Amended 8-1-16

AMENDED
AUG 05 2016

Board of Governors of the Federal Reserve System

Annual Report of Holding Companies—FR Y-6

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

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

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

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

I, RICHARD M. SIMS
Name of the Holding Company Director and Official

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.

Richard M. Sims
Signature of Holding Company Director and Official

8-1-16
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 2007218
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

WSB BANCSHARES, INC
Legal Title of Holding Company

P.O BOX 1032
(Mailing Address of the Holding Company) Street / P.O. Box

WELLINGTON	TX	79095
City	State	Zip Code

1000 8TH STREET
Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

BONNIE CLARK	COO subsidiary
Name	Title

806-447-2551
Area Code / Phone Number / Extension

806-447-2230
Area Code / FAX Number

BCLARK@WELLINGTONSB.COM
E-mail Address

NONE
Address (URL) for the Holding Company's web page

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

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

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

AMENDED
AUG 05 2016

WSB Bancshares, Inc.
FR Y-6
2015

<u>Organizational Chart</u>

WSB Bancshares, Inc.
Wellington, Texas
Incorporated in the State of Texas

100%

Wellington State Bank
Wellington, Texas
Incorporated in the State of Texas

NO ENTITY HAS A LEI

Report Item 2b.

Results: A list of branches for your depository institution: WELLINGTON STATE BANK (ID_RSSD: 371362).
This depository institution is held by WSB BANCSHARES, INC. (2007218) of WELLINGTON, 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
OK		Full Service (Head Office)	371362	WELLINGTON STATE BANK	1000 8TH STREET	WELLINGTON	TX	79095-270	COLLINGSWORTH	UNITED STATES	837	0	WELLINGTON STATE BANK	371362	
OK		Full Service	3694398	BOWIE BRANCH	1301 HIGHWAY 59 NORTH	BOWIE	TX	76230	MONTAGUE	UNITED STATES	Not Required	Not Required	WELLINGTON STATE BANK	371362	
CHANGE	2-22-05	Full Service	2559061	CANADIAN BRANCH	301 MAIN STREET	CANADIAN	TX	79014	HEMPHILL	UNITED STATES	188008	4	WELLINGTON STATE BANK	371362	
OK		Full Service	2014140	CHILDRESS BRANCH	2003 AVENUE F NORTHWEST	CHILDRESS	TX	79201	CHILDRESS	UNITED STATES	288334	3	WELLINGTON STATE BANK	371362	
OK		Full Service	2014131	MEMPHIS BRANCH	119 S 6TH ST	MEMPHIS	TX	79245	HALL	UNITED STATES	288333	2	WELLINGTON STATE BANK	371362	
OK		Full Service	295066	WHEELER BANKING CENTER	405 ALAN L. BEAN BOULEVARD	WHEELER	TX	79096	WHEELER	UNITED STATES	10988	1	WELLINGTON STATE BANK	371362	

Emailed to structure Verification 3-28-16

AMENDED
AUG 05 2016

FR Y-6 12/31/15

Report Item #3	City , State	Country of Citizenship	Shares/%
John E. Holton Sr. Estate John Holton Jr. Executor	Wellington, TX	USA	6675/ 9.12%
John E. Holton Jr.	Wellington, TX	USA	17015/23.25%
Linda Holton Mitchell	Wellington, TX	USA	3040/4.15%
Nancy Holton Carter	Omaha, TX	USA	3040/4.15%
Joyce Mauldin	Oklahoma City, OK	USA	2540/3.47%
Jaime Lyn Mauldin	Bixby, OK	USA	11/.02%
Jeff Mauldin	Albuquerque, NM	USA	11/.02%
Richard Sims	Wellington, TX	USA	2750/3.76%
Randall Sims	Amarillo, TX	USA	1500/2.05%
Scott Sims	Wellington, TX	USA	250/0.34%
Mark Sims	Wellington, TX	USA	250/0.34%
Donna Sims Souder	Childress, TX	USA	250/0.34%
Susan Sims Smith	Amarillo, TX	USA	250/0.34%
WSB 401k KSOP (Richard Sims, Trustee)	Wellington, TX	USA	6969/9.52%

Report Item # 3(2)
None

WSB Bancshares, INC.
Form FR Y-6
December 31, 2015

Report Item 4: Insiders

(1) Name & Address	(2) Principal Occupation	(3)(a) Title & Position with Bank Holding Company	(3)(b) Title & Position with Subsidiaries (includes names of subsidiaries)	(3)(c) Title & Position with Other Businesses (includes names of other businesses)	(4)(a) Percentage of Voting Shares in Bank Holding Company	(4)(b) Percentage of Voting Shares in Subsidiaries (includes name of subsidiaries)	(4)(c) List names of other companies (List names and percentage of voting securities held
John E. Holton, Jr Wellington, TX USA	Conoco Dealer	Chairman & Director	Wellington State Bank Chairman & Director	XfT Bancshares, Inc Vice Chairman & Director Security State Bank, Littlefield, Tx Director J.H. & Sons, Inc Owner Host Film Productions I, LLC Partner	23.25%	N/A	XfT Bancshares, Inc 23.18%
Dannie Morris Wellington, TX USA	Farmer	Director	Wellington State Bank Director	Morris Farms Partner Dannie Morris & Son's Inc. Owner	0.68%	N/A	N/A
Richard M. Sims Wellington, TX USA	Banker	Director and President	Wellington State Bank Director and President	Sims Ranch Owner	3.76%	N/A	N/A
Richard Fourmentin Wellington, TX USA	Retired Farmer	Director	Wellington State Bank Director	N/A	2.73%	N/A	N/A
Danny Martin Wellington, TX USA	Manager O.K. Tire Store	Director	Wellington State Bank Director	O.K Cattle Partner	0.80%	N/A	N/A
Gary Forrest Lloyd Wellington, TX USA	Banker	Director	Wellington State Bank Director and Vice President	N/A	0.34%	N/A	N/A
Bonnie Clark Vinson, OK USA	Banker	N/A	Wellington State Bank Executive Officer	N/A	0.17%	N/A	N/A
Linda Holton Mitchel Wellington, TX USA	N/A	N/A	NONE	N/A	4.15%	N/A	XlT Bancshares, Inc 17.33%
Nancy Holton Carter Omaha, TX USA	N/A	N/A	NONE	N/A	4.15%	N/A	XIT Bancshares, Inc 17.33%
Joyce Mauldin Oklahoma City, OK USA	N/A	N/A	NONE	N/A	3.47%	N/A	
John E. Holton Sr. Estate John Holton Jr. Executor	N/A	N/A	NONE	N/A	9.12%	N/A	XIT Bancshares, Inc 20.40%
Jamie Lyn Mauldin Bixby, OK USA	N/A	N/A	NONE	N/A	0.02%	N/A	N/A
Jeff Mauldin Albuquerque, NM USA	N/A	N/A	NONE	N/A	0.02%	N/A	N/A

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AUG 09 2016

AMENDED
AUG 09 2016

WSB Bancshares, Inc.
and Subsidiary

Annual Financial Report

December 31, 2015 and 2014

WSB Bancshares, Inc. and Subsidiary

Table of Contents

PS&Co.

PS&Co.

Padgett Stratemann

Independent Auditor's Report

To the Board of Directors and Stockholders
WSB Bancshares, Inc.
Wellington, Texas

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

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

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

Opinion

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

Padgett, Stratemann + Co., L.L.P.

San Antonio, Texas
February 29, 2016

WSB Bancshares, Inc. and Subsidiary

Consolidated Balance Sheets

December 31, 2015 and 2014
(Dollars in Thousands, Except Share Data)

	2015	2014
Cash and due from banks	**$ 18,420**	$ 13,803
Federal funds sold	**24,000**	1,000
Cash and cash equivalents	**42,420**	14,803
Securities available for sale	**62,260**	82,324
Securities to be held to maturity (fair value of $5 and $1,395 at December 31, 2015 and 2014, respectively)	**5**	1,376
Restricted investment securities	**493**	492
Loans – net of allowance for loan losses of $1,361 ($1,308 in 2014)	**134,508**	135,585
Bank premises and equipment – net	**5,800**	5,911
Accrued interest receivable	**2,168**	2,238
Prepaid expenses and other assets	**2,263**	1,672
Cash surrender value of life insurance	**5,013**	4,886
Total assets	**$ 254,930**	$ 249,287
Liabilities		
Deposits:		
Noninterest-bearing	**$ 73,922**	$ 68,366
Interest-bearing	**154,121**	155,802
Total deposits	**228,043**	224,168
Accrued interest payable and other liabilities	**2,839**	2,479
Total liabilities	**230,882**	226,647
Commitments and contingencies (notes 8, 9, and 11)		
Stockholders' Equity		
Common stock – $1 par value; 1,000,000 shares authorized; 73,190 shares issued and outstanding in 2015 and 2014	**73**	73
Surplus	**9,253**	9,253
Retained earnings	**13,872**	12,322
Accumulated other comprehensive income	**850**	992
Total stockholders' equity	**24,048**	22,640
Total liabilities and stockholders' equity	**$ 254,930**	$ 249,287

Notes to the consolidated financial statements form an integral part of these statements.

WSB Bancshares, Inc. and Subsidiary

Consolidated Statements of Income

Years Ended December 31, 2015 and 2014
(Dollars in Thousands)

	2015	2014
Interest income:		
Loans – including fees	**$ 6,665**	$ 6,136
Investment securities	**1,489**	1,948
Interest – other	**64**	123
Total interest income	**8,218**	8,207
Interest expense – deposits	**223**	257
Total interest expense	**223**	257
Net interest income	**7,995**	7,950
Provision for loan losses	**427**	-
Net interest income after provision for loan losses	**7,568**	7,950
Noninterest income:		
Service charges and fees	**682**	674
Other	**588**	614
Total noninterest income	**1,270**	1,288
Noninterest expense:		
Salaries and employee benefits	**3,509**	3,550
Occupancy and equipment expenses	**771**	742
Other-than-temporary impairment on securities	**-**	402
Other operating expenses	**2,378**	2,624
Total noninterest expense	**6,658**	7,318
Net income	**$ 2,180**	$ 1,920

Notes to the consolidated financial statements form an integral part of these statements.

WSB Bancshares, Inc. and Subsidiary

Consolidated Statements of Comprehensive Income

Years Ended December 31, 2015 and 2014
(Dollars in Thousands)

	2015	2014
Net income	**$ 2,180**	$ 1,920
Other items of comprehensive income:		
Adjustment for net gain on sale of investment securities	**-**	-
Other-than-temporary impairment on securities	**-**	402
Unrealized holding gain (loss) on securities available for sale	**(142)**	285
Total other items of comprehensive income	**(142)**	687
Comprehensive income	**$ 2,038**	$ 2,607

Notes to the consolidated financial statements form an integral part of these statements.

WSB Bancshares, Inc. and Subsidiary

Consolidated Statements of Changes in Stockholders' Equity

Years Ended December 31, 2015 and 2014

(Dollars in Thousands)

	Common Stock	Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance at December 31, 2013	$ 73	$ 9,253	$ 10,402	$ 305	$ 20,033
Net income – year ended December 31, 2014	-	-	1,920	-	1,920
Change in other comprehensive income	-	-	-	687	687
Balance at December 31, 2014	73	9,253	12,322	992	22,640
Net income – year ended December 31, 2015	-	-	2,180	-	2,180
Dividends paid	-	-	(630)	-	(630)
Change in other comprehensive income	-	-	-	(142)	(142)
Balance at December 31, 2015	**$ 73**	**$ 9,253**	**$ 13,872**	**$ 850**	**$ 24,048**

Notes to the consolidated financial statements form an integral part of these statements.

WSB Bancshares, Inc. and Subsidiary

Consolidated Statements of Cash Flows

Years Ended December 31, 2015 and 2014
(Dollars in Thousands)
Increase (Decrease) in Cash and Cash Equivalents

	2015	2014
Cash Flows From Operating Activities		
Net income	$ 2,180	$ 1,920
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	445	379
Net amortization on securities	899	1,171
Other-than-temporary impairment on securities – net of recoveries	-	402
Provision for loan losses	427	-
Net change in:		
Accrued interest receivable	70	(135)
Prepaid expenses and other assets	(617)	1,205
Accrued interest payable and other liabilities	360	326
Net cash provided by operating activities	3,764	5,268
Cash Flows From Investing Activities		
Proceeds from maturities, calls, and paydowns of held-to-maturity securities	1,365	781
Proceeds from sales, maturities, calls, and paydowns of available-for-sale securities	19,029	23,530
Purchases of available-for-sale securities and restricted stock investments	(1)	(27,248)
Change in interest-bearing certificates of deposit	-	10,030
Increase in cash surrender value of officers' life insurance	(127)	(138)
Net change in loans	596	(17,224)
Recoveries of loans previously charged off	54	40
Purchases of bank premises and equipment	(308)	(260)
Cash received from branch acquisition	-	2,329
Disposals of bank equipment	-	322
Net cash provided by (used in) investing activities	20,608	(7,838)
Cash Flows From Financing Activities		
Net change in deposits	3,875	(14,204)
Dividends paid	(630)	-
Net cash provided by (used in) financing activities	3,245	(14,204)
Net increase (decrease) in cash and cash equivalents	27,617	(16,774)
Cash and cash equivalents at beginning of year	14,803	31,577
Cash and cash equivalents at end of year	$ 42,420	$ 14,803
Schedules of Other Cash Flow Information		
Interest paid	$ 233	$ 266

Notes to the consolidated financial statements form an integral part of these statements.

1. Summary of Significant Accounting Policies

Consolidation
The accompanying consolidated financial statements include the accounts of WSB Bancshares, Inc. and its wholly owned subsidiary, Wellington State Bank (the "Bank"), (collectively, the "Company"). All significant intercompany balances and transactions have been eliminated in consolidation.

Nature of Operations
The Company provides a variety of financial services to individuals and corporate customers through its location in Wellington, Texas, and its branches in Wheeler, Childress, Memphis, Bowie, and Canadian, Texas. The Company's primary deposit products are demand deposit accounts, savings accounts, and certificates of deposit. Its primary lending products are commercial business loans, real estate loans, agriculture loans, and consumer loans. Company customers are located primarily in the Texas Panhandle.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the 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.

New and Recently Issued Accounting Standards
Accounting Standards Update ("ASU") No. 2014-09, Revenue From Contracts With Customers – ASU No. 2014-09 implements a common revenue standard that clarifies the principles for recognizing revenue. The core principle of ASU No. 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. To achieve that core principle, an entity should apply the following steps: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the entity satisfies a performance obligation. ASU No. 2014-09 will be effective for public business entities in 2018 and nonpublic business entities in 2019. The Company is still evaluating the potential impact of this new ASU on its consolidated financial statements.

ASU No. 2016-01, Financial Instruments – Recognition and Measurement of Financial Assets and Liabilities – ASU No. 2016-01 is designed to improve the recognition and measurement of financial instruments through targeted changes to existing accounting standards. The new standard will require equity investments (except those that are accounted for under the equity method of accounting or result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. It also will require separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the consolidated balance sheet or the accompanying notes to the consolidated financial statements. It also eliminates the requirement to disclose the fair value of financial instruments measured at amortized cost for organizations that are not public business entities. The provisions of ASU No. 2016-01 will be effective for public entities in 2018 and nonpublic entities in 2019; however, early adoption upon issuance of the update was allowed for the provision that exempts private companies from having to disclose fair value information about financial instruments measured at amortized cost. Accordingly, the Company has eliminated the disclosures of fair values of financial instruments measured at cost for the year ended December 31, 2015. The Company does not anticipate the adoption of the remaining provisions of this standard will have a material impact on its consolidated financial statements in future years.

Significant Group Concentrations of Credit Risk

Most of the Company's activities are with customers located within the Texas Panhandle and the surrounding areas. Note 4 discusses the types of securities in which the Company invests. Note 5 discusses the types of lending in which the Company engages. The Company does not have any significant concentrations to any one industry or customer. Agriculture loans represent 54% of the total loan portfolio at December 31, 2015 (49% in 2014).

Securities

Debt securities that management has the positive intent and ability to hold to maturity are classified as "held to maturity" and recorded at amortized cost. Securities not classified as held to maturity or trading, including equity securities with readily determinable fair values, are classified as "available for sale" and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income. During the years ended December 31, 2015 and 2014, the Company had no securities classified as trading securities.

Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Declines in the fair value of held-to-maturity and available-for-sale securities are evaluated to determine whether declines in fair value below their amortized cost are other than temporary. In estimating other-than-temporary impairment losses on debt securities, management considers a number of factors including, but not limited to, (1) the length of time and the extent to which the fair value has been less than the amortized cost, (2) the financial condition and near-term prospects of the issuer, (3) the current market conditions, and (4) the intent and ability of the Company to not sell the security or whether it is more likely than not the Company will be required to sell the security before its anticipated recovery.

Restricted Investment Securities

Restricted investment securities consist primarily of Federal Home Loan Bank stock, Federal Reserve Bank stock, and The Bankers Bank stock which are carried at cost on the consolidated balance sheets. These equity securities are "restricted" in that they can only be sold back to the respective institution or another member institution at par. Therefore, they are less liquid than other marketable equity securities. The Company views its investment in restricted stock as a long-term investment. Accordingly, when evaluating for impairment, the value is determined based on the ultimate recovery of the par value, rather than recognizing temporary declines in value. No other-than-temporary write-downs have been recorded on these securities.

Loans

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

The Company has lending policies and procedures in place to grant loans to borrowers only after a full evaluation of the credit history and repayment abilities of the borrower. Commercial and residential real estate loans and agriculture loans are subject to underwriting standards that evaluate cash flow and fair value of the collateral. The collectibility of real estate and agriculture loans may be adversely affected by conditions in the real estate and agriculture markets or the general economy. Management monitors and evaluates real estate and agriculture loans based on collateral, geography, and risk criteria.

Commercial loans are underwritten after evaluating and understanding the borrower's ability to operate profitably. Such evaluations involve reviews of historical and cash flow projections and valuations of collateral provided by the borrower. Most commercial loans are secured by the assets being financed or other available business assets and frequently include a personal guarantee by the principal owners; however, some commercial loans may be made on an unsecured basis. The repayment of commercial loans is substantially dependent on the ability of borrowers to operate their businesses profitably and collect amounts due from their customers.

Consumer loans are originated after evaluation of the credit history and repayment ability of the borrower based on current personal income. The repayment of consumer loans can be adversely affected by economic conditions and other factors that impact the borrower's income.

Loans that management has the intent and ability to hold for the foreseeable future, or until maturity or payoff, are reported at their outstanding principal adjusted for any charge-offs and the allowance for loan losses. Interest income is accrued on the unpaid principal balance.

Loan origination fees are recognized as income and loan origination costs are expensed as incurred, as management has determined that capitalization of these items would be immaterial to the consolidated financial statements.

A loan is considered delinquent when principal and/or interest amounts are not current, in accordance with the contractual loan agreement.

The accrual of interest on real estate and commercial loans is discontinued at the time the loan is 90 days delinquent unless the credit is well secured and in process of collection. Consumer loans are typically charged off no later than 120 days past due. In all cases, loans are placed on nonaccrual status or charged off at an earlier date if collection of principal or interest is considered doubtful.

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

A loan is considered impaired when, based on current information and events, it is probable that the Company 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 circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral, if the loan is collateral-dependent.

Loans are fully or partially charged down to the fair value of the collateral securing the loan when management determines the asset to be uncollectible, repayment is deemed to be delayed or doubtful beyond reasonable time frames, the borrower has declared bankruptcy, or the loan is past due for an unreasonable time period. Such charge-offs are charged against the allowance for loan losses. Recoveries of previous loan charge-offs are credited to the allowance for loan losses only when the Company receives cash or other collateral in repayment of the loan.

In situations related to a borrower's financial difficulties, the Company may grant a concession to the borrower for other than an insignificant period of time that would not otherwise be considered. In such instances, the loan will be classified as a troubled debt restructuring. These concessions may include interest rate reductions, payment forbearance, or other actions intended to minimize the economic loss and avoid foreclosure of the collateral. In cases where borrowers are granted new terms that provide for a reduction of either interest or principal, the Company measures an impairment loss on the restructuring, as noted above for impaired loans.

Allowance for Loan Losses

The Company maintains an allowance for loan losses as a reserve established through a provision for possible loan losses charged to expense, which represents management's best estimate of probable losses that have been incurred within the existing portfolio of loans. The allowance, in the opinion of management, is necessary to reserve for estimated loan losses and risks inherent in the loan portfolio. The Company's methodology for the allowance for loan losses includes allowance allocations calculated in accordance with the Accounting Standards Codification ("ASC"), *Receivables*, and ASC, *Contingencies*. Accordingly, the methodology is based on historical loss experience by type of credit and internal risk grade, specific homogeneous risk pools, and specific loss allocations, with adjustments for current events and conditions.

The Company's process for determining the appropriate level of the allowance for loan losses is designed to account for credit deterioration as it occurs. Factors that influence the determination include quantifiable aspects, such as loan volume, loan concentrations, and loan quality trends, including trends in nonaccrual, past-due, and classified loans; current period loan charge-offs; and recoveries. The determination also includes qualitative aspects, such as changes in local, regional, or national economies or markets, and other factors. Such qualitative factors are highly judgmental and require constant refinement. The Company has an internal loan review function, the objective of which is to identify potential problem loans, properly classify loans by risk grade, and assist senior management in maintaining an adequate allowance for loan losses account by reviewing and refining the methodology, as needed, based on changing circumstances.

The Company's allowance for loan losses consists primarily of two elements: (1) a specific valuation allowance determined in accordance with the ASC based on probable losses on specific, individual loans and (2) a general valuation allowance determined in accordance with the ASC based on historical loan loss experience for pools of similar loans, which is then adjusted to reflect the impact of current trends and conditions.

Bank Premises and Equipment

Land is carried at cost. Bank premises and equipment are stated at cost, net of accumulated depreciation. Depreciation is recognized on straight-line and accelerated methods over the estimated useful lives of the assets. The estimated useful lives range from 1 to 24 years.

Foreclosed Assets

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less cost to sell at the date of foreclosure, establishing a new cost basis. This amount is included in prepaid expenses and other assets in the consolidated balance sheets. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less the cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in other operating expenses.

Income Taxes

The Company, with the consent of its stockholders, has elected under the Internal Revenue Code to be taxed as an S Corporation. The stockholders of an S Corporation are taxed on their proportionate share of the entity's taxable income. Therefore, no provision or liability for federal income taxes has been included in the consolidated financial statements. Certain specific deductions and credits flow through the Company to its stockholders.

The Company is subject to the Texas gross margin tax.

Off-Balance Sheet Credit-Related Financial Instruments

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

Cash and Cash Equivalents
For purposes of the consolidated statements of cash flows, cash and cash equivalents include cash, balances due from banks, and federal funds sold.

Goodwill and Core Deposit Intangible Assets
Goodwill represents the excess of the purchase price over the fair value of net assets acquired. Goodwill is not subject to amortization, but is evaluated at least annually for impairment. Goodwill of $903 thousand is included in prepaid expenses and other assets in the accompanying consolidated balance sheets at December 31, 2015 and 2014.

Core deposit intangible assets represent the intangible value of the core deposits acquired in the acquisition of the Bowie branch which occurred in October 2014. As of December 31, 2015, the core deposit intangible balance was $69 thousand, which is net of accumulated amortization of $29 thousand and is included in prepaid expenses and other assets in the accompanying consolidated balance sheets ($98 thousand, net of accumulated amortization of $3 thousand in 2014). The core deposit intangible is being amortized on a declining balance basis over 7 years.

Federal Home Loan Bank ("FHLB") Borrowings
FHLB borrowings are secured by a blanket lien on certain real estate loans. As of December 31, 2015 and 2014, there were no outstanding FHLB borrowings. The available line of credit on the borrowings was $46.3 million and $41.6 million at December 31, 2015 and 2014, respectively.

Comprehensive Income
Accounting principles generally require that recognized revenue, expenses, gains, and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the equity section of the balance sheet, such items, along with net income, are components of comprehensive income.

401(k)/Employee Stock Ownership Plan
The Company has a 401(k) with employee stock ownership provisions for the benefit of substantially all employees. The Company's contribution to the plan is determined annually by the Board of Directors. Since establishment of the plan, employees must contribute at least 5% of their salary to participate. The 5% contribution is matched 100% by the Company.

Subsequent Events
The Company has evaluated subsequent events through February 29, 2016, the date the consolidated financial statements were available to be issued.

2. Fair Value Measurements

The Company follows the provisions of ASC, *Fair Value Measurements and Disclosures.* The disclosures required about fair value measurements include, among other things, (1) the amounts and reasons for certain significant transfers among the three hierarchy levels of inputs; (2) the gross, rather than net, basis for certain Level 3 rollforward information; (3) use of a "class" basis rather than a major category basis for assets and liabilities; and (4) valuation techniques and inputs used to estimate Level 2 and Level 3 fair value measurements. The ASC defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The ASC guidance establishes a fair value hierarchy for valuation inputs that prioritizes the inputs used in valuation methodologies into the following three levels:

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

- Level 2 – Observable inputs other than Level 1, including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data.

- Level 3 – Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The Company uses fair value to measure certain assets and liabilities on a recurring basis when fair value is the primary measure of accounting. This is done primarily for available-for-sale securities. Fair value is used on a nonrecurring basis to measure certain assets when applying lower of cost or market accounting or when adjusting carrying values, such as impaired loans, or other real estate owned. Fair value is also used when evaluating impairment on certain assets, including held-to-maturity and available-for-sale securities, goodwill, core deposits and other intangibles, long-lived assets, and for disclosures of certain financial instruments.

There were no significant transfers among the three hierarchy levels of input.

A description of the valuation methodologies used for instruments measured at fair value on a recurring basis, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

Securities Available for Sale – Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities would include actively-traded government bonds, such as certain United States Treasury and other United States government and agency securities and exchange-traded equities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. Level 2 securities generally include certain United States government and agency securities, corporate debt securities, and certain derivatives. In certain cases where there is limited activity or less transparency around inputs to the valuation, securities are classified within Level 3 of the valuation hierarchy.

The following table summarizes assets measured at fair value by class on a recurring basis as reported on the consolidated balance sheets as of December 31, 2015 and 2014, segregated by level within the fair value measurement hierarchy (dollars in thousands):

	Total Fair Value Measurement at December 31, 2015	Level 1	Level 2	Level 3
Assets:				
United States government agency securities	$ **5,567**	$ -	$ **5,567**	$ -
State and municipal securities	**27,243**	-	**27,243**	-
Mortgage-backed securities	**29,450**	-	**29,450**	-
	$ **62,260**	$ -	$ **62,260**	$ -

	Total Fair Value Measurement at December 31, 2014	Level 1	Level 2	Level 3
Assets:				
United States government agency securities	$ 9,128	$ -	$ 9,128	$ -
State and municipal securities	31,631	-	31,631	-
Mortgage-backed securities	41,565	-	41,565	-
	$ 82,324	$ -	$ 82,324	$ -

There are no assets or liabilities measured at fair value on a nonrecurring basis as of December 31, 2015 and 2014.

3. Restrictions on Cash and Amounts Due From Banks

The Company is required to maintain average balances on hand or with the Federal Reserve Bank. At December 31, 2015 and 2014, these reserve balances totaled \$1.8 million and \$3.8 million, respectively.

4. Investment Securities

The amortized cost and fair value of securities, with gross unrealized gains and losses, were as follows (dollars in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value
Securities Available for Sale at December 31, 2015				
United States government agency securities	**\$ 5,510**	**\$ 57**	**\$ -**	**\$ 5,567**
State and municipal securities	**26,612**	**645**	**14**	**27,243**
Mortgage-backed securities	**29,288**	**283**	**121**	**29,450**
	\$ 61,410	**\$ 985**	**\$ 135**	**\$ 62,260**
Securities Available for Sale at December 31, 2014				
United States government agency securities	\$ 9,021	\$ 107	\$ -	\$ 9,128
State and municipal securities	31,014	677	60	31,631
Mortgage-backed securities	41,297	419	151	41,565
	\$ 81,332	\$ 1,203	\$ 211	\$ 82,324
Securities to be Held to Maturity at December 31, 2015				
Mortgage-backed securities	**\$ 5**	**\$ -**	**\$ -**	**\$ 5**
Securities to be Held to Maturity at December 31, 2014				
Mortgage-backed securities	\$ 7	\$ -	\$ -	\$ 7
State and municipal securities	1,369	19	-	1,388
	\$ 1,376	\$ 19	\$ -	\$ 1,395

At December 31, 2015, the Company had investment securities carried at approximately $47.6 million ($41.7 million at December 31, 2014) pledged to secure public funds and for other purposes required or permitted by law.

The amortized cost and fair value of available-for-sale securities and held-to-maturity securities by contractual maturity at December 31, 2015 were as follows (dollars in thousands):

	Amortized Cost	Fair Value
Securities available for sale:		
Within one year	$ 4,097	$ 4,110
After one year through five years	17,669	17,940
After five years through ten years	9,473	9,857
Over ten years	883	903
	32,122	32,810
Mortgage-backed securities	29,288	29,450
	$ 61,410	**$ 62,260**
Securities held to maturity:		
Within one year	$ -	$ -
After one year through five years	-	-
After five years through ten years	-	-
	-	-
Mortgage-backed securities	5	5
	$ 5	**$ 5**

There were no sales of securities for the year ended December 31, 2015.

For the year ended December 31, 2014, proceeds from the sale of available-for-sale securities totaled $1.9 million. Gross realized gains totaled $42 thousand and gross realized losses totaled $42 thousand.

Information pertaining to securities with gross unrealized losses at December 31, 2015 and 2014, aggregated by investment category and length of time that individual securities have been in a continuous loss position, is as follows (dollars in thousands):

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Unrealized Losses
Securities Available for Sale at December 31, 2015						
State and municipal securities	**$ 3,748**	**$ 14**	**$ -**	**$ -**	**$ 3,748**	**$ 14**
Mortgage-backed securities	**7,028**	**51**	**4,418**	**70**	**11,446**	**121**
	$ 10,776	**$ 65**	**$ 4,418**	**$ 70**	**$ 15,194**	**$ 135**
Securities Available for Sale at December 31, 2014						
State and municipal securities	$ 4,620	$ 23	$ 2,469	$ 37	$ 7,089	$ 60
Mortgage-backed securities	10,155	44	6,906	107	17,061	151
	$ 14,775	$ 67	$ 9,375	$ 144	$ 24,150	$ 211

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than the amortized cost; (2) the financial condition and near-term prospects of the issuer; (3) the current market conditions; and (4) the intent and ability of the Company to not sell the security or whether it is more likely than not the Company will be required to sell the security before its anticipated recovery. Declines in the fair value of held-to-maturity and available-for-sale securities below their amortized cost basis that are deemed to be other than temporary are carried at fair value. Any portion of a decline in value associated with credit loss is recognized in earnings as realized losses. During the year ended December 31, 2014, the Company recognized other-than-temporary impairment of $402 thousand on an available-for-sale security.

5. Loans and Allowance for Loan Losses

The components of loans in the consolidated balance sheets were as follows (dollars in thousands):

	December 31, 2015	December 31, 2014
Real estate	**$ 16,809**	$ 15,499
Commercial	**35,923**	42,303
Agriculture	**73,728**	67,664
Consumer	**9,409**	11,427
	135,869	136,893
Allowance for loan losses	**1,361**	1,308
	$ 134,508	$ 135,585

Included in consumer loans are overdrafts of $99 thousand at December 31, 2015 ($111 thousand in 2014).

During the years ended December 31, 2015 and 2014, the Company purchased loans from other nonrelated banks totaling $8.2 million and $5.4 million, respectively, and sold loans to nonrelated banks amounting to $6.0 million and $0, respectively.

As part of its on-going monitoring of the credit quality of the Company's loan portfolio, management assigns risk grades to loans as follows:

- Pass – loans to borrowers with acceptable credit quality and risk.
- Special Mention – loans to borrowers whose credit quality may have deteriorated since origination and are at risk of further decline unless measures are taken to correct the situation.
- Substandard – loans to borrowers with well-defined credit quality weaknesses, which make payment default or principal exposure possible, but not yet certain. Such loans are individually evaluated for a specific valuation allowance.
- Doubtful – loans to borrowers in which payment default or principal exposure is probable. Such loans are individually evaluated for a specific valuation allowance.

At December 31, 2015 and 2014, the Company's loan portfolio risk grades by loan segment were as follows (dollars in thousands):

	Pass	Special Mention	Substandard	Doubtful	Total Loans
December 31, 2015					
Real estate	**$ 14,532**	**$ 272**	**$ 2,005**	**$ -**	**$ 16,809**
Commercial	**33,572**	**1,104**	**1,247**	**-**	**35,923**
Agriculture	**69,549**	**750**	**3,429**	**-**	**73,728**
Consumer	**9,240**	**-**	**169**	**-**	**9,409**
	$ 126,893	**$ 2,126**	**$ 6,850**	**$ -**	**$ 135,869**
December 31, 2014					
Real estate	$ 14,309	$ 867	$ 323	$ -	$ 15,499
Commercial	38,830	2,877	596	-	42,303
Agriculture	65,820	-	1,844	-	67,664
Consumer	11,288	-	135	4	11,427
	$ 130,247	$ 3,744	$ 2,898	$ 4	$ 136,893

An aged analysis of past-due loans, segregated by class of loans, as of December 31, 2015 and 2014 was as follows (dollars in thousands):

	Loans 30-89 Days Past Due	Loans 90 or More Days Past Due	Total Past-Due Loans	Current Loans	Total Loans	Accruing Loans 90 Days or More Past Due
December 31, 2015						
Real estate	**$ 635**	**$ 117**	**$ 752**	**$ 16,057**	**$ 16,809**	**$ -**
Commercial	**1,325**	**-**	**1,325**	**34,598**	**35,923**	**-**
Agriculture	**-**	**-**	**-**	**73,728**	**73,728**	**-**
Consumer	**549**	**-**	**549**	**8,860**	**9,409**	**-**
	$ 2,509	**$ 117**	**$ 2,626**	**$ 133,243**	**$ 135,869**	**$ -**
December 31, 2014						
Real estate	$ 434	$ -	$ 434	$ 15,065	$ 15,499	$ -
Commercial	815	173	988	41,315	42,303	-
Agriculture	698	-	698	66,966	67,664	-
Consumer	1,901	28	1,929	9,498	11,427	7
	$ 3,848	$ 201	$ 4,049	$ 132,844	$ 136,893	$ 7

Loans are considered impaired and placed on nonaccrual status when, based on current information and events, it is probable the Company will be unable to collect all amounts due in accordance with the original contractual terms of the loan agreement. Loans may be placed on impaired and nonaccrual status regardless of whether or not such loans are considered past due. An analysis of impaired and nonaccrual loans, segregated by class of loans, as of December 31, 2015 and 2014 is as follows (dollars in thousands):

	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment and Unpaid Balance	Related Allowance	Average Recorded Investment
December 31, 2015					
Real estate	$ **195**	$ **-**	$ **195**	$ **-**	$ **108**
Commercial	**107**	**-**	**107**	**-**	**212**
Agriculture	**181**	**-**	**181**	**-**	**184**
Consumer	**6**	**-**	**6**	**-**	**7**
	$ **489**	$ **-**	$ **489**	$ **-**	$ **511**
December 31, 2014					
Real estate	$ -	$ 21	$ 21	$ 4	$ 100
Commercial	143	173	316	103	158
Agriculture	187	-	187	-	190
Consumer	-	8	8	5	23
	$ 330	$ 202	$ 532	$ 112	$ 471

During the years ended December 31, 2015 and 2014, the Company did not recognize any significant interest income on impaired and nonaccrual loans.

As of December 31, 2015 and 2014, there were no loans that have been modified into a troubled debt restructuring.

Changes in the allowance for loan losses, by portfolio segment, for the years ended December 31, 2015 and 2014, were as follows (dollars in thousands):

	Real Estate	Commercial	Agriculture	Consumer	Total
Year Ended December 31, 2015					
Balance at beginning of year	**$ 438**	**$ 161**	**$ 250**	**$ 459**	**$ 1,308**
Provision (credit) for loan losses	**(60)**	**468**	**29**	**(10)**	**427**
Charge-offs	**(4)**	**(373)**	**-**	**(51)**	**(428)**
Recoveries	**-**	**27**	**10**	**17**	**54**
Net recoveries (charge-offs)	**(4)**	**(346)**	**10**	**(34)**	**(374)**
Balance at end of year	**$ 374**	**$ 283**	**$ 289**	**$ 415**	**$ 1,361**
Allocation:					
Individually evaluated for impairment	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Collectively evaluated for impairment	**374**	**283**	**289**	**415**	**1,361**
Year Ended December 31, 2014					
Balance at beginning of year	$ 438	$ 225	$ 241	$ 528	$ 1,432
Provision for loan losses	-	-	-	-	-
Charge-offs	-	(78)	-	(86)	(164)
Recoveries	-	14	9	17	40
Net recoveries (charge-offs)	-	(64)	9	(69)	(124)
Balance at end of year	$ 438	$ 161	$ 250	$ 459	$ 1,308
Allocation:					
Individually evaluated for impairment	$ 4	$ 103	$ -	$ 5	$ 112
Collectively evaluated for impairment	434	58	250	454	1,196

The Company's recorded investment in loans as of December 31, 2015 and 2014 related to each balance in the allowance for loan losses by portfolio segment and disaggregated on the basis of the Company's impairment methodology was as follows:

	Real Estate	Commercial	Agriculture	Consumer	Total
Year Ended December 31, 2015					
Loans individually evaluated for impairment	**$ 195**	**$ 107**	**$ 181**	**$ 6**	**$ 489**
Loans collectively evaluated for impairment	**16,614**	**35,816**	**73,547**	**9,403**	**135,380**
Balance at end of year	**$ 16,809**	**$ 35,923**	**$ 73,728**	**$ 9,409**	**$ 135,869**
Year Ended December 31, 2014					
Loans individually evaluated for impairment	$ 21	$ 316	$ 187	$ 8	$ 532
Loans collectively evaluated for impairment	15,478	41,987	67,477	11,419	136,361
Balance at end of year	$ 15,499	$ 42,303	$ 67,664	$ 11,427	$ 136,893

During the year ended December 31, 2015, the Bank did not implement any significant changes to its allowance for loan loss methodology.

6. Bank Premises and Equipment

Components of Bank premises and equipment included in the consolidated balance sheets were as follows (dollars in thousands):

	December 31, 2015	2014
Land	**$ 856**	$ 856
Buildings	**6,229**	6,229
Equipment and furniture	**2,334**	2,030
Bank-owned vehicles	**310**	310
	9,729	9,425
Less accumulated depreciation	**3,929**	3,514
	$ 5,800	$ 5,911

Depreciation expense for the years ended December 31, 2015 and 2014 totaled $419 thousand and $376 thousand, respectively.

7. Deposits

The aggregate amount of certificates of deposit ("CDs") in denominations of $250 thousand or more, totaled approximately $8.5 million and $9.9 million at December 31, 2015 and 2014, respectively.

At December 31, 2015, the scheduled maturities of CDs are as follows (dollars in thousands):

Year ending December 31,	
2016	$ 35,861
2017	2,952
2018	1,062
2019	2,595
2020	579
	$ 43,049

8. Off-Balance Sheet Activities

Credit-Related Financial Instruments
The Company is a party to credit-related financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments 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 Company's exposure to credit loss is represented by the contractual amount of these commitments. The Company follows the same credit policies in making commitments as it does for on-balance sheet instruments.

The following financial instruments, whose contract amounts represent credit risk, were outstanding (dollars in thousands):

	Contract Amount	
	December 31,	
	2015	2014
Unfunded commitments under lines of credit	**$ 25,933**	$ 27,197
Standby letters of credit	**350**	407

Unfunded commitments under lines of credit include revolving credit lines, straight credit lines, and interim construction loans, which are commitments for possible future extensions of credit to existing customers. These lines of credit may not be drawn upon to the total extent to which the Company is committed.

To reduce credit risk related to the use of credit-related financial instruments, the Company might deem it necessary to obtain collateral. The amount and nature of the collateral obtained are based on the Company's credit evaluation of the customer. Collateral held varies, but may include cash; securities; accounts receivable; inventory; property, plant, and equipment; and real estate.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those letters of credit are primarily issued to support 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 loan facilities to customers. The Company generally holds collateral supporting those commitments, if deemed necessary.

9. Legal Contingencies

The Company may, from time to time, be involved in litigation and claims arising in the normal course of business. Management, after consultation with legal counsel, believes that the liabilities, if any, arising from such litigations and claims will not be material to the Company's consolidated financial position.

10. Related Party Transactions

In the ordinary course of business, the Bank has granted loans to principal officers and directors and their affiliates. Annual activity, as of and for the years ended December 31, 2015 and 2014 consisted of the following (dollars in thousands):

	2015	2014
Balance at beginning of year	**$ 2,616**	$ 1,780
New loans	**3,051**	1,454
Repayments	**(3,086)**	(618)
Balance at end of year	**$ 2,581**	$ 2,616

Deposits from related parties held by the Bank at December 31, 2015 and 2014 totaled $5.3 million and $4.2 million, respectively.

11. Employee Benefits

The Company has a 401(k) with employee stock ownership provisions ("KSOP") for the benefit of substantially all employees. Participants are allowed to make contributions to the KSOP in self-directed investment accounts not to exceed 15% of compensation subject to certain limits based on federal tax laws. The Company matches 100% of a participant's 5% contribution. Shares of stock purchased and cash dividends received on those shares during the year are allocated at year-end to the participants. Total contributions made by the Company for the 401(k) was approximately $105 thousand for year ended December 31, 2015 ($104 thousand in 2014). At December 31, 2015 and 2014, the KSOP owned 6,969 shares of the Company's common stock. There were approximately $60 thousand in dividends paid to the KSOP during the year ended December 31, 2015 ($0 in 2014).

The Company has nonqualified deferred compensation plans which provide death and retirement benefits for certain officers and one director. Benefits under the plans are payable over a 15-year period following death or retirement. Deferred compensation expense of $138 thousand was recorded in 2015 ($220 thousand in 2014). Deferred compensation payable totaled $2.4 million at December 31, 2015 ($2.2 million in 2014). The Company has purchased life insurance policies to fund future plan obligations. These policies had an aggregate cash surrender value of $5.0 million at December 31, 2015 ($4.9 million in 2014).

12. Capital and Regulatory Matters

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Capital adequacy and prompt corrective action regulations involve quantitative measures of assets, liabilities, and certain off-balance sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators about component classification, risk weighting, and other factors.

The Basel III capital rules became effective for the Bank on January 1, 2015, subject to a four-year phase-in period. Quantitative measures established by the Basel III capital rules to ensure capital adequacy require the maintenance of minimum amounts and ratios (set forth in the table below) of Common Equity Tier 1 Capital, Tier 1 Capital, and Total Capital to Risk-Weighted Assets, and of Tier 1 Capital to Average Assets. In connection with the adoption of the Basel III capital rules, the Bank elected to opt-out of the requirement to include most components of accumulated other comprehensive income in Common Equity Tier 1 Capital.

Management believes, as of December 31, 2015 and 2014, that the Bank met all capital adequacy requirements to which it is subject. As of December 31, 2015, the most recent notification from the regulators categorized the Bank as well capitalized under the regulatory framework for prompt corrective action.

The following table presents actual and required capital ratios as of December 31, 2015 for the Bank under the Basel III capital rules. The minimum required capital amounts present the minimum required levels as of December 31, 2015 based on the phase-in of the Basel III capital rules and the minimum required as of January 1, 2019 when the phase-in is complete. Capital levels to be considered well capitalized under prompt corrective action regulations are also presented.

	Actual		Minimum Required Basel III Current Phase-In		Minimum Required Basel III Full Phase-In		Minimum Required to be Well Capitalized Under Prompt Corrective Action Provisions	
(Dollars in Thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2015								
Common Equity Tier 1 Capital to Risk-Weighted Assets	**$22,260**	**12.58%**	**$7,964**	**4.5%**	**$12,388**	**7.0%**	**$11,504**	**6.5%**
Tier 1 Capital to Risk-Weighted Assets	**$22,260**	**12.58%**	**$10,619**	**6.0%**	**$15,043**	**8.5%**	**$14,158**	**8.0%**
Total Capital to Risk-Weighted Assets	**$23,621**	**13.35%**	**$14,158**	**8.0%**	**$18,583**	**10.5%**	**$17,698**	**10.0%**
Tier 1 Capital to Average Assets	**$22,260**	**8.90%**	**$9,999**	**4.0%**	**$9,999**	**4.0%**	**$12,499**	**5.0%**

The following table presents actual and required capital ratios as of December 31, 2014 for the Bank under regulatory capital rules then in effect:

	Actual		Minimum Capital Requirement		Minimum Required to be Well Capitalized Under Prompt Corrective Action Provisions	
(Dollars in Thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2014						
Total Capital to Risk-Weighted Assets	$21,945	13.36%	$13,146	8.0%	$16,431	10.0%
Tier 1 Capital to Risk-Weighted Assets	$20,637	12.56%	$6,573	4.0%	$9,859	6.0%
Tier 1 Capital to Average Assets	$20,637	7.83%	$10,548	4.0%	$13,184	5.0%

13. Subsequent Event

Effective January 1, 2016, WSB Bancshares, Inc. merged with XIT Bancshares, Inc., which owns 100% of Security State Bank in Lubbock, Texas.