Those letters of credit are primarily issued to support public and private borrowing arrangements. Essentially all letters of credit issued have expiration dates within one year. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers.

(9) Significant Group Concentrations of Credit Risk

Most of the Bank's business activity is with customers located within Central Texas. Investments in municipal securities involve governmental entities within the state of Texas.

Loan commitments, standby letters of credit and unfunded lines of credit are granted primarily to commercial borrowers. The Bank, as a matter of policy, generally does not extend credit in excess of two-thirds of its legal lending limit.

The Bank maintains cash balances at several banks. The total cash balances are insured by the Federal Deposit Insurance Corporation up to $250,000 per bank.

(10) Related Party Transactions

In the ordinary course of business, the Bank extends credit to principal officers, directors, shareholders, employees and their affiliates amounting to $1,290,149 at December 31, 2015 and $974,517 at December 31, 2014. During 2015 and 2014, total principal additions were $442,317 and $314,473, respectively, and total principal repayments were $126,685 and $440,262, respectively.

Deposits from related parties held at the Bank at December 31, 2015 and 2014 amounted to $7,621,013 and $9,362,537, respectively.

(11) Restrictions on Dividends, Loans, Advances and Cash

Federal and state banking regulations place certain restrictions on dividends paid and loans or advances made by the Bank. At December 31, 2015, the Bank's retained earnings available for payment of dividends was $8,174,044.

The Bank is required to maintain $125,000 in vault cash by the Federal Reserve Bank at December 31, 2015.

(12) Defined Contribution Plan

The Company sponsors a defined contribution pension plan. Contributions to the plan for 2015 and 2014 were $93,034 and $89,542, respectively.

(13) Income Taxes

As of January 1, 1999, Brenham Bancshares, Inc. and its subsidiary elected to be taxed for federal income tax purposes as an S corporation and qualified subchapter S subsidiary, respectively. Earnings and losses are included in the personal income tax returns of the shareholders of Brenham Bancshares, Inc.

Pursuant to FASB Accounting Standards Codification (ASC) 740, Income Taxes, the Company is liable for the Texas margin tax. The combined Texas margin tax for Brenham Bancshares, Inc. and subsidiary is computed based on revenues less applicable expenses.

(13) Income Taxes - continued

The Bank does not have any uncertain tax positions that are deemed material. The Bank's policy is to recognize interest and penalties on income taxes in other non-interest expenses. The Bank has identified its federal tax return and its state tax return in Texas as "major" tax jurisdictions, as defined. The only periods subject to examination for the Bank's federal return are the 2012 through 2015 tax years.

(14) Junior Subordinated Debt

The Brenham Statutory Trust II (the "Trust") was formed as a Connecticut statutory trust on December 11, 2006. The Trust issued 4,000 Floating Rate capital securities (the "Capital Securities") with an aggregate liquidation value of $4,000,000 to a third party. The Trust also issued common securities (the "Common Securities") with an aggregate liquidation value of $124,000 to the Company. In conjunction with the formation of the Trust, the Company issued $4,124,000 of junior subordinated debt securities to the Trust, with a maturity date of December 15, 2036. The sole asset of the Trust is the junior subordinated debt securities issued by the Company. Both the preferred shares and debt securities bear interest at LIBOR plus 1.65%, adjusted quarterly. The Trust shall dissolve on December 15, 2041, unless certain specified events occur prior to that date.

The Company has, through various contractual arrangements, fully and unconditionally guaranteed all obligations of the Trust on a subordinated basis with respect to the preferred securities. Subject to certain limitations, the subordinated debt securities qualify as Tier 1 capital for regulatory purposes. Although the preferred securities of the Trust and junior subordinated debt securities of the Company are scheduled to mature on December 15, 2036, they may be prepaid, subject to regulatory approval, prior to maturity at any time on or after December 15, 2011, or earlier upon certain changes in tax or investment company laws or regulatory capital requirements.

(15) Commitments and Contingencies

In the ordinary course of business, the Company has various outstanding commitments, contingent liabilities and legal claims that are not reflected in the accompanying consolidated financial statements. In the opinion of management the ultimate disposition of these items is not expected to have a material adverse effect on the consolidated financial condition of the Company.

(16) Minimum Regulatory Capital Requirements

The Bank 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 Bank's financial statements. The Company is not subject to the capital requirements until total assets reach and exceed $1 billion.

Basel III Capital Rules adopted by the federal regulatory authorities in 2013 substantially revised the risk-based capital requirements applicable to the Bank. The Basel III Capital Rules became effective for the Bank on January 1, 2015, subject to a phase-in period for certain provisions. Among other things, the Basel III Capital Rules introduced a new capital measure called "Common Equity Tier 1," which is a comparison of the sum of certain equity capital components to total risk-weighted assets, and revised the risk-weighting approach of the capital ratios with a more risk-sensitive approach that expanded the risk-weighting categories from the previous Basel I derived categories to a much larger and more risk-sensitive number of categories, depending on the nature of the assets.

Financial institutions are categorized as well capitalized or adequately capitalized based on minimum total risk-based, Tier I risk-based, common equity Tier I and Tier I leverage ratios. As of December 30, 2015, the Bank's capital ratios were above the levels required for the Bank to be designated as "well capitalized" by the FDIC.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the following table) of total, common equity Tier 1 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 and 2014, that the Bank meets all capital adequacy requirements to which they are subject.

(16) Minimum Regulatory Capital Requirements - continued

The Bank's capital amounts and ratios are presented in the following table:

(dollars in thousands)

	Actual		Minimum Capital Requirement		Minimum To Be Well Capitalized Under Prompt Corrective Action Provision	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2015:						
Common equity Tier I to Risk-weighted assets	$ 27,847	15.21%	≥ $ 8,238	≥ 4.5%	≥ $ 11,900	≥ 6.5%
Total Capital to Risk Weighted Assets	29,942	16.35	≥ 14,461	≥ 8.0	≥ 18,308	≥ 10.0
Tier 1 Capital to Risk Weighted Assets	27,847	15.21	≥ 10,985	≥ 6.0	≥ 14,646	≥ 8.0
Tier 1 Capital to Average Assets	27,847	9.51	≥ 11,710	≥ 4.0	≥ 14,638	≥ 5.0
As of December 31, 2014:						
Total Capital to Risk Weighted Assets	$ 28,147	18.74%	≥ $ 12,013	≥ 8.0%	≥ $ 15,016	≥ 10.0%
Tier 1 Capital to Risk Weighted Assets	26,269	17.49	≥ 6,007	≥ 4.0	≥ 9,010	≥ 6.0
Tier 1 Capital to Average Assets	26,269	9.37	≥ 11,712	≥ 4.0	≥ 14,015	≥ 5.0

(17) Fair Values of Financial Instruments

The Company uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. Fair values represent the estimated price that would be received from selling an asset or paid to transfer a liability, otherwise known as "exit price." Securities available-for-sale are recorded at fair value on a recurring basis. Additionally, from time to time the Company may be required to record at fair value other assets on a nonrecurring basis such as certain loans including residential mortgage loans held for sale, goodwill and other intangible assets and other real estate owned. These nonrecurring fair value adjustments typically involve application of lower-of-cost-or-market accounting or write downs of individual assets. ASC Topic 820 "Fair Value Measurement and Disclosure" establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets and liabilities and lower priority to unobservable inputs.

(17) Fair Values of Financial Instruments-continued

The fair value hierarchy is as follows:

Fair Value Hierarchy

The Company groups financial assets and financial liabilities measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

-Level 1 - Quoted prices in active markets for identical assets or liabilities.

-Level 2 - Other significant observable inputs (including quoted prices in active markets for other similar assets or liabilities) or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

-Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The fair value of an asset or liability is the price that would be received to sell that asset or paid to transfer that liability in an orderly transaction occurring in the principal market (or most advantageous market) in the absence of a principal market) for such asset or liability. In estimating fair value, the Company utilizes valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. Such valuation techniques are consistently applied. Inputs to valuation techniques include the assumptions that market participants would use in pricing an asset or liability.

The fair value disclosures below represent the Company's estimates based on relevant market information and information about the financial instruments. Fair value estimated are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of the various instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in the above methodologies and assumptions could significantly affect the estimates.

(17) Fair Values of Financial Instruments-continued

The following tables present fair values for assets and liabilities measured at fair value on a recurring basis:

	December 31, 2015 (In Thousands)			
	Level 1	Level 2	Level 3	Total
Assets:				
Available-for-sale securities:				
U. S. Agency	$ -	$ 36,045	$ -	$ 36,045
U. S. Treasuries	4,985	-	-	4,985
Mortgage-backed securities	-	2,513	-	2,513
Tax-exempt municipals	-	39,629	-	39,629
Taxable municipals	-	3,950	-	3,950
Collateralized mortgage obligations	-	14,050	-	14,050
Preferred stock	-	16	-	16
	$ 4,985	$ 96,203	$ -	$ 101,188

	December 31, 2014 (In Thousands)			
	Level 1	Level 2	Level 3	Total
Assets:				
Available-for-sale securities:				
U. S. Agency	$ -	$ 35,802	$ -	$ 35,802
U. S. Treasuries	4,913	-	-	4,913
Mortgage-backed securities	-	3,286	-	3,286
Tax-exempt municipals	-	35,816	-	35,816
Taxable municipals	-	4,006	-	4,006
Collateralized mortgage obligations	-	15,344	-	15,344
Preferred stock	-	16	-	16
	$ 4,913	$ 94,270	$ -	$ 99,183

Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). These instruments include other real estate owned, repossessed assets, held-to-maturity debt securities and impaired loans. The remaining assets and liabilities measured at fair value on a nonrecurring basis that were recorded in 2015 were not significant.

(17) Fair Value Measurements - continued

The following table presents carrying value and fair value for assets and liabilities measured at fair value on a non-recurring basis:

	December 31, 2015 (In Thousands)				
	Carrying Amount	Estimated Fair Value Level 1	Level 2	Level 3	Total
Assets:					
Cash and due from banks	$ 9,271	$ 9,271	$ -	$ -	$ 9,271
Interest-bearing deposits	1,960	1,962	-	-	1,962
Securities held-to-maturity	31,745	-	33,301	-	33,301
Loans net of allowance	142,756	-	-	140,269	140,269
Impaired loans	1,053	-	-	1,053	1,053
Liabilities:					
Deposits	259,126	-	238,026	-	238,026
Other borrowings	5,871	-	6,144	-	6,144
Off-balance-sheet credit related financial instruments:					
Commitments to extend credit	-	-	-	23,884	23,884
Unfunded commitments under Commercial lines of credit	-	-	-	5,611	5,611
Commercial and standby Letters of credit	-	-	-	798	798

	December 31, 2014 (In Thousands)				
	Carrying Amount	Estimated Fair Value Level 1	Level 2	Level 3	Total
Assets:					
Cash and due from banks	$ 16,374	$ 16,374	$ -	$ -	$ 16,374
Interest-bearing deposits	2,445	2,443	-	-	2,443
Securities held-to-maturity	33,634	-	34,961	-	34,961
Loans net of allowance	124,932	-	-	123,472	123,472
Impaired loans	1,042	-	-	1,042	1,042
Liabilities:					
Deposits	251,015	-	233,511	-	233,511
Other borrowings	6,545	-	6,905	-	6,905
Junior subordinated debt	4,124,000	-	4,124,000	-	4,124,000
Off-balance-sheet credit related financial instruments:					
Commitments to extend credit	-	-	-	29,834	29,834
Unfunded commitments under Commercial lines of credit	-	-	-	3,965	3,965
Commercial and standby Letters of credit	-	-	-	610	610

(17) Fair Value Measurements - continued

The following is a description of the fair value estimates, methods and assumptions that are used by the Company in estimating fair values of financial instruments.

(a) Cash and due from banks - For these short-term instruments, the carrying amount is a reasonable estimate of fair value. The Company classifies the estimated fair value of these instruments as Level 1.

(b) Interest-bearing deposits - For these short-term instruments, the carrying amount is a reasonable estimate of fair value. The Company classifies estimated fair value of these instruments as Level 1.

(c) Securities - Fair value measurements based upon quoted prices are considered Level 1 inputs. Level 1 securities consist of U. S. Treasury securities and certain equity securities which are included in the available-for-sale portfolio. For all other available for sale securities, fair values are measured using Level 2 inputs. For these securities, the Company generally obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U. S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and bond's terms and conditions, among other things. The Company reviews the pries supplied by the independent pricing service, as well as their underlying pricing methodologies, for reasonableness.

Securities available-for-sale are recorded at fair value on a recurring basis.

(d) Loans - The Company does not record loans at fair value on a recurring basis. As such, valuation techniques discussed herein for loans are primarily for estimating fair value disclosures. However, from time to time, the Company records nonrecurring fair value adjustments to impaired loans to reflect (1) partial write downs that are based on the observable market price or current appraised value of the collateral, or (2) the full charge-off of the loan carrying value. Where appraisals are not available, estimated cash flows are discounted using a rate commensurate with the credit risk associated with those cash flows. Assumptions regarding credit risk, cash flows and discount rates are judgmentally determined using available market information and specific borrower information.

The estimated fair value approximates carrying value for variable-rate loans that reprice frequently and with no significant change in credit risk. The fair value of fixed-rate loans and variable-rate loans which reprice on an infrequent basis is estimated by discounting future cash flows using the current interest rate at which similar loans with similar terms would be made to borrowers of similar credit quality. An overall valuation adjustment is made for specific credit risks as well as general portfolio credit risk. The Company classifies the estimated fair value of loans held for investment as Level 3.

(17) Fair Value Measurements - continued

(e) Deposits - 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. Deposits fair value measurements utilize Level 2 inputs.

(f) Other borrowings - Rates currently available to the Company for debt with similar terms and remaining maturities are used to estimate the fair value of other borrowings using a discounted cash flows methodology and are measured utilizing Level 2 inputs.

(g) Off-balance-sheet financial instruments - The fair value of commitments to extend credit and standby letters of credit is estimated using thee fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreement and the present creditworthiness of the counterparties. The Company classifies the estimated fair value of credit-related financial instruments as Level 3.

The Company's off-balance-sheet commitments including letters of credit are funded at current market rates at the date they are drawn upon. It is management's opinion that the fair value of these commitments would approximate carrying value, if drawn upon.

The fair value estimates presented herein are based on pertinent information available to management at December 31, 2015. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since those dates and, therefore, current estimates of fair value may differ significantly from the amounts presented herein.

(18) Subsequent Events

Management has evaluated subsequent events through February 1, 2016 the date the financial statements were available to be issued.

(concluded)