Board of Governors of the Federal Reserve System

Annual Report of Holding Companies—FR Y-6

MAR 28 2016

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, TRAVIS H. BURRIS
Name of the Holding Company Director and Official

CEO/PRESIDENT
Title of the Holding Company Director and Official

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

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

Travis H. Burris
Signature of Holding Company Director and Official

03/23/2016
Date of Signature

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

- ☒ 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 2314260
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

MESQUITE FINANCIAL SERVICES, INC.
Legal Title of Holding Company

P.O. BOX 270550
(Mailing Address of the Holding Company) Street / P.O. Box

CORPUS CHRISTI	TX	78413
City	State	Zip Code

801 N TEXAS BLVD. ALICE, TEXAS 78332
Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

DAVID W. LAFFEE	CFO
Name	Title

361-994-7104
Area Code / Phone Number / Extension

361-986-1549
Area Code / FAX Number

LAFFEED@TEXASCHAMPIONBANK.COM
E-mail Address

WWW.TEXASCHAMPIONBANK.COM
Address (URL) for the Holding Company's web page

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

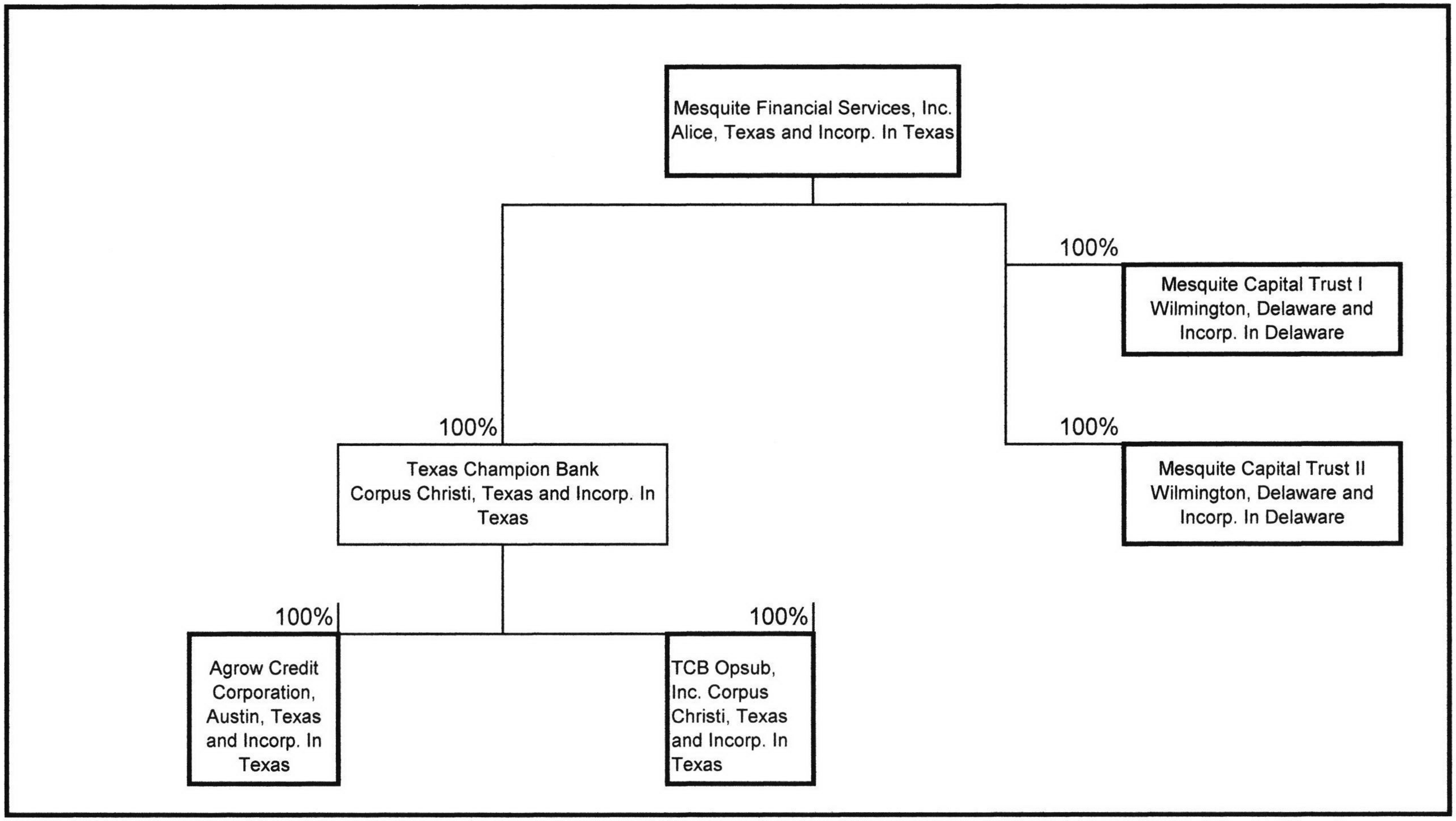
☐ Yes Please identify the report items to which this request applies:

☐ 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."

☒ No

Mesquite Financial Services, Inc.
Report Item 2
Organization Chart



No Entity above has an LEI

AMENDED
OCT 31 2016

Results: A list of branches for your depository institution: TEXAS CHAMPION BANK (ID_RSSD: 579364)
This depository institution is held by MESQUITE FINANCIAL SERVICES, INC. (2314260) of ALICE, TX.
The data are as of 12/31/2015. Data reflects information that was received and processed through 01/07/2016.

Reconciliation and Verification Steps

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

Actions

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

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

Submission Procedure

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

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

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

Data Action	Effective Date	Branch Service Type	Branch ID_RSSD*	Popular Name	Street Address	City	State	Zip Code	County	Country	FDIC UNINUM*	Office Number*	Head Office	Head Office ID_RSSD*	Comments
OK		Full Service (Head Office)	579364	TEXAS CHAMPION BANK	6124 SOUTH STAPLES STREET	CORPUS CHRISTI	TX	78413	NUECES	UNITED STATES	7121	0	TEXAS CHAMPION BANK	579364	
OK		Full Service	3355121	ALICE BRANCH	801 NORTH TEXAS BOULEVARD	ALICE	TX	78332	JIM WELLS	UNITED STATES	440699	8	TEXAS CHAMPION BANK	579364	
OK		Full Service	3657825	BEEVILLE BRANCH	1901 NORTH SAINT MARYS STREET	BEEVILLE	TX	78102	BEE	UNITED STATES	467497	11	TEXAS CHAMPION BANK	579364	
OK		Full Service	3020308	BENAVIDES OFFICE	300 EAST MAIN STREET	BENAVIDES	TX	78341	DUVAL	UNITED STATES	257291	7	TEXAS CHAMPION BANK	579364	
OK		Full Service	747855	CHARLOTTE OFFICE	148 EAST HINDES AVENUE	CHARLOTTE	TX	78011	ATASCOSA	UNITED STATES	9887	2	TEXAS CHAMPION BANK	579364	
OK		Full Service	2160216	CALALLEN OFFICE	15018 FM 624	CORPUS CHRISTI	TX	78410	NUECES	UNITED STATES	224098	1	TEXAS CHAMPION BANK	579364	
OK		Full Service	1865701	GEORGE WEST OFFICE	505 BOWIE STREET	GEORGE WEST	TX	78022	LIVE OAK	UNITED STATES	234652	3	TEXAS CHAMPION BANK	579364	
OK		Full Service	607959	KENEDY OFFICE	113 SOUTH SUNSET STRIP STREET	KENEDY	TX	78119-30	KARNES	UNITED STATES	2121	9	TEXAS CHAMPION BANK	579364	
OK		Full Service	2067333	PLEASANTON OFFICE	405 W OAKLAWN ROAD	PLEASANTON	TX	78064-40	ATASCOSA	UNITED STATES	234653	4	TEXAS CHAMPION BANK	579364	
OK		Full Service	3424429	SAN ANTONIO OFFICE	14329 SAN PEDRO AVE, SUITE A	SAN ANTONIO	TX	78232-43	BEXAR	UNITED STATES	451477	10	TEXAS CHAMPION BANK	579364	
OK		Full Service	3750904	SAN DIEGO BRANCH	511 EAST GRAVIS STREET	SAN DIEGO	TX	78384-27	DUVAL	UNITED STATES	477419	13	TEXAS CHAMPION BANK	579364	

Mesquite Financial Services, Inc.
Report Item 3
Shareholders 5% or Greater

Dec-15

3(1)

Name and Address	**Citizenship**	**No. of Shares**	**Percentage**
Travis H. Burris Corpus Christi, Texas	USA	14,652 Common	43.44%
Bob Mullen III Alice, Texas	USA	12,294 Common	36.45%
Tom Kreston Hendersonville, Tn	USA	2,574 Common	7.63%

3(2)
N/A

3(1)
Shareholders 5% or Greater N/A

3(2)
N/A

Form FR Y-6

HC
City, State
Fiscal Year Ending December 31, 20XX

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

(1) Names & Address (City, State, Country)	(2) Principal Occupation if other than with holding company	(3)(a) Title & Position with holding company	(3)(b) Title & Position with Subsidiaries (include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (include names of other businesses)	(4)(a) Percentage of Voting Securities in holding company	(4)(b) Percentage of Voting Securities in Subsidiaries (include names of subsidiaries)	(4)(c) List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
Travis H. Burris Corpus Christi, Texas	N/A	Chairman of the Board/CEO	Director, President & CEO (Texas Champion Bank) & Director (Agrow) & Director (OPSUB)	CASH BOX PAWN, INC. Secretary	0.00%	43.44% Texas Champion Bank	CASH BOX PAWN, INC. 50%
				G & G LOAN COMPANY, INC Secretary			G & G LOAN COMPANY, INC 82%
				LATTAS CATTLE COMPANY Partner			LATTAS CATTLE COMPANY 50%
				TJT, LLC Member			TJT, LLC 66%

AMENDED
OCT 31 2016

AMENDED
OCT 31 2016

(1)	(2)	(3)(a)	(3)(b)	(3)(c)	(4)(a)	(4)(b)	(4)(c)
				CASH BOX MOTORS Secretary			CASH BOX MOTORS 49.5%
				PRODUCERS AG FINANCE Director/Secretary			PRODUCERS AG FINANCE 66%
				CBP PROPERTIES, LLP Partner			CBP PROPERTIES, LLP 49.5%
				RESONANT TECHNOLOGY FINANCE Partner			RESONANT TECHNOLOGY FINANCE 66%
				TBDD PROPERTIES, LTD Partner			TBDD PROPERTIES, LTD 99%
				6124 MANAGEMENT LLC Member			6124 MANAGEMENT LLC 50%
				3C Partner			3C 33.33%
John G. Gonzalez	N/A	Director	Director (Texas Champion Bank)	N/A	0.00%	1.78% Texas Champion Bank	N/A
Debbie R. Garza	N/A	Director/Secretary Treasur	Director, EVP & COO (Texas Champion Bank) & Director (Agrow) & Director (OPSUB)	N/A	0.00%	3.77% Texas Champion Bank	N/A

Item 4.
4(c)
Other Company Ownership

Travis H. Burris

Item 4 ©

HOLDING COMPANY OFFCIERS AND DIRECTORS OF AFFILIATES

COMPANY NAME	BUSINESS	OWNERSHIP	VOTING
Travis H. Burris			
CASH BOX PAWN, INC. Secretary	PAWN SHOP	50.00%	50.00%
G & G LOAN COMPANY, INC CORPUS CHRISTI, TEXAS Secretary	FINANCE	82.00%	82.00%
LATTAS CATTLE COMPANY CORPUS CHRISTI, TEXAS Partner	CATTLE PARTNERSHIP	50.00%	50.00%
TJT, LLC CORPUS CHRISTI, TEXAS Member	AIRCRAFT	66.00%	66.00%
CASH BOX MOTORS SAN MARCOS, TEXAS Secretary	USED CAR DEALERSHIP	49.50%	49.50%
PRODUCERS AG FINANCE AUSTIN, TEXAS Director/Secretary	AG FINANCE	66.00%	66.00%
CBP PROPERTIES, LLP ALICE, TEXAS Partner	PROPERTY HOLDING	49.50%	49.50%
RESONANT TECHNOLOGY FINANCE SAN ANTONIO TEXAS Partner	FINANCE	66.00%	66.00%
TBDD PROPERTIES, LTD CORPUS CHRISTI TEXAS Partner	REAL ESTATE	99.00%	99.00%
6124 MANAGEMENT LLC Member	Aircraft	50.00%	50.00%
3C ALICE, TEXAS Partner	EQUIPMENT RENTAL	33.33%	33.33%
TEXAS CHAMPION BANK		43.49%	100.00%
AGROW CREDIT CORPORATION		0.00%	100.00%
TCB OPS SUB		0.00%	100.00%

Mesquite Financial Services, Inc. and Subsidiaries

Annual Financial Report

December 31, 2015 and 2014

Mesquite Financial Services, Inc. and Subsidiaries
Table of Contents

PS&Co.

Consolidated Financial Statements

PS&Co.

PS&Co.

Padgett Stratemann

Independent Auditor's Report

To the Board of Directors and Stockholders
Mesquite Financial Services, Inc.
Corpus Christi, Texas

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Mesquite Financial Services, Inc. and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive income (loss), 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.

AUSTIN
811 BARTON SPRINGS ROAD, SUITE 550
AUSTIN, TEXAS 78704
512 476 0717

HOUSTON
1980 POST OAK BOULEVARD, SUITE 1100
HOUSTON, TEXAS 77056
713 335 8630

SAN ANTONIO
100 N.E. LOOP 410, SUITE 1100
SAN ANTONIO, TEXAS 78216
210 828 6281

TOLL FREE: 800 879 4966
WEB: PADGETT-CPA.COM

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mesquite Financial Services, Inc. and its 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.

Padgett, Stratemann & Co., L.L.P.

Austin, Texas
June 22, 2016

Mesquite Financial Services, Inc. and Subsidiaries

Consolidated Balance Sheets

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

	2015	2014
Assets		
Cash and due from banks	$ 20,470	$ 30,871
Federal funds sold	73	93
Cash and cash equivalents	20,543	30,964
Securities available for sale	47,743	64,673
Restricted investment securities	3,718	2,863
Loans – net of allowance for loan losses of $7,467 ($3,768 in 2014)	283,416	287,652
Premises and equipment – net	17,079	15,810
Accrued interest receivable	1,775	1,749
Cash surrender value of life insurance	3,137	3,053
Goodwill	2,002	2,002
Intangible assets – net of accumulated amortization of $516 ($483 in 2014)	251	284
Prepaid expenses and other assets	868	916
Foreclosed assets – net	1,579	2,626
Total assets	$ 382,111	$ 412,592
Liabilities		
Deposits:		
Noninterest-bearing	$ 121,170	$ 140,090
Interest-bearing	159,615	177,860
Total deposits	280,785	317,950
Accrued interest payable and other liabilities	431	523
Junior subordinated debentures	9,279	9,279
Advances from Federal Home Loan Bank	48,000	38,000
Farm Credit Bank borrowing	18,008	16,731
Short-term borrowing	750	1,000
Total liabilities	357,253	383,483
Commitments and contingencies (notes 12 and 13)		
Stockholders' Equity		
Common stock – $1 par value; 100,000 shares authorized; 35,428 shares issued; 33,728 shares outstanding	35	35
Surplus	1,973	1,973
Retained earnings	23,339	27,444
Treasury stock – at cost (1,700 shares)	(216)	(216)
Accumulated other comprehensive loss	(273)	(127)
Total stockholders' equity	24,858	29,109
Total liabilities and stockholders' equity	$ 382,111	$ 412,592

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

Mesquite Financial Services, Inc. and Subsidiaries

Consolidated Statements of Operations

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

	2015	2014
Interest income:		
Interest and fees on loans	**$ 15,292**	$ 14,402
Interest on securities	**778**	1,035
Interest on deposits in banks	**112**	168
Total interest income	**16,182**	15,605
Interest expense:		
Deposits	**508**	560
Interest on borrowed funds	**670**	632
Total interest expense	**1,178**	1,192
Net interest income	**15,004**	14,413
Provision (credit) for loan losses	**5,933**	(32)
Net interest income after provision (credit) for loan losses	**9,071**	14,445
Noninterest income:		
Service charges, fees, and other	**2,059**	2,315
Royalty income	**912**	2,622
Total noninterest income	**2,971**	4,937
Noninterest expense:		
Salaries and employee benefits	**7,243**	7,033
Occupancy and equipment expenses	**2,552**	2,668
Other operating expenses	**2,972**	3,138
Total noninterest expense	**12,767**	12,839
Net income (loss)	**$ (725)**	$ 6,543
Earnings per share of common stock	**$ (21.50)**	$ 193.99
Average common shares outstanding	**33,728**	33,728

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

Mesquite Financial Services, Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income (Loss)

Years Ended December 31, 2015 and 2014

(Dollars in Thousands)

	2015	2014
Net income (loss)	$ (725)	$ 6,543
Other items of comprehensive income (loss):		
Change in unrealized holding gain (loss) on securities available for sale	(146)	467
Total other items of comprehensive income (loss)	(146)	467
Comprehensive income (loss)	$ (871)	$ 7,010

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

Mesquite Financial Services, Inc. and Subsidiaries

Consolidated Statements of Changes in Stockholders' Equity

Years Ended December 31, 2015 and 2014

(Dollars in Thousands)

	Common Stock	Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 2013	$ 35	$ 1,973	$ 25,651	$ (216)	$ (594)	$ 26,849
Net income – year ended December 31, 2014	-	-	6,543	-	-	6,543
Change in other comprehensive income – net of tax	-	-	-	-	467	467
Cash dividends	-	-	(4,750)	-	-	(4,750)
Balance at December 31, 2014	35	1,973	27,444	(216)	(127)	29,109
Net loss – year ended December 31, 2015	-	-	(725)	-	-	(725)
Change in other comprehensive income – net of tax	-	-	-	-	(146)	(146)
Cash dividends	-	-	(3,380)	-	-	(3,380)
Balance at December 31, 2015	**$ 35**	**$ 1,973**	**$ 23,339**	**$ (216)**	**$ (273)**	**$ 24,858**

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

Mesquite Financial Services, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

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

	2015	2014
Cash Flows From Operating Activities		
Net income (loss)	$ (725)	$ 6,543
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	779	813
Write-downs on foreclosed assets	150	123
Gain on sale of available for sale securities	(34)	-
Loss on sale of other real estate owned	158	9
Gain on sale of premises and equipment	-	(26)
Income from cash surrender value of life insurance	(84)	(53)
Provision (credit) for loan losses	5,933	(32)
Net amortization of investment securities	481	618
Net change in:		
Accrued interest receivable	(26)	(204)
Prepaid expenses and other assets	81	-
Accrued interest payable and other liabilities	(92)	(224)
Net cash provided by operating activities	6,621	7,567
Cash Flows From Investing Activities		
Net change in loans	(2,337)	(52,163)
Purchase of cash surrender value of life insurance	-	(3,000)
Proceeds from sales, payments, and maturities of investment securities	42,336	61,109
Purchases of investment securities	(26,000)	(68,025)
Purchases of restricted investment securities	(855)	(266)
Proceeds from sale of foreclosed assets and other assets	1,304	52
Recoveries on loans previously charged off	76	396
Proceeds from sale of premises and equipment	-	235
Purchases of premises and equipment	(2,048)	(456)
Net cash provided by (used in) investing activities	12,476	(62,118)
Cash Flows From Financing Activities		
Net change in deposits	(37,165)	10,881
Net increase in Advances from Federal Home Loan Bank	10,000	38,000
Net increase in Farm Credit Bank borrowing	1,277	748
Net decrease in short-term borrowing	(250)	(250)
Dividends paid	(3,380)	(4,750)
Net cash provided by (used in) financing activities	(29,518)	44,629
Net decrease in cash and cash equivalents	(10,421)	(9,922)
Cash and cash equivalents at beginning of year	30,964	40,886
Cash and cash equivalents at end of year	$ 20,543	$ 30,964

Schedules of Other Cash Flow Information

	2015	2014
Interest paid	$ 1,160	$ 1,215

Schedules of Noncash Activities

	2015	2014
Other assets acquired by foreclosure on loans	$ 565	$ 382

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

1. Summary of Significant Accounting Policies

Consolidation

The consolidated financial statements include the accounts of Mesquite Financial Services, Inc. and its wholly owned subsidiary, Mesquite Financial Services Delaware, Inc. ("Mesquite Delaware"), and Mesquite Delaware's wholly owned subsidiary, Texas Champion Bank (the "Bank"), and the Bank's wholly owned subsidiaries, Agrow Credit Corporation ("Agrow"), and TCB OpSub, Inc. ("TCB OpSub") (collectively, the "Company"). During 2015, Mesquite Delaware was dissolved. TCB OpSub was formed for the primary purpose of managing oil royalties owned by the Bank. All significant intercompany balances and transactions have been eliminated in consolidation. Mesquite Financial Services, Inc. and Mesquite Delaware were formed to act as bank holding companies and to facilitate future activities by the Company other than banking.

Agrow is a lending institution that discounts loans with the Farm Credit Bank ("FCB"), which was established by acts of Congress to meet the credit needs of American agriculture. The Farm Credit Act of 1971, as amended, sets forth the types of authorized lending activity, persons eligible to borrow, and the financial services which can be offered by Agrow.

Nature of Operations

The Company provides a variety of financial services to individuals and small businesses through its main office in Alice and branches in Corpus Christi, San Antonio, Pleasanton, Charlotte, Kenedy, George West, Mathis, Benavides, and surrounding areas in Texas. Its primary deposit products are savings and term certificate accounts, and its primary lending products are real estate loans.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") 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 revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses and the valuation of other real estate owned.

New and Recently Issued Accounting Standards

Financial Instruments – In January 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-01, *Financial Instruments: Recognition and Measurement of Financial Assets and Financial Liabilities*, which updates certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. ASU No. 2016-01 will be effective for the Company for fiscal years beginning after December 15, 2018. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

This guidance changes how entities account for equity investments that do not result in consolidation and are not accounted for under the equity method of accounting. Entities will be required to measure these investments at fair value at the end of each reporting period and recognize changes in fair value in net income. A practicability exception will be available for equity investments that do not have readily determinable fair values; however, the exception requires the Company to adjust the carrying amount for impairment and observable price changes in orderly transactions for the identical or a similar investment of the same issuer. This guidance also changes certain disclosure requirements and other aspects of current U.S. GAAP.

Revenue – In May 2014, FASB issued ASU No. 2014-09, *Revenue From Contracts With Customers*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, FASB issued ASU No. 2015-14, which defers the effective date of ASU No. 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. The Company has not yet selected a transition method and is currently evaluating the effects the standard will have on the consolidated financial statements.

Significant Group Concentrations of Credit Risk

Most of the Company's activities are with customers located within the cities of Alice, Corpus Christi, Austin, San Antonio, Pleasanton, Charlotte, Kenedy, George West, Mathis, Falfurrias, Benavides, and surrounding areas in Texas. Note 4 discusses the types of securities in which the Company invests. Note 5 discusses the types of lending in which the Company engages. Commercial real estate, including commercial construction loans, represented approximately 44% and 40% of the total portfolio at December 31, 2015 and 2014, respectively.

Securities

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

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

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

Restricted Investment Securities

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

Loans

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

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

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

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

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

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

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

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

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

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

Impairment is measured on a loan-by-loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral, if the loan is collateral-dependent.

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

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

Allowance for Loan Losses
The Company maintains an allowance for loan losses as a reserve established through a provision for possible loan losses charged to expense, which represents management's best estimate of probable losses that have been incurred within the existing portfolio of loans. The allowance, in the opinion of management, is necessary to reserve for estimated loan losses and risks inherent in the loan portfolio.

The Company's methodology for the allowance for loan losses includes allowance allocations calculated in accordance with the Accounting Standards Codification ("ASC"), *Receivables*, and ASC, *Contingencies*. Accordingly, the methodology is based on historical loss experience by type of credit and internal risk grade, specific homogeneous risk pools, and specific loss allocations, with adjustments for current events and conditions.

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

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

Premises and Equipment
Land is carried at cost. Premises and equipment are stated at cost, net of accumulated depreciation. Depreciation is recognized on the straight-line method over the estimated useful lives of the assets. The estimated useful lives range from 3 to 40 years.

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

Transfers of Financial Assets
Transfers of financial assets are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company; (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets; and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

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

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

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

Retirement Plan
The Company has adopted a 401(k) retirement plan covering eligible employees. The Company's contribution to the plan is determined annually by the Board of Directors.

Goodwill and Intangible Assets
Goodwill and intangible assets represent the excess of costs over the tangible fair value of assets of an acquired business. Goodwill acquired in a purchase combination and determined to have an indefinite useful life is not amortized, but instead is evaluated for possible impairment at least annually. For the years ended December 31, 2015 and 2014, the Company determined that no impairment of goodwill has occurred. Intangible assets are amortized over their estimated useful lives of 7 to 25 years.

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

The Company is subject to the Texas gross margin tax.

Earnings Per Common Share
Basic earnings per share represent income available to common stockholders divided by the weighted-average number of common shares outstanding during the period. Diluted earnings per share reflect additional common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance. For the years ended December 31, 2015 and 2014, the Company had no dilutive potential common shares; therefore, diluted income per share does not differ from basic income per share.

Subsequent Events
The Company has evaluated subsequent events through June 22, 2016, the date the consolidated financial statements were available to be issued.

Reclassifications
Certain amounts have been reclassified from prior presentations at December 31, 2014 to conform to classifications at December 31, 2015. There is no effect on previously reported net income or retained earnings.

2. Fair Value Measurements

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

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

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

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

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

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

There were no transfers among the three hierarchy levels of inputs.

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

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

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

	Total Fair Value Measurement at December 31, 2015	Level 1	Level 2	Level 3
Assets:				
United States government agency securities	**$ 6,042**	**$ -**	**$ 6,042**	**$ -**
United States Treasury securities	**15,999**	**15,999**	**-**	**-**
Mortgage-backed securities	**25,702**	**-**	**25,702**	**-**
	$ 47,743	**$ 15,999**	**$ 31,744**	**$ -**

	Total Fair Value Measurement at December 31, 2014	Level 1	Level 2	Level 3
Assets:				
United States government agency securities	$ 6,165	$ -	$ 6,165	$ -
United States Treasury securities	26,043	26,043	-	-
Mortgage-backed securities	32,465	-	32,465	-
	$ 64,673	$ 26,043	$ 38,630	$ -

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

Foreclosed assets consist mainly of other real estate owned, but may include other types of assets repossessed by the Company. Foreclosed assets are adjusted to the lower of carrying value or fair value less the cost of disposal upon transfer of the loans to foreclosed assets. Fair value is generally based upon independent market prices or appraised values of the collateral.

The following table summarizes assets with fair value changes during the years ended December 31, 2015 and 2014 that are measured at fair value by class on a nonrecurring basis, as follows (dollars in thousands):

	Total Fair Value Measurement at December 31, 2015	Level 1	Level 2	Level 3
Assets – foreclosed assets	**$ 1,170**	**$ -**	**$ 1,170**	**$ -**

	Total Fair Value Measurement at December 31, 2014	Level 1	Level 2	Level 3
Assets – foreclosed assets	$ 2,243	$ -	$ 2,243	$ -

3. Restrictions on Cash and Amounts Due From Banks

The Company is required to maintain average balances on hand in cash or on deposit with the Federal Reserve Bank. At December 31, 2015 and 2014, these reserve balances totaled $6.2 million and $7.3 million, respectively.

4. Investment Securities

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value
Securities Available for Sale at December 31, 2015				
United States government agency securities	**$ 6,039**	**$ 3**	**$ -**	**$ 6,042**
United States Treasury securities	**16,008**	**3**	**12**	**15,999**
Mortgage-backed securities	**25,969**	**160**	**427**	**25,702**
	$ 48,016	**$ 166**	**$ 439**	**$ 47,743**
Securities Available for Sale at December 31, 2014				
United States government agency securities	$ 6,151	$ 14	$ -	$ 6,165
United States Treasury securities	25,975	73	5	26,043
Mortgage-backed securities	32,674	216	425	32,465
	$ 64,800	$ 303	$ 430	$ 64,673

At December 31, 2015, the Company had investment securities carried at approximately $24.4 million pledged to secure public funds and for other purposes required or permitted by law ($47.7 million in 2014).

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

	Amortized Cost	Fair Value
Securities available for sale:		
After one year through three years	$ 22,047	$ 22,041
Mortgage-backed securities	25,969	25,702
	$ 48,016	**$ 47,743**

For the years ended December 31, 2015 and 2014, proceeds from sales of securities available for sale totaled $10 million and $0, respectively. Gross realized gain on the sale of available-for-sale securities totaled $34 thousand and $0, respectively. There were no gross realized losses for the years ended December 31, 2015 and 2014.

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

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Securities Available for Sale at December 31, 2015						
United States Treasury securities	**$ 10,010**	**$ 12**	**$ -**	**$ -**	**$ 10,010**	**$ 12**
Mortgage-backed securities	**1,663**	**19**	**15,256**	**408**	**16,919**	**427**
	$ 11,673	**$ 31**	**$ 15,256**	**$ 408**	**$ 26,929**	**$ 439**
Securities Available for Sale at December 31, 2014						
United States Treasury securities	$ 5,023	$ 5	$ -	$ -	$ 5,023	$ 5
Mortgage-backed securities	2,646	10	18,180	415	20,826	425
	$ 7,669	$ 15	$ 18,180	$ 415	$ 25,849	$ 430

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than the amortized cost; (2) the financial condition and near-term prospects of the issuer; (3) the current market conditions; and (4) the intent and ability of the Company to not sell the security or whether it is more likely than not the Company will be required to sell the security before its anticipated recovery. Declines in the fair value of available-for-sale securities below their amortized cost basis that are deemed to be other than temporary are carried at fair value. Any portion of a decline in value associated with credit loss is recognized in earnings as realized losses. As of December 31, 2015 and 2014, the Company did not have any securities with other-than-temporary impairment.

5. Loans and Allowance for Loan Losses

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

	December 31, 2015	2014
Real estate:		
Commercial	**$ 97,746**	$ 90,323
Residential	**24,646**	23,107
Farmland	**27,334**	24,051
Construction/land development	**30,925**	21,832
Commercial	**87,266**	108,068
Consumer installment	**2,759**	3,818
Agriculture	**20,165**	20,165
Other	**42**	56
	290,883	291,420
Allowance for loan losses	**7,467**	3,768
	$ 283,416	$ 287,652

During the years ended December 31, 2015 and 2014, the Company purchased loans from other nonrelated banks totaling $25.6 and $20.0 million, respectively, and sold loans to nonrelated banks totaling $3.1 million in 2015 ($1.0 million in 2014). Additionally, during the years ended December 31, 2015 and 2014, the Company purchased loans at book value of approximately $7.5 million and $409 thousand, respectively, from Producers Ag Finance, Inc., an entity with similar ownership to the Company.

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

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

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

	Pass	OAEM	Substandard	Doubtful	Total Loans
December 31, 2015					
Real estate:					
Commercial	$ **95,845**	$ **1,457**	$ **444**	$ -	$ **97,746**
Residential	**24,298**	**263**	**85**	-	**24,646**
Farmland	**27,266**	**23**	**45**	-	**27,334**
Construction/land development	**30,925**	-	-	-	**30,925**
Commercial	**69,983**	**1,249**	**12,425**	**3,609**	**87,266**
Consumer installment	**2,759**	-	-	-	**2,759**
Agriculture	**16,685**	**3,480**	-	-	**20,165**
Other	**42**	-	-	-	**42**
	$ **267,803**	$ **6,472**	$ **12,999**	$ **3,609**	$ **290,883**
December 31, 2014					
Real estate:					
Commercial	$ 89,420	$ 261	$ 642	$ -	$ 90,323
Residential	22,784	217	106	-	23,107
Farmland	23,977	-	74	-	24,051
Construction/land development	21,832	-	-	-	21,832
Commercial	100,675	1,454	5,939	-	108,068
Consumer installment	3,781	4	33	-	3,818
Agriculture	20,165	-	-	-	20,165
Other	56	-	-	-	56
	$ 282,690	$ 1,936	$ 6,794	$ -	$ 291,420

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

	Loans 30-89 Days Past Due	Loans 90 or More Days Past Due	Total Past-Due Loans	Current Loans	Total Loans	Accruing Loans 90 Days or More Past Due
December 31, 2015						
Real estate:						
Commercial	**$ -**	**$ -**	**$ -**	**$ 97,746**	**$ 97,746**	**$ -**
Residential	**1,626**	**-**	**1,626**	**23,020**	**24,646**	**-**
Farmland	**-**	**-**	**-**	**27,334**	**27,334**	**-**
Construction/land development	**-**	**-**	**-**	**30,925**	**30,925**	**-**
Commercial	**5,234**	**-**	**5,234**	**82,032**	**87,266**	**-**
Consumer installment	**28**	**-**	**28**	**2,731**	**2,759**	**-**
Agriculture	**44**	**-**	**44**	**20,121**	**20,165**	**-**
Other	**-**	**-**	**-**	**42**	**42**	**-**
	$ 6,932	**$ -**	**$ 6,932**	**$ 283,951**	**$ 290,883**	**$ -**
December 31, 2014						
Real estate:						
Commercial	$ 324	$ 2,982	$ 3,306	$ 87,017	$ 90,323	$ -
Residential	2,105	-	2,105	21,002	23,107	-
Farmland	-	-	-	24,051	24,051	-
Construction/land development	-	-	-	21,832	21,832	-
Commercial	-	-	-	108,068	108,068	-
Consumer installment	43	-	43	3,775	3,818	-
Agriculture	32	-	32	20,133	20,165	-
Other	-	-	-	56	56	-
	$ 2,504	$ 2,982	$ 5,486	$ 285,934	$ 291,420	$ -

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

	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment and Unpaid Balance	Related Allowance	Average Recorded Investment
December 31, 2015					
Real estate:					
Commercial	$ 25	$ -	$ 25	$ -	$ 39
Residential	85	-	85	-	63
Farmland	-	-	-	-	-
Construction/land development	-	-	-	-	-
Commercial	2,204	7,377	9,581	1,722	5,837
Consumer installment	-	-	-	-	17
Agriculture	45	-	45	-	60
	$ 2,359	$ 7,377	$ 9,736	$ 1,722	$ 6,016
December 31, 2014					
Real estate:					
Commercial	$ 53	$ -	$ 53	$ -	$ 1,784
Residential	41	-	41	-	141
Farmland	74	-	74	-	37
Construction/land development	-	-	-	-	-
Commercial	1,455	637	2,092	249	298
Consumer installment	33	-	33	-	30
Agriculture	-	-	-	-	-
	$ 1,656	$ 637	$ 2,293	$ 249	$ 2,290

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

As of December 31, 2015 and 2014, the Bank has $543 thousand and $0, respectively, of loans that had been modified within the current year.

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

Year Ended December 31, 2015	Real Estate	Commercial	Consumer Installment	Agriculture	Total
Balance at beginning of year	**$ 1,205**	**$ 2,241**	**$ 74**	**$ 248**	**$ 3,768**
Provision (credit) for loan losses	**(99)**	**6,183**	**(34)**	**(117)**	**5,933**
Charge-offs	**(55)**	**(2,218)**	**(15)**	**(22)**	**(2,310)**
Recoveries	**4**	**32**	**7**	**33**	**76**
Net charge-offs	**(51)**	**(2,186)**	**(8)**	**11**	**(2,234)**
Balance at end of year	**$ 1,055**	**$ 6,238**	**$ 32**	**$ 142**	**$ 7,467**
Allocation:					
Individually evaluated for impairment	**$ -**	**$ 3,820**	**$ -**	**$ -**	**$ 3,820**
Collectively evaluated for impairment	**1,055**	**2,418**	**32**	**142**	**3,647**
Year Ended December 31, 2014					
Balance at beginning of year	$ 1,263	$ 1,902	$ 133	$ 439	$ 3,737
Provision (credit) for loan losses	(62)	264	(43)	(191)	(32)
Charge-offs	(5)	(283)	(45)	-	(333)
Recoveries	9	358	29	-	396
Net charge-offs	4	75	(16)	-	63
Balance at end of year	$ 1,205	$ 2,241	$ 74	$ 248	$ 3,768
Allocation:					
Individually evaluated for impairment	$ -	$ 249	$ -	$ -	$ 249
Collectively evaluated for impairment	1,205	1,992	74	248	3,519

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

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

December 31, 2015	Commercial Real Estate	Residential Real Estate	Farmland Real Estate	Construction/ Land Development Real Estate	Commercial	Consumer Installment	Agriculture	Other	Total
Loans individually evaluated for impairment	$ 25	$ 85	$ -	$ -	$ 9,581	$ -	$ 45	$ -	$ 9,736
Loans collectively evaluated for impairment	97,721	24,561	27,334	30,925	77,685	2,759	20,120	42	281,147
	$ 97,746	$ 24,646	$ 27,334	$ 30,925	$ 87,266	$ 2,759	$ 20,165	$ 42	$ 290,883
December 31, 2014									
Loans individually evaluated for impairment	$ 53	$ 41	$ -	$ -	$ 2,092	$ 33	$ 74	$ -	$ 2,293
Loans collectively evaluated for impairment	90,270	23,066	24,051	21,832	100,679	3,785	20,091	56	283,830
	$ 90,323	$ 23,107	$ 24,051	$ 21,832	$ 102,771	$ 3,818	$ 20,165	$ 56	$ 286,123

6. Premises and Equipment

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

	December 31, 2015	December 31, 2014
Land	$ 3,053	$ 3,056
Buildings	18,109	16,141
Equipment and furniture	6,124	6,041
	27,286	25,238
Less accumulated depreciation	10,207	9,428
	$ 17,079	$ 15,810

Depreciation expense for the years ended December 31, 2015 and 2014 totaled $779 thousand and $813 thousand, respectively.

7. Deposits

The aggregate amount of certificates of deposit ("CDs"), each with a minimum denomination of $250 thousand, totaled approximately $16 million and $19 million at December 31, 2015 and 2014, respectively.

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

Year ending December 31,	
2016	$ 45,521
2017	3,586
2018	10
2019	-
Thereafter	-
	$ 49,117

There is one customer with $14.3 million in deposits as of December 31, 2015. Of this amount, $6.8 million is pledged with investments held by the Company.

8. Junior Subordinated Debentures

In November 2003, the Company established the Mesquite Capital Trust I ("Trust I") with capital of $155 thousand. On November 17, 2003, Trust I issued $5 million in Floating Rate Capital Securities ("Trust Preferred Securities I") to private market investors. The Trust Preferred Securities I bear interest at a floating rate based on the three-month LIBOR plus 2.95%. The Trust Preferred Securities I mature and are payable on February 8, 2034, which date may be shortened to a date not earlier than February 8, 2009, if certain conditions are met (including any required regulatory approvals).

In February 2006, the Company established the Mesquite Capital Trust II ("Trust II") with capital of $124 thousand. On February 15, 2006, Trust II issued $4 million in Floating Rate Capital Securities ("Trust Preferred Securities II") to private market investors. The Trust Preferred Securities II bear interest at a floating rate based on the three-month LIBOR plus 1.45%. The Trust Preferred Securities II mature and are payable on April 7, 2036.

In connection with these transactions, the Company issued a Floating Rate Junior Subordinated Deferrable Interest Debenture ("Debenture") to Trust I for $5.2 million and Trust II for $4.1 million, with interest and maturity terms consistent for both Trust Preferred Securities I and Trust Preferred Securities II. In accordance with the ASC, Trust I and Trust II (collectively, the "Trusts") are not consolidated in the accompanying consolidated financial statements. Instead, the investment in the Trusts are shown in "prepaid expenses and other assets" and the Debenture in "junior subordinated debentures" on the consolidated balance sheets. Interest expense on the Debenture is reported in the consolidated statements of income.

9. Advances From Federal Home Loan Bank ("FHLB")

The Bank has an agreement to obtain advances with FHLB. The advances are secured by all the first mortgage collateral (as defined), all FHLB capital stock, and all deposit accounts of the Bank held at FHLB. The advances are received pursuant to a collateral pledge and security agreements giving FHLB custody in certain of the Bank's loans, including 1-4 family mortgage loans; multi-family mortgage loans; home equity loans; small business, small farm, and small agriculture loans; and other commercial real estate loans. As of December 31, 2015, there were four advances totaling $48 million ($38 million in 2014). These advances had interest rates ranging from 0.31% to 0.40% and were scheduled to mature within the first month of 2016.

10. Farm Credit Bank ("FCB") Borrowing

During 1998, Agrow became a direct lender for FCB. Agrow has entered into a loan agreement with FCB which includes an unlimited revolving line of credit ("RLOC"). This agreement was renewed on October 1, 2015. The agreement expires September 30, 2017 and is at a variable interest rate determined by FCB. The RLOC allows Agrow to make loans up to a designated amount based on lending limits determined under Farm Credit Administration ("FCA") regulations or based on a percentage generally applicable to production credit or agricultural credit associations under FCA regulations. The indebtedness is collateralized by a security interest in all collateral relating to the funding loans by FCB and a pledge of substantially all Agrow's assets. FCB requires Agrow to maintain a stock investment in FCB. The stock investment at December 31, 2015 totaled $338 thousand ($342 thousand in 2014). The RLOC has a variable interest rate, which changes monthly based on a cost-of-funds formula of FCB. The balance of the RLOC totaled $18.0 million at December 31, 2015 ($16.7 million in 2014).

11. Short-Term Borrowing

The Company has a loan from an unrelated financial institution amounting to $750 thousand at December 31, 2015 ($1.0 million in 2014). The note is secured by the stock of the Bank and matures in June 2016. The interest rate on this note is equal to 4.0%, and interest payments are due quarterly. Principal payment is due at maturity.

12. Legal Contingencies

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

13. Off-Balance Sheet Activities

Credit-Related Financial Instruments

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

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

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

	Contract Amount	
	December 31,	
	2015	2014
Unfunded commitments under lines of credit	**$ 39,438**	$ 53,567
Standby letters of credit	**454**	542

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

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

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

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those letters of credit are primarily issued to support public and private borrowing arrangements. Essentially all letters of credit issued have expiration dates within one year. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company generally holds collateral supporting those commitments if deemed necessary.

14. Federal Income Taxes

Taxable income is reported on the federal tax returns of the Company's stockholders. Accordingly, no provision has been made for federal income tax in the accompanying consolidated financial statements.

The Company files a United States federal income tax return, as well as a state return in Texas. With few exceptions, the Company is no longer subject to United States federal or Texas state tax examinations for years before 2012.

15. Related Party Transactions

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

	2015	2014
Beginning balance	**$ 8,820**	$ 1,175
New loans	**434**	8,133
Repayments	**(294)**	(488)
Ending balance	**$ 8,960**	$ 8,820

Deposits from related parties held by the Company at December 31, 2015 totaled approximately $4.5 million ($8.0 million in 2014).

For the years ended December 31, 2015 and 2014, rental expense paid to related parties totaled $81 thousand for both years.

16. Capital and Regulatory Matters

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

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

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

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

	Actual		Minimum Required Basel III Current Phase-In		Minimum Required Basel III Full Phase-In		Minimum Required to be Well Capitalized Under Prompt Corrective Action Provisions	
(Dollars in Thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2015								
Common Equity Tier 1 Capital to Risk-Weighted Assets	**$32,513**	**10.3%**	**$14,156**	**4.5%**	**$22,020**	**7.0%**	**$20,448**	**6.5%**
Tier 1 Capital to Risk-Weighted Assets	**$32,513**	**10.3%**	**$12,583**	**4.0%**	**$33,031**	**10.5%**	**$18,875**	**6.0%**
Total Capital to Risk-Weighted Assets	**$36,491**	**11.6%**	**$25,166**	**8.0%**	**$18,875**	**6.0%**	**$31,458**	**10.0%**
Tier 1 Capital to Average Assets	**$32,513**	**8.6%**	**$15,211**	**4.0%**	**$15,211**	**4.0%**	**$19,013**	**5.0%**

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

	Actual		Minimum Capital Requirement		Minimum Required to Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2014						
Total Capital to Risk-Weighted Assets	$40,338	12.7%	$25,456	8.0%	$31,820	10.0%
Tier 1 Capital to Risk-Weighted Assets	$36,570	11.5%	$12,728	4.0%	$19,092	6.0%
Tier 1 Capital to Average Assets	$36,570	9.0%	$16,309	4.0%	$20,386	5.0%

Consolidating Information

PS&Co.
Padgett Stratemann

Independent Auditor's Report on Consolidating Information

To the Board of Directors and Stockholders
Mesquite Financial Services, Inc.
Corpus Christi, Texas

We have audited the consolidated financial statements of Mesquite Financial Services, Inc. and its subsidiaries as of and for the years ended December 31, 2015 and 2014, and have issued our report thereon dated June 22, 2016, which contained an unmodified opinion on those consolidated financial statements.

Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information, as listed in the table of contents, is presented for purposes of additional analysis rather than to present the financial position, results of operations, and cash flows of the individual companies and is not a required part of the consolidated financial statements. Such data 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 audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such data directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

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

Austin, Texas
June 22, 2016

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Mesquite Financial Services, Inc. and Subsidiaries

Consolidating Balance Sheet

December 31, 2015

(Dollars in Thousands)

	Mesquite Financial Services, Inc. and Subsidiaries	Eliminations	Mesquite Financial Services, Inc.	Texas Champion Bank	Agrow Credit Corporation	TCB OpSub, Inc.
Assets						
Cash and due from banks	$ 20,470	$ (230)	$ 3	$ 20,382	$ 89	$ 226
Federal funds sold	73	-	-	73	-	-
Cash and cash equivalents	20,543	(230)	3	20,455	89	226
Securities available for sale	47,743	-	-	47,743	-	-
Restricted investment securities	3,718	-	345	3,033	340	-
Loans	290,883	-	-	264,394	26,489	-
Less allowance for loan losses	(7,467)	-	-	(7,054)	(413)	-
Net loans	283,416	-	-	257,340	26,076	-
Investment in subsidiaries:						
Texas Champion Bank	-	(36,863)	36,863	-	-	-
Agrow Credit Corporation	-	(8,706)	-	8,706	-	-
TCB OpSub, Inc.	-	(351)	-	351	-	-
Total investment in subsidiaries	-	(45,920)	36,863	9,057	-	-
Premises and equipment – net	17,079	-	-	17,078	1	-
Accrued interest receivable	1,775	-	1	1,517	257	-
Cash surrender value of life insurance	3,137	-	-	3,137	-	-
Goodwill	2,002	-	-	2,002	-	-
Intangible assets – net	251	-	-	251	-	-
Prepaid expenses and other assets	868	-	280	452	11	125
Foreclosed assets – net	1,579	-	-	1,579	-	-
Total assets	$ **382,111**	$ **(46,150)**	$ **37,492**	$ **363,644**	$ **26,774**	$ **351**

Mesquite Financial Services, Inc. and Subsidiaries

Consolidating Balance Sheet – Continued

December 31, 2015

(Dollars in Thousands)

	Mesquite Financial Services, Inc. and Subsidiaries	Eliminations	Mesquite Financial Services, Inc.	Texas Champion Bank	Agrow Credit Corporation	TCB OpSub, Inc.
Liabilities						
Deposits:						
Noninterest-bearing	$ 121,170	$ (230)	$ -	$ 121,400	$ -	$ -
Interest-bearing	159,615	-	-	159,615	-	-
Total deposits	280,785	(230)	-	281,015	-	-
Accrued interest payable and other liabilities	431	-	84	287	60	-
Junior subordinated debentures	9,279	-	9,279	-	-	-
Advances from Federal Home Loan Bank	48,000	-	-	48,000	-	-
Farm Credit Bank borrowing	18,008	-	-	-	18,008	-
Short-term borrowing	750	-	750	-	-	-
Total liabilities	357,253	(230)	10,113	329,302	18,068	-
Stockholders' Equity						
Common stock	35	(892)	35	354	538	-
Surplus	1,973	(20,783)	1,973	20,783	-	-
Retained earnings	23,339	(24,518)	25,860	13,478	8,168	351
Treasury stock – at cost	(216)	-	(216)	-	-	-
Accumulated other comprehensive loss	(273)	273	(273)	(273)	-	-
Total stockholders' equity	24,858	(45,920)	27,379	34,342	8,706	351
Total liabilities and stockholders' equity	**$ 382,111**	**$ (46,150)**	**$ 37,492**	**$ 363,644**	**$ 26,774**	**$ 351**

See independent auditor's report on consolidating information.

Mesquite Financial Services, Inc. and Subsidiaries

Consolidating Balance Sheet

December 31, 2014

(Dollars in Thousands)

	Mesquite Financial Services, Inc. and Subsidiaries	Eliminations	Mesquite Financial Services, Inc.	Mesquite Financial Services Delaware, Inc.	Texas Champion Bank	Agrow Credit Corporation	TCB OpSub, Inc.
Assets							
Cash and due from banks	$ 30,871	$ (7,986)	$ 75	$ 7	$ 30,841	$ 30	$ 7,904
Federal funds sold	93	-	-	-	93	-	-
Cash and cash equivalents	30,964	(7,986)	75	7	30,934	30	7,904
Securities available for sale	64,673	-	-	-	64,673	-	-
Restricted investment securities	2,863	-	345	-	2,174	344	-
Loans	291,420	-	-	-	266,594	24,826	-
Less allowance for loan losses	(3,768)	-	-	-	(3,368)	(400)	-
Net loans	287,652	-	-	-	263,226	24,426	-
Investment in subsidiaries:							
Mesquite Financial Services Delaware, Inc.	-	(38,741)	38,741	-	-	-	-
Texas Champion Bank	-	(38,734)	-	38,734	-	-	-
Agrow Credit Corporation	-	(8,248)	-	-	8,248	-	-
TCB OpSub, Inc.	-	(8,054)	-	-	8,054	-	-
Total investment in subsidiaries	-	(93,777)	38,741	38,734	16,302	-	-
Premises and equipment – net	15,810	-	-	-	15,807	3	-
Accrued interest receivable	1,749	-	1	-	1,474	274	-
Cash surrender value of life insurance	3,053	-	-	-	3,053	-	-
Goodwill	2,002	-	-	-	2,002	-	-
Intangible assets – net	284	-	-	-	284	-	-
Prepaid expenses and other assets	916	-	279	-	481	6	150
Foreclosed assets – net	2,626	-	-	-	2,626	-	-
Total assets	$ 412,592	$ (101,763)	$ 39,441	$ 38,741	$ 403,036	$ 25,083	$ 8,054

See independent auditor's report on consolidating information.

Mesquite Financial Services, Inc. and Subsidiaries

Consolidating Balance Sheet – Continued

December 31, 2014

(Dollars in Thousands)

	Mesquite Financial Services, Inc. and Subsidiaries	Eliminations	Mesquite Financial Services, Inc.	Mesquite Financial Services Delaware, Inc.	Texas Champion Bank	Agrow Credit Corporation	TCB OpSub, Inc.
Liabilities							
Deposits:							
Noninterest-bearing	$ 140,090	$ (7,986)	$ -	$ -	$ 148,076	$ -	$ -
Interest-bearing	177,860	-	-	-	177,860	-	-
Total deposits	317,950	(7,986)	-	-	325,936	-	-
Accrued interest payable and other liabilities	523	-	53	-	366	104	-
Junior subordinated debentures	9,279	-	9,279	-	-	-	-
Advances from Federal Home Loan Bank	38,000	-	-	-	38,000	-	-
Farm Credit Bank borrowing	16,731	-	-	-	-	16,731	-
Short-term borrowing	1,000	-	1,000	-	-	-	-
Total liabilities	383,483	(7,986)	10,332	-	364,302	16,835	-
Stockholders' Equity							
Common stock	35	(893)	35	1	354	538	-
Surplus	1,973	(37,930)	1,973	17,147	20,783	-	-
Retained earnings	27,444	(55,208)	27,444	21,720	17,724	7,710	8,054
Treasury stock – at cost	(216)	-	(216)	-	-	-	-
Accumulated other comprehensive loss	(127)	254	(127)	(127)	(127)	-	-
Total stockholders' equity	29,109	(93,777)	29,109	38,741	38,734	8,248	8,054
Total liabilities and stockholders' equity	$ 412,592	$ (101,763)	$ 39,441	$ 38,741	$ 403,036	$ 25,083	$ 8,054

See independent auditor's report on consolidating information.

Mesquite Financial Services, Inc. and Subsidiaries

Consolidating Statement of Income

Year Ended December 31, 2015
(Dollars in Thousands)

	Mesquite Financial Services, Inc. and Subsidiaries	Eliminations	Mesquite Financial Services, Inc.	Texas Champion Bank	Agrow Credit Corporation	TCB OpSub, Inc.
Interest income:						
Interest and fees on loans	$ 15,292	$ -	$ -	$ 13,873	$ 1,419	$ -
Interest on securities	778	-	-	772	6	-
Interest on deposits in banks	112	-	-	112	-	-
Total interest income	16,182	-	-	14,757	1,425	-
Interest expense:						
Deposits	508	-	-	508	-	-
Interest on borrowed funds	670	-	278	69	323	-
Total interest expense	1,178	-	278	577	323	-
Net interest income (loss)	15,004	-	(278)	14,180	1,102	-
Provision for loan losses	5,933	-	-	5,933	-	-
Net interest income (loss) after provision for loan losses	9,071	-	(278)	8,247	1,102	-
Noninterest income:						
Service charges, fees, and other	2,059	4,253	(4,253)	2,059	-	-
Dividend income	-	(12,396)	3,796	8,600	-	-
Royalty income	912	-	-	-	-	912
Total noninterest income	2,971	(8,143)	(457)	10,659	-	912
Noninterest expense:						
Salaries and employee benefits	7,243	-	-	6,779	464	-
Occupancy and equipment expenses	2,552	-	-	2,499	38	15
Other operating expenses	2,972	6	(7)	2,831	142	-
Total noninterest expense	12,767	6	(7)	12,109	644	15
Net income	$ **(725)**	$ **(8,149)**	$ **(728)**	$ **6,797**	$ **458**	$ **897**

See independent auditor's report on consolidating information.

Mesquite Financial Services, Inc. and Subsidiaries

Consolidating Statement of Income

Year Ended December 31, 2014
(Dollars in Thousands)

	Mesquite Financial Services, Inc. and Subsidiaries	Eliminations	Mesquite Financial Services, Inc.	Mesquite Financial Services Delaware, Inc.	Texas Champion Bank	Agrow Credit Corporation	TCB OpSub, Inc.
Interest income:							
Interest and fees on loans	$ 14,402	$ -	$ -	$ -	$ 13,030	$ 1,372	$ -
Interest on securities	1,035	-	-	-	1,028	7	-
Interest on deposits in banks	168	-	-	-	168	-	-
Total interest income	15,605	-	-	-	14,226	1,379	-
Interest expense:							
Deposits	560	-	-	-	560	-	-
Interest on borrowed funds	632	-	281	-	44	307	-
Total interest expense	1,192	-	281	-	604	307	-
Net interest income (loss)	14,413	-	(281)	-	13,622	1,072	-
Provision (credit) for loan losses	(32)	-	-	-	25	(57)	-
Net interest income (loss) after provision for loan losses	14,445	-	(281)	-	13,597	1,129	-
Noninterest income:							
Service charges, fees, and other	2,315	(3,143)	1,572	1,571	2,315	-	-
Dividend income	-	(10,500)	5,250	5,250	-	-	-
Royalty income	2,622	-	-	-	-	-	2,622
Total noninterest income	4,937	(13,643)	6,822	6,821	2,315	-	2,622
Noninterest expense:							
Salaries and employee benefits	7,033	-	-	-	6,657	376	-
Occupancy and equipment expenses	2,668	-	-	-	2,589	36	43
Other operating expenses	3,138	-	(6)	-	2,960	184	-
Total noninterest expense	12,839	-	(6)	-	12,206	596	43
Net income	$ 6,543	$ (13,643)	$ 6,547	$ 6,821	$ 3,706	$ 533	$ 2,579

See independent auditor's report on consolidating information.