Board of Governors of the Federal Reserve System

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FEB 25 2016
NIC UNIT

Annual Report of Holding Companies—FR Y-6

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

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

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

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

I, **Lanny R. Brenner**
Name of the Holding Company Director and Official

CEO
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.

LRBrenner
Signature of Holding Company Director and Official

02/23/2016
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 2098412
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

Pilgrimbancorporation
Legal Title of Holding Company

2401 s. Jefferson Ave.
(Mailing Address of the Holding Company) Street / P.O. Box

City	State	Zip Code
Mt. Pleasant	**TX**	**75455**

Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Name	Title
Sandy Moody	**VP-Accounting/Pilgrim Bank**

903-575-2175
Area Code / Phone Number / Extension

903-575-0383
Area Code / FAX Number

smoody@pilgrimbank.com
E-mail Address

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

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

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

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

Pilgrim Bancorporation
2401 S. Jefferson
Mt. Pleasant, TX 75455

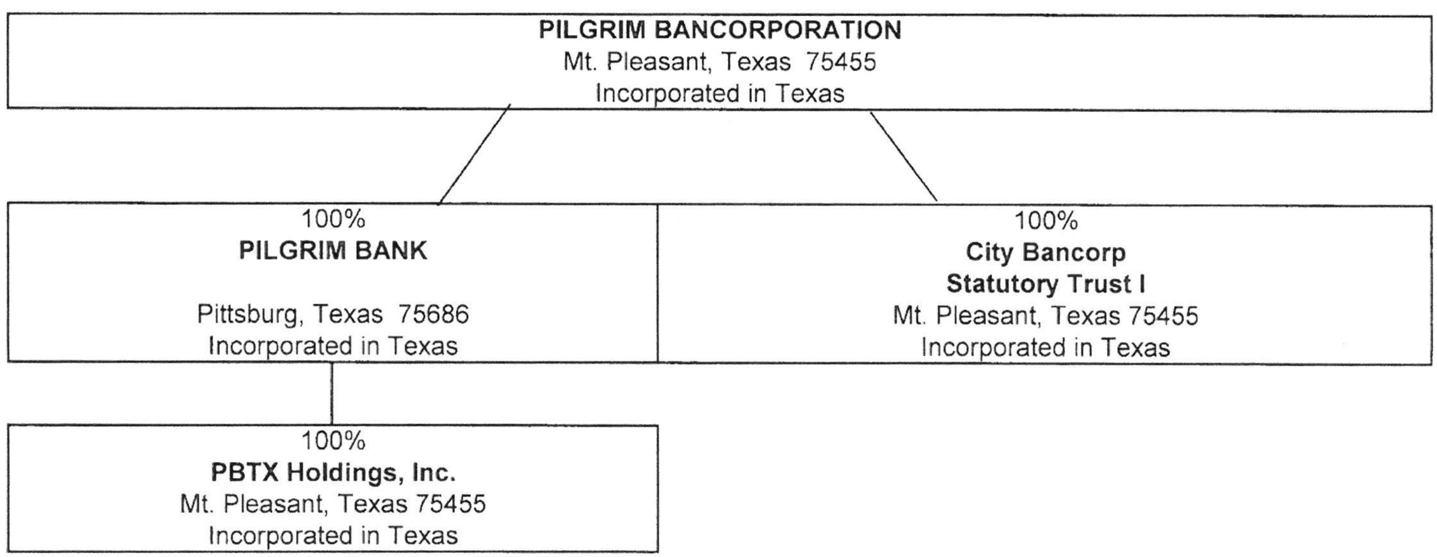
Fiscal Year Ending
December 31, 2015

Report Item 1:

1 a.) The BHC is not required to prepare form 10K with the SEC.

1 b.) The BHC does prepare an annual report for its shareholders.
Enclosed is a copy of the annual report.

Report Item 2a: Organizational Chart



* None of the entities have a LEI.

Report Item 2b: Submitted via email

AMENDED
JUL 25 2016

Results: A list of branches for your BHC: ROBERT LEE BANCSHARES, INC. (2155212) of ROBERT LEE, TX.
The data is as of 12/31/2015.

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.

See the detailed instructions on this site for more information. When you are finished, send a saved copy to your FRB contact.

* 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*
OK		Full Service (Head Office)	803265	ROBERT LEE STATE BANK	621 AUSTIN STREET	ROBERT LEE	TX	76945	COKE	UNITED STATES	9754	0	ROBERT LEE STATE BANK	803265

Report Item 3: Securities holders

Current Shareholders with ownership, control or holdings of 5% or more with power to vote as of 12-31-15

1 a.)	Lonnie A. Pilgrim Pittsburg, TX 75686	1 b.)	Country of citizenship: U.S.A.	1 c.)	1,874,626 shares of Common Stock 83.76% ownership

Shareholders not listed that had ownership, control or holdings of 5% or more with power to vote during the fiscal year ending 12-31-15

2 a.)	Steve Capps Mt. Pleasant, TX	2 b.)	Country of citizenship: U.S.A.	2 c.)	220,869 shares of Common Stock (1) 9.87% ownership
2 a.)	Lanny R. Brenner Pittsburg, TX 75686	2 b.)	Country of citizenship: U.S.A.	2 c.)	220,869 shares of Common Stock (2) 9.87% ownership
2 a.)	Lonnie K. Pilgrim Pittsburg, TX 75686	2 b.)	Country of citizenship: U.S.A.	2 c.)	256,797 shares of Common Stock (3) 11.48% ownership

(1) Includes 73,623 shares of common stock held by each of the PWP 2012 GST TRUST, the LKP 2012 GST TRUST and the GPO 2012 GST TRUST. Mr. Capps serves as the trustee of each of these trusts and has sole voting power with respect to the shares held by these trusts. Each of the three trusts listed above own 73,623 shares or 3.29% of the total.

(2) Includes 73,623 shares of common stock held by each of the PWP 2012 GST TRUST, the LKP 2012 GST TRUST and the GPO 2012 GST TRUST. Mr. Brenner serves as the trustee of each of these trusts and but has no voting power with respect to the shares held by these trusts. Each of the three trusts listed above own 73,623 shares or 3.29% of the total.

(3) Includes 73,623 shares of common stock held by each of the PWP 2012 GST TRUST, the LKP 2012 GST TRUST and the GPO 2012 GST TRUST. Mr. Pilgrim serves as the trustee of each of these trusts and but has no voting power with respect to the shares held by these trusts. Lonnie K. Pilgrim is the son of Lonnie A. Pilgrim. Also includes 33,913 shares of common stock held by Mr. Pilgrim individually; 1,008 shares held by Greta Gail Simpson, Mr. Pilgrim's daughter and 1,007 shares held by Lonnie J. Pilgrim, Mr. Pilgrim's son.
Each of the three trusts listed above own 73,623 shares or 3.29% of the total.

Report Item 4 Insiders

1.) Name & Address	2.) Principal occupation, if other than with BHC	3 a.) Title or Position with the BHC	3 b.) Title or Position with Subsidiaries	3 c.) Title or Position with another company	4 a.) Percentage of voting shares in BHC	4 b.) Percentage of voting shares in subsidiaries	4 c.) Percentage of voting shares in another company (if 25% or more)	
Lonnie A. Pilgrim Pittsburg, TX	Consultant	Chairman Emeritis	Chairman Emeritis (Pilgrim Bank)	Managing General Partner Pilgrim Interest, Ltd Pilgrim Enterprises PFCP Limited Pilgrim Family Irrevocable Trust #1 - Trustee	83.76%	None	Pilgrim Interest, Ltd Pilgrim Enterprises PFCP Limited Pilgrim Family Irrevocable	6.27% 100% 49% None
Lanny R. Brenner Mt. Pleasant, TX	Banker	CEO/Director	CEO/Director (Pilgrim Bank)	VP/Director Camp County Service Industries *	0.00%	None		None
Fred Allen Mt. Pleasant, TX	Investor	Director	Director (Pilgrim Bank)	Owner (E. Allen Miche Partnership) Director Scottish Rite Hospital	0.04%	None	E. Allen Miche Partnership	100%
Charles Black Mt. Pleasant, TX	Investor	Director	Director (Pilgrim Bank)	Director (Titus Regional Medical Foundation)	0.03%	None		None
Richard W. Strudthoff Mt. Pleasant, TX	Banker	President & CLO/ Director	President/Director (Pilgrim Bank)	President Titus Regional Medical Hospital Board	0.02%	None		None
Linda Grundish Pittsburg, TX	Real Estate Investment/ Car Wash Owner	Director	Director (Pilgrim Bank)	Partner (PKL Investments & Scrubbies Wash USA)	0.03%	None	PKL Investments Scrubbies Wash USA	33% 33%
Blair MacBeath Pittsburg, TX	M.D.	Director	Director (Pilgrim Bank)	M.D. Dr. Blair MacBeath, MD	0.05%	None	Dr. Blair MacBeath, MD	100%
Billy McMinn Pittsburg, TX	Rancher	Director	Director (Pilgrim Bank)	Owner (McMinn Ranch & Camp County Monument Co.)	0.05%	None	McMinn Ranch Camp County Monument Co.	100% 100%
Debe G. McGuire Mt. Pleasant, TX	CPA	Director	Director (Pilgrim Bank)	Owner Debe's Designs)	0.03%	None	Debe's Designs	100%
Kenneth Smith Pittsburg, TX	Builder	Director	Director (Pilgrim Bank)	Owner (Star Builders)	0.16%	None	Star Builders	100%
Steven M. Capps Mt. Pleasant, TX	Owner/Agent	Director	Director (Pilgrim Bank)	Owner/Agent Capps Insurance Agency,	0.03%	None	Capps Insurance Agency, Capps Speciality Coverage, Ltd.	90% 100%

Pilgrim Bancorporation
2401 S. Jefferson
Mt. Pleasant, TX 75455

Fiscal Year Ending
December 31, 2015

Report Item 4 Insiders

1.) Name & Address	2.) Principal occupation, if other than with BHC	3 a.) Title or Position with the BHC	3 b.) Title or Position with Subsidiaries	3 c.) Title or Position with another company	4 a.) Percentage of voting shares in BHC	4 b.) Percentage of voting shares in subsidiaries	4 c.) Percentage of voting shares in another company (if 25% or more)	
				Capps Speciality Coverage, Ltd. Capps Holdings, Ltd. Capps Properties, Ltd. Capps Insurance Services, Steve Capps Agency, Ltd. Hughes Springs Insurance Agency Capps General Agency, Ltd. Commercial Premium Funding *			Capps Holdings, Ltd. Capps Properties, Ltd. Capps Insurance Services, Steve Capps Agency, Ltd. Hughes Springs Insurance Agency Capps General Agency, Ltd. Commercial Premium Funding	100% 100% 100% 100% 100% 100% 100%
Jerry Webster Pittsburg, TX	Banker	President/Director	President/Director (Pilgrim Bank)	Director ETMC Pittsburg - Board NTCC - Board of Trustrees PEDC - VP / Board; Kiwanis; Camp County Chamber / Ambassador	0.05%	None		None
Lonnie Ken Pilgrim Pittsburg, TX	Personal Investments	Chairman	Chairman (Pilgrim Bank)	General Partner Pilgrim Interest, Ltd. *	1.52%	None		None
Brent Woodruff Mt. Pleasant, TX	Banker	President & CFO/ Director	President/Director (Pilgrim Bank)	None	0.00%	None		None

* Each of these 3 separate trusts: PWP 2012 GST Trust, LKP 2012 GST Trust & GPO 2012 GST Trust owns (3.29%) of Pilgrim Bancorporation stock.
Steve Capps, Lanny R. Brenner and Lonnie K. Pilgrim are all three trustees of all three trusts combined. Steve Capps is the only trustee with voting power.

AMENDED
AUG 01 2016

PILGRIM BANCORPORATION
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 AND 2014

TABLE OF CONTENTS

Judd,
Thomas,
Smith &
Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

*To the Board of Directors and Stockholders
of Pilgrim Bancorporation and Subsidiaries*

We have audited the accompanying consolidated financial statements of Pilgrim Bancorporation and Subsidiaries (a Texas corporation), 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 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 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 audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Pilgrim Bancorporation and Subsidiaries as of December 31, 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.

Judd, Thomas, Smith + Company, P.C.

*Dallas, Texas
February 11, 2016*

Merit Tower • 12222 Merit Drive, Suite 1900 • Dallas, Texas 75251-3210
972-661-5872 • FAX 972-661-3651 • 1-800-304-4887 • http://www.jtsco.com

PILGRIM BANCORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets
For the years ended December 31, 2015 and 2014

Assets

	2015	2014
Cash and due from banks	$ 8,756,100	$ 3,983,842
Cash and cash equivalents	8,756,100	3,983,842
Interest bearing deposits in other banks	3,768,819	41,804,898
Investment securities - Note 2		
Available-for-sale	213,702,529	98,662,857
Stock of Federal Home Loan Bank	2,303,600	1,709,000
Stock of TIB	101,845	101,845
Loans, net - Note 4	308,640,561	219,059,199
Bank premises and equipment, net - Note 5	20,713,839	11,297,674
Intangible assets	2,893,406	233,126
Goodwill	8,538,727	8,538,727
Investment in Trust - Note 13	93,000	93,000
Bank owned life insurance	10,058,519	-
Other real estate owned	1,019,259	1,000,000
Accrued interest receivable	2,873,761	1,736,915
Other assets	555,265	578,695
Total assets	$ 584,019,230	$ 388,799,778

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

PILGRIM BANCORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets
For the years ended December 31, 2015 and 2014

Liabilities

		2015		2014
Deposits:				
Noninterest-bearing demand	$	30,667,234	$	59,792,381
Interest-bearing demand		11,048,050		30,710,720
Money market and savings		289,926,382		68,942,976
Time, $100,000 and over		85,663,429		88,818,052
Time, less than $100,000		54,843,693		49,190,838
Total deposits		472,148,788		297,454,967
Notes payable - Note 3		47,325,000		28,625,000
Trust preferred payable		3,093,000		3,093,000
Accrued interest payable		152,050		185,585
Other liabilities		450,407		460,591
Total liabilities		523,169,245		329,819,143

Stockholders' Equity

		2015		2014
Common stock - $1 par value; authorized 4,000,000 and 2,000,000 shares in 2015 and 2014 respectively; 2,237,967 and 2,237,965 shares issued and outstanding in 2015 and 2014, respectively		2,237,967		2,237,965
Additional paid-in capital		27,562,785		27,530,661
Retained earnings		33,005,411		29,300,580
Unrealized gains (losses) on investment securities considered available-for-sale - Note 2		(1,956,178)		(88,571)
Total stockholders' equity		60,849,985		58,980,635
Total liabilities and stockholders' equity	$	584,019,230	$	388,799,778

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

PILGRIM BANCORPORATION AND SUBSIDIARIES

Consolidated Statements of Income and Comprehensive Income
For the years ended December 31, 2015 and 2014

	2015	2014
Interest income		
Interest and fees on loans	$ 16,890,214	$ 11,818,436
Interest on investment securities - taxable	2,672,154	1,973,012
Interest on investment securities - non taxable	418,706	304,308
Interest on federal funds sold	1	2.00
Interest on other investments	106,662	34,753
	20,087,737	14,130,511
Interest expense		
Interest on deposits		
Interest-bearing demand	96,429	100,579
Money market and savings	663,474	373,583
Time, $100,000 and over	861,063	1,188,307
Other time, less than $100,000	477,148	605,815
Interest on federal funds purchased	160	2
Interest on notes payable	456,570	539,278
	2,554,844	2,807,564
Net interest income	17,532,893	11,322,947
Provision for loan losses - Note 4	970,000	70,000
Net interest income after provision for loan losses	16,562,893	11,252,947
Other income		
Service fees	950,657	497,852
Gain on sale of securities	151,984	245,338
Gain on sale of loans	26,614	15,644
Gain (loss) on sale of other real estate owned	(67,883)	18,365
Gain on purchase	1,824,075	-
Other	955,102	674,770
	3,840,549	1,451,969
Other expense		
Salaries and employee benefits	7,373,895	4,676,934
Occupancy expense	2,822,865	1,678,189
Data processing	876,614	441,859
Other real estate and repossessed assets	68,570	41,498
Other	3,930,667	2,213,017
	15,072,611	9,051,497
Income before income taxes	5,330,831	3,653,419
Income tax expense - Note 1	-	-
Net income	5,330,831	3,653,419
Other comprehensive income		
Unrealized gains (losses) on securities available-for-sale:		
Unrealized holding gains (losses) arising during the period	(1,867,607)	1,236,821
Total comprehensive income	$ 3,463,224	$ 4,890,240

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

PILGRIM BANCORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity
For the years ended December 31, 2015 and 2014

	Common Stock	Paid-in Capital	Retained Earnings	Unrealized Gain (Loss) on Investment Securities	Total
Balance, December 31, 2013	$ 1,625,720	$ 13,142,906	$ 26,962,164	$ (1,325,392)	$ 40,405,398
Comprehensive income					
Current year change in unrealized gain (loss) on available-for-sale securities	-	-	-	1,236,821	1,236,821
Net income	-	-	3,653,419	-	3,653,419
Total comprehensive income					4,890,240
Shareholder distributions	-	-	(1,315,003)	-	(1,315,003)
Issuance of common stock	612,245	14,387,755	-	-	15,000,000
Balance, December 31, 2014	2,237,965	27,530,661	29,300,580	(88,571)	58,980,635
Comprehensive income					
Current year change in unrealized gain (loss) on available-for-sale securities	-	-	-	(1,867,607)	(1,867,607)
Net income	-	-	5,330,831	-	5,330,831
Total comprehensive income					3,463,224
Shareholder distributions	-	-	(1,626,000)	-	(1,626,000)
Purchase accounting adjustment	2	32,124	-	-	32,126
Balance, December 31, 2015	$ 2,237,967	$ 27,562,785	$ 33,005,411	$ (1,956,178)	$ 60,849,985

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

PILGRIM BANCORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows
For the years ended December 31, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Net income	$ 5,330,831	$ 3,653,419
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,178,095	651,326
Amortization and accretion of securities	2,529,256	1,925,235
Amortization of intangible assets	471,485	138,833
Provision for loan losses	970,000	70,000
Loss on sale and writedowns of other real estate	67,883	(18,365)
Loss on sale of premises and equipment	401,380	-
Loss on sale of software	402	-
Gain on sale of securities	(151,984)	(245,338)
Gain on sale of loans	(26,614)	(15,644)
Gain on purchase of bank	(1,824,075)	-
Stock dividend from FHLB	(6,000)	(6,400)
Change in:		
Accrued interest receivable	(1,136,846)	10,254
Other assets	1,156,829	(257,164)
Accrued interest payable	(33,535)	(53,459)
Other liabilities	(1,190,355)	316,632
Net cash provided by (used in) operating activities	7,736,752	6,169,329
Cash flows from investing activities:		
Net change in interest bearing deposits in other banks	136,633,110	(40,364,554)
Purchase of available-for-sale investment securities	(210,897,333)	(51,848,425)
Proceeds from principal payments and maturities of available-for-sale investment securities	136,081,301	97,358,719
Purchase of Federal Home Loan Bank stock	(933,700)	(262,600)
Sale of Federal Home Loan Bank stock	345,100	419,800
Net proceeds from sales of other real estate owned	230,324	342,435
Net change in loans	(5,424,890)	(3,012,198)
Purchase of bank	(24,000,000)	-
Proceeds from sale of premises and equipment	66,907	1,145
Purchase of premises and equipment	(1,008,042)	(2,951,728)
Purchase of bank owned insurance	(10,058,519)	-
Purchase of other intangible assets	(103,850)	(34,901)
Net cash used in investing activities	20,930,408	(352,307)

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

PILGRIM BANCORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows
For the years ended December 31, 2015 and 2014

	2015	2014
Cash flows from financing activities:		
Net change in demand and savings deposits	$ (8,315,737)	$ 9,669,556
Net change in time deposits	(32,685,288)	(19,044,722)
Proceeds from notes payable and FHLB advances	18,700,000	(11,150,000)
Distributions to shareholders	(1,626,000)	(1,315,003)
Issuance of stock	32,126	15,000,000
Net cash provided by (used in) financing activities	(23,894,899)	(6,840,169)
Net increase (decrease) in cash and cash equivalents	4,772,261	(1,023,147)
Cash and cash equivalents at beginning of year	3,983,839	5,006,986
Cash and cash equivalents at end of year	$ 8,756,100	$ 3,983,839
Supplemental disclosure of cash flow information -		
Cash paid during the year for:		
Interest	$ 2,588,379	$ 2,861,023
Income taxes	$ -	$ -
Supplemental schedule of noncash investing and financing activities:		
Real estate acquired in foreclosure or settlement of loans	$ 304,520	$ 1,328,462
Assets acquired in bank acquisition	$ 242,699,092	$ -
Liabilities acquired in bank acquisition	$ (216,875,017)	$ -

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

1. Summary of Significant Accounting Policies

Nature of Operations

The accounting and reporting policies of Pilgrim Bancorporation (the Company) and subsidiaries conform to U.S. generally accepted accounting principles and to general practices within the banking industry. The consolidated financial statements include the accounts of the Company, the Company's wholly-owned subsidiaries, Pilgrim Bank and PBTX Holding, Inc., collectively referred to as "the Bank". Intercompany accounts, transactions and earnings have been eliminated in consolidation.

The Bank generates commercial, mortgage, and consumer loans and receives deposits from customers located primarily in North East and North West Texas and the surrounding areas. The Bank operates under a state bank charter and provides full banking services. As a state bank, the Bank is subject to regulation by the Texas Department of Banking and the Federal Deposit Insurance Corporation.

Effective January 8, 2015, the Bank purchased North Central Texas Bancshares, Inc and subsidiary, State National Bank of Texas. State National Bank of Texas operates nine community banks, predominately in the West Texas region.

Use of Estimates

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

The determination of the adequacy of the allowance for loan losses is based on estimates that are particularly susceptible to significant changes in the economic environment and market conditions. In connection with the determination of the estimated losses on loans, management obtains independent appraisals for significant collateral.

The Bank's loans are generally secured by specific items of collateral including real property, consumer assets, and business assets. Although the Bank has a diversified loan portfolio, a substantial portion of its debtors' ability to honor their contracts is dependent on local economic conditions.

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

Investment Securities

Debt securities are classified as held-to-maturity when the Bank has the positive intent and ability to hold the securities to maturity. Securities held-to-maturity are carried at amortized cost. The amortization of premiums and accretion of discounts are recognized in interest income using methods approximating the interest method over the period to maturity.

Debt securities not classified as held-to-maturity are classified as available-for-sale. Securities classified as available-for-sale are carried at fair value with unrealized gains and losses reported in other comprehensive income.

1. Summary of Significant Accounting Policies, continued

Realized gains (losses) on securities available for sale are included in other income (expense) and, when applicable, are reported as a reclassification adjustment, in other comprehensive income. Gains and losses on sales of securities are determined on the specific-identification method.

Declines in the fair value of individual held-to-maturity and available for sale securities, below their cost that are other than temporary, result in write-downs of the individual securities to their fair value. The related write-downs are included in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Bank to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

<u>Loans</u>

The Bank grants mortgage, commercial, and consumer loans to customers. A substantial portion of the loan portfolio is represented by mortgage loans throughout East and North West 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.

Loans are stated at unpaid principal balances, less the allowance for loan losses and deferred loan fees. Loan fee income and costs associated with originating loans have been recognized in the period in which the fees were received and the costs were incurred.

Interest on loans is calculated by using the simple interest method on daily balances of the principal amount outstanding.

The accrual of interest on mortgage and commercial loans is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Personal loans are typically charged off no later than 180 days past due. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual 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 or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

<u>Allowance for Loan Losses</u>

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 uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management 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

The allowance consists of specific, general, and unallocated components. The specific component relates to loans that are classified as 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 loss experience adjusted for qualitative factors. An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for commercial and construction loans 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.

Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Bank does not separately identify individual consumer and residential loans for impairment disclosures, unless such loans are the subject of a restructuring agreement.

Premises and Equipment

Premises and equipment are carried at cost net of accumulated depreciation. Depreciation is computed using the straight-line method based principally on the estimated useful lives of the assets ranging from three to forty years. Maintenance and repairs are expensed as incurred while major additions and improvements are capitalized. Gains and losses on dispositions are included in current operations.

Other Real Estate Owned

Real estate properties acquired through or in lieu of loan foreclosure are initially recorded at fair value less estimated selling cost at the date of foreclosure. Any write-downs based on the asset's fair value at the date of acquisition are charged to the allowance of loan losses. After foreclosure, valuations are periodically performed by management and property held for sale is carried at the lower of the new cost basis or fair value less cost to sell. Impairment losses on property to be held and used are measured as the amount which the carrying amount of a property exceeds its fair value. Costs of significant property improvements, if any, are capitalized whereas costs relating to holding property are expensed. The portion of interest costs relating to development of real estate is capitalized. Valuations are periodically performed by management, and any subsequent write-downs are recorded as a charge to operations, if necessary, to reduce the carrying value of a property to the lower of its cost or fair value less cost to sell.

Goodwill

The Bank had $285,000 of goodwill on the books as a result of a branch purchase in 1997. Goodwill had been fully amortized using the straightline method.

1. Summary of Significant Accounting Policies, continued

The Bank has $8,538,727 of goodwill on the books as a result of the purchase of Community Bank in November 2007. Financial Accounting Standards Board Accounting Standard codification (FASB ASC) 350-20-35, "Goodwill and Other Intangible Assets", states that goodwill shall not be amortized. Goodwill should be tested for impairment annually, or more frequently if circumstances warrant.

The bargain purchase of North Central Texas Bancshares, Inc and subsidiary, State National Bank of Texas, resulted in negative goodwill of $1,824,075. In accordance with FAS 805-30, the negative goodwill was recognized as a gain in the current year. The Company paid $24,000,000 for the acquisition of assets with a fair market value of $242,699,092 and liabilities of $216,875,017.

Additionally, core deposit intangibles totaling $4,278,000 were booked at the date of the purchases. The core deposit intangibles are amortized over ten years and are included in other assets, net of amortization, at a net value of $2,893,406 and $233,126 at December 31, 2015 and 2014, respectively.

Income Taxes

Effective January 1, 2012 the Company elected S corporation status, as of December 31, 2011 all deferred tax asset and liability balances have been eliminated. Earnings and losses are included in the personal income tax returns of the stockholders and taxed depending on their personal tax strategies. Accordingly, the Company will not incur Federal income tax obligations, and the financial statements will not include a provision for Federal income taxes.

The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2012.

Statements of Cash Flows

The Bank considers all cash and amounts due from depository institutions to be cash equivalents for purposes of the statements of cash flows. The Bank maintains balances at financial institutions in excess of federally insured limits.

Fair Values of Financial Instruments

FASB ASC 825-10-50, "Disclosures about Fair Value of Financial Instruments," requires disclosure of fair value information about financial instruments, whether or not recognized in the statement of financial condition. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instruments. FASB ASC 825-10-50 excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Bank.

The following methods and assumptions were used by the Bank in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents: The carrying amounts reported for cash and cash equivalents approximate those assets' fair values.

1. Summary of Significant Accounting Policies, continued

Time deposits: Fair values for time deposits are estimated using a discounted cash flow analysis that applies interest rates currently being offered on certificates to a schedule of aggregated contractual maturities on such time deposits.

Investment securities: Fair values for investment securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

Loans: For variable-rate loans that re-price frequently and with no significant change in credit risk, fair values are based on carrying amounts. The fair values for other loans (for example, fixed rate commercial real estate and rental property mortgage loans and commercial and industrial loans) are estimated using discounted cash flow analysis, based on interest rates currently being offered for loans with similar terms to borrowers of similar credit equity. Loan fair value estimates include judgments regarding future expected loss experience and risk characteristics. The carrying amount of accrued interest receivable approximates its fair value.

Deposits: The fair values disclosed for demand deposits (for example, interest bearing checking accounts and savings accounts) are, by definition, equal to the amount payable on demand at the reporting date (that is, their carrying amounts). The fair values for certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated contractual maturities on such time deposits. The carrying amount of accrued interest payable approximates fair value.

Short-term borrowings and notes payable: The carrying amounts of short-term borrowings and notes payable approximate their fair values.

Other liabilities: Commitments to extend credit were evaluated and fair value was estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present credit-worthiness of the counterparties.

<u>Classification of Prior Year Amounts</u>
Certain prior period amounts have been reclassified to conform to current year presentation.

<u>Date of Management's Review of Subsequent Events</u>
Management has evaluated subsequent events through February 11, 2016, the date which the financial statements were available to be issued.

2. *Investment Securities*

The amortized cost of securities and their approximate fair values are as follows:

Securities Available for Sale

		Amortized Cost		Gross Unrealized Gain		Gross Unrealized Loss		Estimated Fair Value
December 31, 2015								
Mortgage backed securities	$	191,383,222	$	-	$	(2,625,090)	$	188,758,132
Municipal bonds		18,599,606		667,586		-		19,267,192
Taxable municial bonds		535,000		69,394		-		604,394
SBAs		5,126,239		-		(80,207)		5,046,032
Corporate stock		14,639		12,140		-		26,779
	$	215,658,706	$	749,120	$	(2,705,297)	$	213,702,529

		Amortized Cost		Gross Unrealized Gain		Gross Unrealized Loss		Estimated Fair Value
December 31, 2014								
Mortgage backed securities	$	74,087,134	$		$	(679,962)	$	73,407,172
Municipal bonds		11,164,806		564,391		-		11,729,197
SBAs		13,484,849				(48,873)		13,435,976
Corporate stock		14,639		75,873		-		90,512
	$	98,751,428	$	640,264	$	(728,835)	$	98,662,857

The amortized cost and estimated fair value of securities, by contractual maturity, at December 31, 2015 are as follows:

Securities Available for Sale

		Amortized Cost		Fair Value
Amounts maturing in:				
One year or less	$	13,359,669	$	13,195,470
After one year to five years		44,497,509		44,380,658
After five years to ten years		39,087,649		38,974,383
After ten years		118,713,879		117,152,018
	$	215,658,706	$	213,702,529

The maturities of the Mortgage backed securities may differ from contractual maturities because borrowers have the right to prepay obligations without penalties.

Securities with carrying values of $87,385,714 and $65,279,713 at December 31, 2015 and 2014, respectively, were pledged to secure a line of credit and other public funds as required or permitted by law.

Net unrealized gains (losses) on available for sale securities amounted to $(1,956,178) and $(88,571) at December 31, 2015 and 2014, respectively, and were recognized as a decrease to stockholders' equity.

3. Notes Payable

The Bank has several notes payable to the Federal Home Loan Bank (FHLB). The loans are payable in either monthly installments or with a lump sum amount at maturity and have fixed interest rates. The Bank is required to maintain a minimum amount of FHLB capital stock. The following is a summary of the notes payable as of December 31, 2015:

Original Amount of Note	Maturity Date	Interest Rate	Outstanding Balance at December 31, 2015
$ 1,250,000	January 2016	1.102	$ 1,250,000
1,500,000	January 2016	1.132	1,500,000
5,000,000	January 2016	0.310	5,000,000
5,000,000	February 2016	0.032	5,000,000
4,275,000	March 2016	0.038	4,275,000
1,000,000	June 2016	0.869	1,000,000
1,500,000	June 2016	0.460	1,500,000
3,000,000	June 2016	0.730	3,000,000
2,000,000	July 2016	2.587	2,000,000
1,000,000	September 2016	1.345	1,000,000
2,100,000	September 2016	1.274	2,100,000
2,100,000	September 2016	0.670	2,100,000
1,000,000	November 2016	1.568	1,000,000
1,000,000	December 2016	0.946	1,000,000
1,000,000	December 2016	0.923	1,000,000
1,000,000	December 2016	1.075	1,000,000
2,000,000	June 2017	1.088	2,000,000
1,000,000	September 2017	1.822	1,000,000
2,100,000	September 2017	1.740	2,100,000
3,500,000	December 2017	1.190	3,500,000
2,000,000	December 2017	1.264	2,000,000
1,000,000	December 2018	1.585	1,000,000
2,000,000	December 2018	2.062	2,000,000
$ 47,325,000			$ 47,325,000

Principal maturity by year of all the notes as of December 31, 2015 are as follows:

2016	$ 33,725,000
2017	10,600,000
2018	3,000,000
	$ 47,325,000

4. Loans and Allowance for Loan Losses

Loans at December 31, 2015 and 2014 consisted of the following:

	2015	2014
Commercial loans	$ 18,552,509	$ 15,973,969
Agriculture loans	27,295,885	15,565,180
Local government loans	15,968,345	16,824,524
Consumer loans	8,523,657	4,736,119
Real estate loans	241,265,523	167,365,227
Overdrafts	38,615	18,245
Loan discount	(740,000)	-
Gross loans	310,904,534	220,483,264
Allowance for loan losses	(2,263,972)	(1,424,065)
Net loans	$ 308.640,562	$ 219,059,199

4. Loans and Allowance for Loan Losses, continued

An analysis of the allowance account as of December 31, 2015 and 2014 is presented as follows:

Allowance for Loan and Lease Losses (ALLL) activity:

	December 31, 2015					
	Commercial loans	Agriculture loans	Local government loans	Consumer loans	Real estate loans	Total Allowance
ALLL, January 1	$ 504,702	$ 81,361	$ 113,191	$ 40,366	$ 684,445	$ 1,424,065
Charge-offs	(4,950)	-	-	(44,768)	(122,323)	(172,041)
Recoveries	7,987	10,000	-	11,517	12,444	41,948
Provision for loan and lease losses	360,000	150,000	-	200,000	260,000	970,000
ALLL, December 31	$ 867,739	$ 241,361	$ 113,191	$ 207,115	$ 834,566	$ 2,263,972

	Commercial loans	Agriculture loans	Local government loans	Consumer loans	Real estate loans	Total
Impaired loans and troubled debt restructurings						
ALLL	$ -	$ -	$ -	$ -	$ 17,000	$ 17,000
Carrying value	$ 4,224	-	-	38,978	$ 518,193	$ 561,395
Allowance as a percentage of outstanding loans	0.00%	0.00%	0.00%	0.00%	3.28%	3.03%
Collectively evaluated for impairment						
ALLL	$ 867,739	$ 241,361	$ 113,191	$ 207,115	$ 817,566	$ 2,246,972
Carrying value	$ 18,479,285	$ 27,210,885	$ 15,968,345	$ 8,449,294	$ 240,235,330	$ 310,343,139
Allowance as a percentage of outstanding loans	4.70%	0.89%	0.71%	2.45%	0.34%	0.72%
Total						
ALLL	$ 867,739	$ 241,361	$ 113,191	$ 207,115	$ 834,566	$ 2,263,972
Carrying value	$ 18,483,509	$ 27,210,885	$ 15,968,345	$ 8,488,272	$ 240,753,523	$ 310,904,534
Allowance as a percentage of outstandings	4.69%	0.89%	0.71%	2.44%	0.35%	0.73%

	December 31, 2014					
	Commercial loans	Agriculture loans	Local government loans	Consumer loans	Real estate loans	Total Allowance
ALLL, January 1	$ 1,294,347	$ 81,143	$ 113,191	$ 20,065	$ 1,000,375	$ 2,509,121
Charge-offs	(865,615)	-	-	(3,272)	(325,930)	(1,194,817)
Recoveries	15,970	218	-	23,573	-	39,761
Provision for loan and lease losses	60,000	-	-	-	10,000	70,000
ALLL, December 31	$ 504,702	$ 81,361	$ 113,191	$ 40,366	$ 684,445	$ 1,424,065

	Commercial loans	Agriculture loans	Local government loans	Consumer loans	Real estate loans	Total
Impaired loans and troubled debt restructurings						
ALLL	$ -	$ -	$ -	$ -	$ 20,000	$ 20,000
Carrying value	$ 189	$ -	$ -	$ -	$ 107,243	$ 107,432
Allowance as a percentage of outstanding loans	0.00%	0.00%	0.00%	0.00%	18.65%	18.62%
Collectively evaluated for impairment						
ALLL	$ 504,702	$ 81,361	$ 113,191	$ 40,366	$ 664,445	$ 1,404,065
Carrying value	$ 15,973,780	$ 15,565,180	$ 16,824,524	$ 4,754,363	$ 167,257,984	$ 220,375,831
Allowance as a percentage of outstanding loans	3.16%	0.52%	0.67%	0.85%	0.40%	0.64%
Total						
ALLL	$ 504,702	$ 81,361	$ 113,191	$ 40,366	$ 684,445	$ 1,424,065
Carrying value	$ 15,973,969	$ 15,565,180	$ 16,824,524	$ 4,754,363	$ 167,365,227	$ 220,483,263
Allowance as a percentage of outstandings	3.16%	0.52%	0.67%	0.85%	0.41%	0.65%

4. Loans and Allowance for Loan Losses, continued

Impaired Loans:

	December 31, 2015				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no recorded allowance					
Commercial loans	$ 4,224	$ 4,224	$ -	$ 2,112	$ -
Agriculture loans	$ -	$ -	$ -	$ -	$ -
Local government loans	$ -	$ -	$ -	$ -	$ -
Consumer loans	$ 38,978	$ 38,978	$ -	$ 19,584	$ -
Real estate loans	$ 498,747	$ 498,747	$ -	$ 291,024	$ -
With an allowance recorded					
Commercial loans	$ -	$ -	$ -	$ -	$ -
Agriculture loans	$ -	$ -	$ -	$ -	$ -
Local government loans	$ -	$ -	$ -	$ -	$ -
Consumer loans	$ -	$ -	$ -	$ -	$ -
Real estate loans	$ 19,446	$ 19,446	$ 17,000	$ 21,695	$ -
Total					
Commercial loans	$ 4,224	$ 4,224	$ -	$ 2,112	$ -
Agriculture loans	$ -	$ -	$ -	$ -	$ -
Local government loans	$ -	$ -	$ -	$ -	$ -
Consumer loans	$ 38,978	$ 38,978	$ -	$ 19,584	$ -
Real estate loans	$ 518,193	$ 518,193	$ 17,000	$ 312,718	$ -

	December 31, 2014				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no recorded allowance					
Commercial loans	$ -	$ -	$ -	$ 105,579	$ -
Agriculture loans	$ -	$ -	$ -	$ -	$ -
Local government loans	$ -	$ -	$ -	$ -	$ -
Consumer loans	$ 189	$ 189	$ -	$ 95	$ -
Real estate loans	$ 83,300	$ 83,300	$ -	$ 184,668	$ -
With an allowance recorded					
Commercial loans	$ -	$ -	$ -	$ 789,620	$ -
Agriculture loans	$ -	$ -	$ -	$ -	$ -
Local government loans	$ -	$ -	$ -	$ -	$ -
Consumer loans	$ -	$ -	$ -	$ -	$ -
Real estate loans	$ 23,943	$ 23,943	$ 20,000	$ 651,031	$ -
Total					
Commercial loans	$ -	$ -	$ -	$ 895,199	$ -
Agriculture loans	$ -	$ -	$ -	$ -	$ -
Local government loans	$ -	$ -	$ -	$ -	$ -
Consumer loans	$ 189	$ 189	$ -	$ 95	$ -
Real estate loans	$ 107,243	$ 107,243	$ 20,000	$ 835,699	$ -

4. Loans and Allowance for Loan Losses, continued

Loan Classification Status:

	December 31, 2015					
	Commercial loans	Agriculture loans	Local government loans	Consumer loans	Real estate loans	Total
Pass	$ 18,295,312	$ 25,987,765	$ 15,968,345	$ 8,377,904	$ 231,755,519	$ 300,384,845
Special Mention	183,973	2,685	-	68,017	2,965,905	3,220,580
Substandard	4,224	1,220,435	-	42,351	6,032,099	7,299,109
Doubtful	-	-	-	-	-	-
Loss	-	-	-	-	-	-
Total	$ 18,483,509	$ 27,210,885	$ 15,968,345	$ 8,488,272	$ 240,753,523	$ 310,904,534

	December 31, 2014					
	Commercial loans	Agriculture loans	Local government loans	Consumer loans	Real estate loans	Total
Pass	$ 15,799,838	$ 15,556,759	$ 16,824,524	$ 4,675,134	$ 160,067,042	$ 212,923,296
Special Mention	173,943	6,202	-	78,656	1,898,992	2,157,794
Substandard	189	2,219	-	574	5,399,193	5,402,174
Doubtful	-	-	-	-	-	-
Loss	-	-	-	-	-	-
Total	$ 15,973,970	$ 15,565,180	$ 16,824,524	$ 4,754,363	$ 167,365,227	$ 220,483,264

Nonaccrual Loans:

	Nonaccrual Loans December 31		Accruing Past Due 90 Days or More December 31	
	2015	2014	2015	2014
Commercial loans	$ 4,224	$ -	$ -	$ -
Agriculture loans	-	-	-	-
Local government loans	-	-	-	-
Consumer loans	38,978	189	-	-
Real estate loans	518,193	107,243	-	-
Total loans	$ 561,395	$ 107,432	$ -	$ -

4. Loans and Allowance for Loan Losses, continued

Aging of Past Due Loans:

	December 31, 2015				
	30-89 Days Past Due	90 Days or More Past Due	Total Past Due 30 Days or More	Total Current or Less Than 30 Days Past Due	Total Outstandings
Commercial loans	$ -	$ 4,224	$ 4,224	$ 18,479,286	$ 18,483,510
Agriculture loans	2,685	-	2,685	27,208,200	27,210,885
Local government loans	-	-	-	15,968,345	15,968,345
Consumer loans	10,168	38,978	49,146	8,439,126	8,488,272
Real estate loans	618,557	518,193	1,136,750	239,616,772	240,753,522
Total loans	$ 631,410	$ 561,395	$ 1,192,805	$ 309,711,729	$ 310,904,534
Percentage of outstandings	0.20%	0.18%	0.38%	99.62%	100.00%

	December 31, 2014				
	30-89 Days Past Due	90 Days or More Past Due	Total Past Due 30 Days or More	Total Current or Less Than 30 Days Past Due	Total Outstandings
Commercial loans	$ -	$ -	$ -	$ 15,973,969	$ 15,973,969
Agriculture loans	-	-	-	15,565,180	15,565,180
Local government loans	-	-	-	16,824,524	16,824,524
Consumer loans	-	189	189	4,754,175	4,754,364
Real estate loans	925,618	107,243	1,032,861	166,332,366	167,365,227
Total loans	$ 925,618	$ 107,432	$ 1,033,050	$ 219,450,214	$ 220,483,264
Percentage of outstandings	0.42%	0.05%	0.47%	99.53%	100.00%

4. Loans and Allowance for Loan Losses, continued

Troubled Debt Restructurings:

	2015			2014		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial loans	-	$ -	$ -	-	$ -	$ -
Agriculture loans	-	-	-	-	-	-
Local government loans	-	-	-	-	-	-
Consumer loans	-	-	-	-	-	-
Real estate loans	-	4,137,376	4,017,187	-	-	-
Total loans	-	$ 4,137,376	$ 4,017,187	-	$ -	$ -

Troubled Debt Restructurings that Subsequently Defaulted:

	2015		2014	
	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment
Commercial loans	-	-	-	-
Agriculture loans	-	-	-	-
Local government loans	-	-	-	-
Consumer loans	-	-	-	-
Real estate loans	-	-	-	-
Total loans	-	$ -	-	$ -

Loan participations sold and serviced by the Bank totaled approximately $917,005 and $6,761,295 as of December 31, 2015 and 2014, respectively.

5. Bank Premises and Equipment

A summary of premises and equipment at December 31, 2015 and 2014 follows:

	2015	2014
Land	$ 2,882,383	$ 1,773,106
Buildings and improvements	20,416,652	13,704,156
Furniture, fixtures and equipment	4,873,657	3,617,540
Automobiles	244,404	236,030
Gross bank premises and equipment	28,417,096	19,330,832
Less: accumulated depreciation	(7,703,257)	(8,033,158)
Net bank premises and equipment	$ 20,713,839	$ 11,297,674

Total depreciation expense for premises and equipment for 2015 and 2014 was approximately $1,178,095 and $651,326, respectively.

6. Deposits

Year-end deposits consisted of the following:

		2015		2014
Noninterest bearing	$	30,667,234	$	59,792,381
Interest-bearing demand		11,048,050		30,710,720
Money market and savings		289,926,382		68,942,976
Time, $100,000 and over		85,663,429		88,818,052
Time, less than $100,000		54,843,693		49,190,838
	$	472,148,788	$	297,454,967

Certificates mature in the years following as of December 31, 2015:

One year or less	$	87,491,661
One year to three years		43,565,176
Over three years		9,450,285
	$	140,507,122

7. Related Party Transactions

In the ordinary course of business, the Bank has and expects to continue to have transactions, including borrowings, with its employees, officers, directors, shareholders, and their affiliates. In the opinion of management, such transactions are on the same terms as comparable transactions with unaffiliated persons.

Loans to related parties totaled $9,824,625 and $8,401,529 at December 31, 2015 and 2014, respectively. During 2015, new loans made to such related parties amounted to $2,090,145 and payments amounted to $667,049.

The Bank held related party deposits of approximately $12,932,464 and $9,524,365 at December 31, 2015 and 2014, respectively.

8. Financial Instruments with Off-Balance-Sheet Risk

The Bank is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, standby letters of credit, and financial guarantees. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheet. The contract amount of those instruments reflects the extent of involvement the Bank has in particular classes of financial instruments. The Bank uses the same credit policies in making such commitments as it does for instruments that are included in the statements of financial condition.

Financial instruments whose contract amount represents credit risk were as follows:

		2015		2014
Commitments to extend credit on unfunded loans	$	22,087,550	$	18,600,550
Standby letters of credit and financial guarantees written	$	1,293,220	$	-

8. Financial Instruments with Off-Balance-Sheet Risk, continued

Commitments to extend credit are agreements to lend to a customer if there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's credit worthiness on a case-by-case basis. The amount of the collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the counter-party. Collateral held varies but may include customer deposits, accounts receivable, inventory, property, plant, and equipment, and income-producing commercial properties.

Standby letters of credit and financial guarantees written are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing, and similar transactions. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

The Bank obtained a line-of-credit with the Federal Home Loan Bank in the amount of $89,472,725 and $90,569,069 at December 31, 2015 and 2014, respectively. The agreement allows the Bank to draw secured advances based upon 75% of one to four single family loans, 75% of multifamily loans, 60% of small business loans and 40% of small farms loans. As part of the agreement, the Bank is required to own stock of the Federal Home Loan Bank. The Bank held $2,303,600 and $1,709,000 of stock in 2015 and 2014, respectively. The Bank also has an unsecured line-of-credit with TIB in the amount of $15,100,000.

9. Commitments and Contingent Liabilities

The Bank is subject to claims and lawsuits which arise primarily in the ordinary course of business. It is opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position of the Bank.

The Bank leases space under an operating lease. The building lease has a term of five years beginning November 2015. The Bank recorded building rental expense of $53,609 and $38,000 during 2015 and 2014, respectively.

The following is a schedule as of December 31, 2015 of future minimum lease payments under the lease:

2016	$	57,552
2017		59,552
2018		61,552
2019		15,552
2020		12,960
	$	207,168

10. 401(k) Profit Sharing Plan

The Bank has a 401(k) profit sharing plan. Eligible employees are employees that have completed three months of service and that have attained the age of 21. Eligible employees covered by the plan may elect a dollar amount, not to exceed limits set by law to contribute through salary deferrals. Contributions by the Bank are discretionary, and are 100% vested after three years. The charge to expense in connection with the plan for 2015 and 2014 was $262,800 and $149,600, respectively.

11. Regulatory Capital

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

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of: total risk-based capital and Tier 1 capital to risk-weighted assets (as defined in the regulations), and Tier 1 capital to adjusted total assets (as defined). Management believes, as of December 31, 2015 and 2014, that the Bank meets all the capital adequacy requirements to which it is subject.

As of December 31, 2015 and 2014, the Bank was categorized as well capitalized under the regulatory framework for prompt corrective action. To remain categorized as well capitalized; the Bank will have to maintain minimum total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios as disclosed in the table below. There are no conditions or events since the most recent notification that management believes have changed the Bank's prompt corrective action category.

The Bank's actual and required capital amounts and ratios are as follows (dollars in thousands):

Pilgrim Bancorporation

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2015						
Total capital to risk weighted assets	$ 56,643	16.4%	$ 27,633	8.0%	$ 34,541	10.0%
Tier 1 capital to risk weighted assets	$ 54,374	15.7%	$ 20,725	6.0%	$ 27,633	8.0%
Tier 1 capital to average assets	$ 54,374	9.4%	$ 23,121	4.0%	$ 28,901	5.0%
December 31, 2014						
Total capital to risk weighted assets	$ 54,756	24.4%	$ 17,934	8.0%	$ 22,418	10.0%
Tier 1 capital to risk weighted assets	$ 53,297	23.8%	$ 8,967	4.0%	$ 13,451	6.0%
Tier 1 capital to average assets	$ 53,297	14.3%	$ 14,922	4.0%	$ 18,653	5.0%

Pilgrim Bank

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2015						
Total capital to risk weighted assets	$ 56,230	16.3%	$ 27,625	8.0%	$ 34,532	10.0%
Tier 1 capital to risk weighted assets	$ 53,960	15.6%	$ 20,719	6.0%	$ 27,625	8.0%
Tier 1 capital to average assets	$ 53,960	9.3%	$ 23,121	4.0%	$ 28,901	5.0%
December 31, 2014						
Total capital to risk weighted assets	$ 39,327	17.8%	$ 17,698	8.0%	$ 22,123	10.0%
Tier 1 capital to risk weighted assets	$ 37,869	17.1%	$ 8,849	4.0%	$ 13,274	6.0%
Tier 1 capital to average assets	$ 37,869	10.2%	$ 14,916	4.0%	$ 18,645	5.0%

11. Regulatory Capital, continued

Effective January 1, 2015 and phasing in through 2019, the Bank was required to adhere to new capital requirements under Basel III. Basel III will require higher minimum capital requirements, redefine Tier 1 capital, require a capital conservation buffer, increase risk weights for certain loans and disallow certain instruments into the Tier 1 capital calculation.

12. Trust Preferred Securities Payable

The Company has a liability for Trust Preferred securities of City Bancorp Statutory Trust I, a trust formed under the laws of the State of Delaware (the Trust). The Trust issued $3,093,000 of 6.30% fixed rate for the first five years and a variable rate at the 3 month Libor plus 2.00% thereafter. The Trust invested the proceeds thereof in Junior Subordinated deferrable Interest Debentures (the Junior Subordinated Debentures) issued by the Company with the same interest rates as the Trust Preferred Securities. The Junior Subordinated Debentures will mature on June 15, 2035, which date may be shortened to, at the Company's option, to a date not earlier than June 15, 2010 if certain conditions are met, including the Company having received prior approval of the Federal Reserve and any other required approvals.

13. Fair Value of Financial Instruments

The following estimated fair value amounts have been determined by the Bank using available market information and appropriate valuation methodologies. However, considerable judgment is necessarily required to interpret market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Bank could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

	2015		2014	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets:				
Cash and due from banks	$ 8,756,100	$ 8,756,100	$ 3,983,842	$ 3,983,842
Interest bearing deposits in other banks	3,768,819	3,768,819	41,804,898	41,804,898
Investment securities-available for sale	213,702,529	213,702,529	98,662,857	98,662,857
Stock of Federal Home Loan Bank	2,303,600	2,303,600	1,709,000	1,709,000
Stock of TIB	101,845	101,845	101,845	101,845
Loans, net	308,640,561	307,793,000	219,059,199	218,490,000
Financial liabilities:				
Noninterest bearing demand deposits	$ 30,667,234	$ 30,667,234	$ 59,792,381	$ 59,792,381
Interest-bearing demand deposits	11,048,050	11,048,050	30,710,720	30,710,720
Money market and savings	289,926,382	289,926,382	68,942,976	68,942,976
Time, $100,000 and over	85,663,429	85,627,000	88,818,052	88,778,000
Time, less than $100,000	54,843,693	54,821,000	49,190,838	49,169,000
Notes payable	47,325,000	47,325,000	28,625,000	28,625,000
Trust preferred payable	3,093,000	3,093,000	3,093,000	3,093,000

The carrying amounts in the preceding table are included in the statement of financial condition under the applicable captions.

14. Fair Values Measurements

Fair values of assets and liabilities measures on a recurring basis at December 31, 2015 and 2014 are as follows:

		Fair Value Measurements at Reporting Date Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2015				
Securities available for sale	$ 213,702,529	$ 213,702,529	$ -	$ -
December 31, 2014				
Securities available for sale	$ 98,662,857	$ 98,662,857	$ -	$ -

Generally, for available-for-sale securities, fair value is determined by reference to quoted market prices and other relevant information generated by market transactions.

15. Concentrations of Credit

Most of the Bank's business activity is with customers located in the North East and North West Texas area. The Bank also maintains deposits with other financial institutions in amounts that exceed FDIC insurance coverage. The Bank has not experienced any losses in such accounts and believes it is not exposed to any significant credit risks on cash and cash equivalents.

ADDITIONAL INFORMATION

Judd,
Thomas,
Smith &
Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

*To the Board of Directors and Stockholders
of Pilgrim Bancorporation and Subsidiaries*

We have audited the consolidated financial statements of Pilgrim Bancorporation and Subsidiaries as of and for the years ended December 31, 2015 and 2014, and our report thereon dated February 11, 2016, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Judd, Thomas, Smith + Company, P.C.

*Dallas, Texas
February 11, 2016*

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PILGRIM BANCORPORATION AND SUBSIDIARIES

Consolidating Balance Sheet

As of December 31, 2015

Assets

	Pilgrim Bancorporation	Pilgrim Bank	Eliminating Entries	Consolidated Balance
Cash and due from banks	$ 682,486	$ 8,756,100	$ (682,486)	$ 8,756,100
Interest-bearing deposits in other banks	5,619	3,763,200		3,768,819
Investment securities available-for-sale	-	213,702,529	-	213,702,529
Stock of Federal Home Loan Bank	-	2,303,600	-	2,303,600
Stock of TIB	-	101,845	-	101,845
Loans, net	-	308,640,561	-	308,640,561
Bank premises and equipment, net	-	20,713,839	-	20,713,839
Accrued interest receivable	-	2,873,761	-	2,873,761
Other real estate owned	-	1,019,259	-	1,019,259
Bank owned life insurance	-	10,058,519	-	10,058,519
Other assets	-	555,265	-	555,265
Intangible assets	-	2,893,406	-	2,893,406
Goodwill	-	8,538,727	-	8,538,727
Investment in Bancorp Statutory Trust	93,000	-	-	93,000
Investment in Pilgrim Bank	63,436,092	-	(63,436,092)	-
Total assets	$ 64,217,197	$ 583,920,611	$ (64,118,578)	$ 584,019,230

Liabilities and Stockholders' Equity

	Pilgrim Bancorporation	Pilgrim Bank	Eliminating Entries	Consolidated Balance
Deposits:				
Noninterest-bearing demand	$ -	$ 31,349,720	$ (682,486)	$ 30,667,234
Interest-bearing demand	-	11,048,050	-	11,048,050
Money market and savings	-	289,926,382	-	289,926,382
Time, $100,000 and over	-	85,663,429	-	85,663,429
Time, less than $100,000	-	54,843,693	-	54,843,693
Total deposits	-	472,831,274	(682,486)	472,148,788
Notes payable	-	47,325,000	-	47,325,000
Trust preferred payable	3,093,000	-	-	3,093,000
Accrued interest payable	2,363	149,687	-	152,050
Other liabilities	271,849	178,558	-	450,407
Total liabilities	3,367,212	520,484,519	(682,486)	523,169,245
Stockholders' equity				
Common stock	2,237,967	1,586,455	(1,586,455)	2,237,967
Additional paid-in capital	27,562,785	53,393,837	(53,393,837)	27,562,785
Retained earnings	33,005,411	10,411,978	(10,411,978)	33,005,411
Unrealized gains (losses) on investment securities	(1,956,178)	(1,956,178)	1,956,178	(1,956,178)
Total stockholders' equity	60,849,985	63,436,092	(63,436,092)	60,849,985
Total liabilities and stockholders' equity	$ 64,217,197	$ 583,920,611	$ (64,118,578)	$ 584,019,230

PILGRIM BANCORPORATION AND SUBSIDIARIES

Consolidating Balance Sheet

As of December 31, 2014

Assets

	Pilgrim Bancorporation	Pilgrim Bank	Eliminating Entries	Consolidated Balance
Cash and due from banks	$ 579,354	$ 3,983,842	$ (579,354)	$ 3,983,842
Interest-bearing deposits in other banks	15,000,534	26,804,364	-	41,804,898
Investment securities available-for-sale	-	98,662,857	-	98,662,857
Stock of Federal Home Loan Bank	-	1,709,000	-	1,709,000
Stock of TIB	-	101,845	-	101,845
Loans, net	-	219,059,199	-	219,059,199
Bank premises and equipment, net	-	11,297,674	-	11,297,674
Accrued interest receivable	-	1,736,915	-	1,736,915
Other real estate owned	-	1,000,000	-	1,000,000
Other assets	-	578,695	-	578,695
Intangible assets	-	233,126	-	233,126
Goodwill	-	8,538,727	-	8,538,727
Investment in Bancorp Statutory Trust	93,000	-	-	93,000
Investment in Pilgrim Bank	46,552,058	-	(46,552,058)	-
Total assets	$ 62,224,946	$ 373,706,244	$ (47,131,412)	$ 388,799,778

Liabilities and Stockholders' Equity

	Pilgrim Bancorporation	Pilgrim Bank	Eliminating Entries	Consolidated Balance
Deposits:				
Noninterest-bearing demand	$ -	$ 60,371,735	$ (579,354)	$ 59,792,381
Interest-bearing demand	-	30,710,720	-	30,710,720
Money market and savings	-	68,942,976	-	68,942,976
Time, $100,000 and over	-	88,818,052	-	88,818,052
Time, less than $100,000	-	49,190,838	-	49,190,838
Total deposits	-	298,034,321	(579,354)	297,454,967
Notes payable	-	28,625,000	-	28,625,000
Trust preferred payable	3,093,000	-	-	3,093,000
Accrued interest payable	3,080	182,505	-	185,585
Other liabilities	148,231	312,360	-	460,591
Total liabilities	3,244,311	327,154,186	(579,354)	329,819,143
Stockholders' equity				
Common stock	2,237,965	1,586,455	(1,586,455)	2,237,965
Additional paid-in capital	27,530,661	29,361,755	(29,361,755)	27,530,661
Retained earnings	29,300,580	15,692,419	(15,692,419)	29,300,580
Unrealized gains on investment securities	(88,571)	(88,571)	88,571	(88,571)
Total stockholders' equity	58,980,635	46,552,058	(46,552,058)	58,980,635
Total liabilities and stockholders' equity	$ 62,224,946	$ 373,706,244	$ (47,131,412)	$ 388,799,778

PILGRIM BANCORPORATION AND SUBSIDIARIES

Consolidating Statement of Income and Comprehensive Income

For the Year Ended December 31, 2015

	Pilgrim Bancorporation	Pilgrim Bank	Eliminating Entries	Consolidated Balance
Interest income				
Interest and fees on loans	$ -	$ 16,890,214	$ -	$ 16,890,214
Interest on investment securities - taxable	-	2,672,154	-	2,672,154
Interest on investment securities - non taxable	-	418,706	-	418,706
Interest on federal funds sold	-	1	-	1
Interest on other investments	2,238	104,424	-	106,662
Total interest income	2,238	20,085,499	-	20,087,737
Interest expense				
Interest-bearing demand	-	96,429	-	96,429
Money market and savings	-	663,474	-	663,474
Time, $100,000 and over	-	861,063	-	861,063
Time, less than $100,000	-	477,148	-	477,148
Federal funds purchased	-	160	-	160
Notes payable	70,894	385,676	-	456,570
Total interest expense	70,894	2,483,950	-	2,554,844
Net interest income	(68,656)	17,601,549	-	17,532,893
Provision for loan losses	-	970,000	-	970,000
Net interest income after provision for loan losses	(68,656)	16,631,549	-	16,562,893
Other income				
Undistributed income from subsidiary	(5,280,440)	-	5,280,440	-
Dividends from subsidiary	11,043,000	-	(11,043,000)	-
Service fees	-	950,657	-	950,657
Gain on sale of securities	-	151,984	-	151,984
Gain on sale of loans	-	26,614	-	26,614
Gain (loss) on sale of other real estate owned	-	(67,883)	-	(67,883)
Gain on purchase	-	1,824,075	-	1,824,075
Other	3,211	951,891	-	955,102
Total other income	5,765,771	3,837,338	(5,762,560)	3,840,549
Other expense				
Salaries and employee benefits	304,800	7,069,095	-	7,373,895
Occupancy expense	-	2,822,865	-	2,822,865
Data processing	-	876,614	-	876,614
Other real estate and repossessed assets	-	68,570	-	68,570
Other	61,484	3,869,183	-	3,930,667
Total other expense	366,284	14,706,327	-	15,072,611
Income before income taxes	5,330,831	5,762,560	(5,762,560)	5,330,831
Income tax expense (benefit)	-	-	-	-
Net income	5,330,831	5,762,560	(5,762,560)	5,330,831
Other comprehensive income				
Unrealized gains on securities available-for-sale:				
Unrealized holding gains/(losses) arising during the period	(1,867,607)	(1,867,607)	1,867,607	(1,867,607)
Total comprehensive income	$ 3,463,224	$ 3,894,953	$ (3,894,953)	$ 3,463,224

PILGRIM BANCORPORATION AND SUBSIDIARIES

Consolidating Statement of Income and Comprehensive Income

For the Year Ended December 31, 2014

	Pilgrim Bancorporation	Pilgrim Bank	Eliminating Entries	Consolidated Balance
Interest income				
Interest and fees on loans	$ -	$ 11,818,436	$ -	$ 11,818,436
Interest on investment securities - taxable	-	1,973,012	-	1,973,012
Interest on investment securities - non taxable	-	304,308	-	304,308
Interest on federal funds sold	-	2	-	2
Interest on other investments	2,636	32,117	-	34,753
Total interest income	2,636	14,127,875	-	14,130,511
Interest expense				
Interest-bearing demand	-	100,579	-	100,579
Money market and savings	-	373,583	-	373,583
Time, $100,000 and over	-	1,188,307	-	1,188,307
Time, less than $100,000	-	605,815	-	605,815
Federal funds purchased	-	2	-	2
Notes payable	69,901	469,377	-	539,278
Total interest expense	69,901	2,737,663	-	2,807,564
Net interest income	(67,265)	11,390,212	-	11,322,947
Provision for loan losses	-	70,000	-	70,000
Net interest income after provision for loan losses	(67,265)	11,320,212	-	11,252,947
Other income				
Undistributed income from subsidiary	2,324,652	-	(2,324,652)	-
Dividends from subsidiary	1,782,000	-	(1,782,000)	-
Service fees	-	497,852	-	497,852
Gain on sale of securities	-	245,338	-	245,338
Gain on sale of loans	-	15,644	-	15,644
Gain (loss) on sale of other real estate owned	-	18,365	-	18,365
Other	1,725	673,045	-	674,770
Total other income	4,108,377	1,450,244	(4,106,652)	1,451,969
Other expense				
Salaries and employee benefits	191,600	4,485,334	-	4,676,934
Occupancy expense	-	1,678,189	-	1,678,189
Data processing	-	441,859	-	441,859
Other real estate and repossessed assets	-	41,498	-	41,498
Other	196,093	2,016,924	-	2,213,017
Total other expense	387,693	8,663,804	-	9,051,497
Income before income taxes	3,653,419	4,106,652	(4,106,652)	3,653,419
Income tax expense (benefit)	-	-	-	-
Net income	3,653,419	4,106,652	(4,106,652)	3,653,419
Other comprehensive income				
Unrealized gains on securities available-for-sale:				
Unrealized holding gains arising during the period	1,236,821	1,236,821	(1,236,821)	1,236,821
Total comprehensive income	$ 4,890,240	$ 5,343,473	$ (5,343,473)	$ 4,890,240

PILGRIM BANK

Management Report
In this management report, the following subsidiary institutions of Pilgrim Bancorporation (the "Company") that are subject to Part 363 are included in the statement of management's responsibilities; the report on management's assessment of compliance with the Federal laws and regulations pertaining to insider loans and the Federal and, if applicable, State laws and regulations pertaining to dividend restrictions; and the report on management's assessment of internal control over financial reporting:
Pilgrim Bank

Statement of Management's Responsibilities
The management of the Company is responsible for preparing the Company's annual financial statements in accordance with generally accepted accounting principles; for establishing and maintaining an adequate internal control structure and procedures for financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for the FR Y-9SP Parent Company Only Financial Statement for Small Bank Holding Companies ("Form FR Y-9SP") for the company and FFIEC 041 Consolidated Reports of Condition and Income for a Bank with Domestic Offices Only ("Form FFIEC 041") for the Bank; and for complying with the Federal laws and regulations pertaining to insider loans and the Federal and, if applicable, State laws and regulations pertaining to dividend restrictions.

Management's Assessment of Compliance With Designated Laws and Regulations
The management of the Company has assessed the Company's compliance with the Federal laws and regulations pertaining to insider loans and the Federal and, if applicable, State laws and regulations pertaining to dividend restrictions during the fiscal year that ended on December 31, 2015. Based upon its assessment, management has concluded that the Company complied with the Federal laws and regulations pertaining to insider loans and the Federal and, if applicable, State laws and regulations pertaining to dividend restrictions during the fiscal year that ended on December 31, 2015.

Management's Assessment of Internal Control Over Financial Reporting
The Company's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America and financial statements for regulatory reporting purposes, *i.e.*, Form FR Y-9SP and FFIEC 041. The Company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance

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PILGRIM BANK

that the transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and financial statements for regulatory reporting purposes, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for the Form FR Y-9SP and FFIEC 041, as of December 31, 2015, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control--Integrated Framework.* Based upon its assessment, management has concluded that, as of December 31, 2015, the Company's internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for the Form FR Y-9SP and FFIEC 041, is effective based on the criteria established in *Internal Control--Integrated Framework.*

Management's assessment of the effectiveness of internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for the Form FR Y-9SP and FFIEC 041, as of December 31, 2015, has been audited by Judd, Thomas, Smith & Company, P.C., an independent public accounting firm, as stated in their report dated February 11, 2016.

Pilgrim Bancorporation

LRBrenner ____________ Lanny R. Brenner, Chief Executive Officer

Date: 2-11-16

BWW ____________ Brent W. Woodruff, Chief Financial Officer

Date: 2-11-16

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Pilgrim Bancorporation and Subsidiaries

2015 Audit Reporting Package

Pilgrim Bancorporation and Subsidiaries

Contents

Required Communications

To the Audit Committee of the
Board of Directors of
Pilgrim Bancorporation and Subsidiaries:

We have audited the consolidated financial statements of Pilgrim Bancorporation and its subsidiaries for the year ended December 31, 2015 and have issued our report thereon dated February 11, 2016. Professional standards require that we provide you with the following information related to our audit:

Area	***Comments***
Auditors' Responsibilities Under United States Generally Accepted Auditing Standards	
In order for those charged with governance to understand the nature of assurance provided by an audit, the auditor should communicate their responsibilities under United States Generally Accepted Auditing Standards.	*As stated in our engagement letter dated July 22, 2015, our responsibility as described by professional standards, is to express an opinion about whether the consolidated financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with United States generally accepted accounting principles. Our audit of the consolidated financial statements does not relieve you or management of your responsibilities.*
Significant Auditing Findings *Qualitative Aspects of Accounting Practices*	
Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement contract, we will advise management about the appropriateness of accounting policies and their application.	*The Bank's significant accounting policies are described in the notes to the consolidated financial statements. As part of our audit, we reviewed the accounting policies followed by management in preparing the consolidated financial statements. We believe the accounting policies of the Bank are consistent with industry practice and are in accordance with generally accepted accounting principles.* *No new accounting policies of significance were adopted and the application of existing policies was not changed during 2015. We noted no transactions entered into by the Bank during 2015 for which there is a lack of authoritative guidance or consensus. In addition, we noted no significant transactions that have been recognized in the consolidated financial statements in a different period than when the transaction occurred.*
Accounting estimates are an integral part of the consolidated financial statements that require management's judgments based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive due to their significance to the consolidated financial statements and the possibility that future events affecting them may differ significantly from management's expectations.	*The most sensitive estimate(s) affecting the consolidated financial statements was (were):* • *We believe that the allowance for loan losses represents a particularly sensitive accounting estimate. The amount of the allowance is based on management's evaluation of the collectibility of the loan portfolio, including the nature of the loan portfolio, credit concentrations, trends in historical loss experience, specific impaired loans, economic conditions and other relevant factors. In addition, regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowance for losses on loans. Such agencies may require the Bank to recognize additions to the allowance based on their judgments about information available to them at the time of their examination.*

Area	Comments
Significant Auditing Findings - continued	
Qualitative Aspects of Accounting Practices - continued	
The disclosures in the consolidated financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users.	*The most sensitive disclosures affecting the consolidated financial statements were:* • *Regulatory Capital Requirements - the Bank is subject to various regulatory capital requirements administered by 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.*
Audit Adjustments	
Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.	*There were no known or likely misstatements identified during the audit.*
Disagreements with Management	
For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the consolidated financial statements or the auditors' report.	*We are pleased to report that no such disagreements arose during the course of our audit.*
Other Information in Documents Containing Audited Financial Statements	
The auditor has a responsibility with respect to information in a document prepared by the Bank that contains the audited consolidated financial statements.	*Our responsibility with respect to information in a document that contains the audited consolidated financial statements does not extend beyond the financial information identified in our report. We do not have an obligation to perform any procedures to corroborate other information contained in these documents.*

Area	Comments
Planned Scope and Timing of the Audit	
It is the auditor's sole responsibility to determine the overall audit strategy and the audit plan, including the nature, timing, and extent of procedures necessary to obtain sufficient appropriate audit evidence. However, communication with those charged with governance may assist in understanding better the consequences of the auditor's work for their oversight activities.	*We performed the audit according to the planned scope and timing previously communicated to you in our letter dated July 22, 2015.*
Consultation with Other Accountants	
In some cases, management may decide to consult with other accountants about auditing and accounting matters. If a consultation involves application of an accounting principle to the Bank's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.	*To our knowledge, there were no such consultations with other accountants.*
Other Audit Findings or Issues	
The auditor is required to inform those charged with governance of any major issues, including any discussions regarding the application of accounting principles or auditing standards that were discussed with management in connection with the initial or recurring retention of the auditor.	*There were no such matters discussed with management prior to our initial or recurring retention as the Bank's auditors.*

Area	Comments
Difficulties Encountered in Performing the Audit	
The auditor should inform those charged with governance of any difficulties encountered in dealing with management related to the performance and completion of the audit.	*We encountered no difficulties in dealing with management in performing and completing our audit. Management of the Bank did a commendable job in preparing for the audit. They prepared the requested schedules and documents in a timely manner and were available for questions at all times.*
Management Representations	
The auditor is required to inform those charged with governance that certain representations are being requested from management in connection with the audit.	*We have requested certain representations from management that are included in the management representation letter dated February 11, 2016.*

This information is intended solely for the use of the audit committee, Board of Directors, and management of the Bank and is not intended to be, and should not be, used by anyone other than these specified parties.

If you have any questions regarding the above, please do not hesitate to call.

Sincerely,

JUDD, THOMAS, SMITH & COMPANY, P.C.

Patrick J. Laubacher

Patrick J. Laubacher, CPA

Appendix B

In planning and performing our audit of the consolidated financial statements of Pilgrim Bancorporation and Subsidiaries as of and for the year ended December 31, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered Pilgrim Bancorporation and Subsidiaries' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, board of directors, and others within the Company, and is not intended to be, and should not be, used by anyone other than these specified parties.

Pilgrim Bancorporation and Subsidiaries
Judd, Thomas, Smith and Company, PC (JTS) Audit Management Comments
Audit Period December 31, 2015
Exit Meeting Date: January 29, 2016

Accounting

1. *The accounting department is operating and performing its assigned functions well.*

2. *Accounting personnel have a good understanding of their related duties and general ledger accounting. Management has very good knowledge and provides detailed analysis of the Bank and the factors that affect it. Additionally, management is good at communicating their objectives and expectations. Management is providing hands on and detailed review of the accounting system and related reporting.*

3. *In comparing this Bank's accounting department to other banks one of the good things that stands out is a systematic approach to problem solving that is then constantly applied and improved.*

4. *The purchase of State National Bank of Texas was well planned, well executed and comprehensive.*

ALLL

5. *Loan review was not performed by JTS. JTS places reliance on TIB for this function.*

6. *ALLL to Loans as of year-end was approximately 0.73% at December 31, 2015 compared to 0.65% at December 31, 2014.*

Internal Audit Function

7. *As part of the financial statement audit JTS briefly reviews the internal audit procedures, documents and reports. The Bank's internal audit function continues to be very good.*

Federal Income Tax

8. *The taxable income of the Bank will be approximately $4,300,000 after adjusting book income of $5,800,000 for income tax differences.*

9. *The Bank should continue to keep documentation on the built-in gains tax. The applicable period for the gain calculation has permanently been established at 5 years. Consequently 2016 is the final applicable year.*

10. *The Bank should consider separating outside improvements and other components on all new construction.*

11. *The Bank has been a Sub Chapter S corporation for four years now and as a result will no longer require the TEFRA add back for tax exempt interest income.*

Texas Franchise Tax

12. *The Bank's state tax liability will be approximately $14,000; the maturities of AFS securities reduced the expense calculation by $92,000. The new tax rate for 2015 is .075%.*

13. *The Bank should continue the buying and selling of short term AFS investments as a tax planning strategy to reduce their Texas Franchise tax liability.*

Financial Statements

14. *We prepare the financial statements for the Bank, if you have any suggested changes let us know.*

15. *We will have a draft of the financial statements to the Bank within a week and a half.*

Other Audit Considerations

16. *Per ERISA, Plans with 100 or more eligible participants, as of the beginning of the plan year, are required to have an annual audit accompany their Form 5500. The Bank's plan will need an audit for the year ending December 31, 2015. We are currently working with the human resource department to coordinate the audit.*

New or Emphasized Accounting and Regulatory Pronouncements

17. *Financial Institutions with greater than $500 million in total assets are required to follow certain reporting requirements with the appropriate regulatory entities including the Federal Deposit Insurance Corporation, Federal Reserve Bank and the Texas Department of Banking. The Bank should also become familiar with the regulatory requirements of a Bank with total assets greater than $1 billion in total assets. Specifically the Bank should begin integrating the Committee of Sponsoring Organization of the Treadway Commission's (COSO) 17 principles of effective internal control into the Bank's documentation, assessment and monitoring of the control system.*

18. *ASU No. 2014-02, Intangibles – Goodwill and Other (Topic 350): Accounting for Goodwill, effective for annual periods beginning after December 15, 2104, early application is permitted. There are 4 alternatives.*
    a. *Permits a private company to elect an alternative to amortize goodwill over 10 years (or less than 10 years unless another useful life is demonstrably more appropriate). The testing for impairment only occurs upon a triggering event. An accounting policy should be made to test for goodwill impairment at the entity level or at the reporting unit level.*
    b. *Amortization of goodwill over its useful life not to exceed a maximum number of years.*
    c. *Direct write-off of goodwill*
    d. *Simplified impairment test*

    The Bank has elected not to implement the new ASU. The Bank should continue to assess goodwill for impairment, documenting the financial history of the originally acquired group.

19. *Basel III, effective January 1, 2015 (and phased in thru 2019)*
    a. *Redefines Tier 1 Capital as two components*
        i. *Common Equity Tier 1 Capital*
        ii. *Additional Tier 1 Capital*
    b. *Created a new capital ratio: Common Equity Tier 1 Risk-based Capital Ratio*
    c. *Higher minimum capital requirements*
    d. *Disallows certain instruments into Tier 1 capital: TruPS, minority interests, mortgage-servicing assets, deferred tax assets and other investments (grandfathers certain existing trust preferred capital).*
    e. *Capital conservation buffer to limit capital distributions including dividend payments and certain discretionary bonus payments to executive officers*
    f. *Increases the risk weight for past-due loans, certain commercial real estate loans*

20. *TDRs continue to be scrutinized, must meet both criteria:*
    a. *Financial difficulty*
    b. *Concession*

Proposed Pronouncements

21. *ASU No. 825-15*

    a. *The Current Expected Credit Loss Model (CECL) Model, the estimate of expected credit losses should be based on relevant information about past events, including historical loss experience with similar assets, current conditions and reasonable and supportable forecasts that affect the expected collectability of the assets' remaining contractual cash flows. Expect a final standard to be issued in the second quarter of 2016. The earliest required implementation would be in 2019, General expectations is that the ALLL would increase 20% to 50% based on the CECL model.*

    b. *Purchase Credit Impaired Assets, would require an allowance to be initially recognized for the contractual cash flows not expected to be collected. Establishes a day one allowance.*

22. *Some of the hot topics with regulators are:*

    a. *Asset Liability Management*

    b. *Strategic Planning and Budgets*

23. *The OCC's Bank Accounting Advisory Services (BAAS) updated with a new format provides guidance on many new and commonly encountered accounting issues in a question and answer format.*