Board of Governors of the Federal Reserve System

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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, DEBBIE RULESTEAD
Name of the Holding Company Director and Official

SR. V.P.
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.

Debbie Rulestead
Signature of Holding Company Director and Official

03/25/2016
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 2348087
C.I.

Date of Report (top-tier holding company's fiscal year-end):
December 31, 2015
Month / Day / Year

LEI:NONE
Reporter's Legal Entity Identifier (LEI) (20-Character LEI Code)

Reporter's Name, Street, and Mailing Address
ANDREWS BANCSHARES, INC.
Legal Title of Holding Company

P.O. BOX 629
(Mailing Address of the Holding Company) Street / P.O. Box

ANDREWS	TX	79714
City	State	Zip Code

1501 N. MAIN STREET
Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

DEBBIE RULESTEAD	SR. V.P./CFO
Name	Title

432-524-7973
Area Code / Phone Number / Extension

432-523-9387
Area Code / FAX Number

debbie@nbabankonline.com
E-mail Address

N/A
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.

Andrews Bancshares, Inc.
Attachments to Annual Report of Bank Holding Companies FR Y-6
December 31, 2015

Report Item

1: The bank holding company prepares an annual report for its securities holders and is not registered with the SEC. As specified by the appropriate Reserve Bank, 2 copies are enclosed.

2a: Organizational Chart

AMENDED
NOV 23 2022

Andrews Bancshares, Inc.
Andrews, Texas
Incorporated in Texas

Owns 100% of

The National Bank of Andrews
Andrews, Texas
Incorporated in Texas

Owns 100% of

Permian Basin Abstract Company
Andrews, Texas
Incorporated in Texas

NO LEI

2b: Domestic branch listing provided to the Federal Reserve Bank.

3: (1) Securities holders with ownership, control or holdings of 5% or more with power to vote as of fiscal year ending 12-31-2015

Name & Address	Citizenship	# of Shares
Shelia Black Odessa, Texas	U.S. Citizen	9,416 / 8.226%
Cynthia Breyman Big Spring, Texas	U.S. Citizen	10,382 / 9.070%
E. D. Brownlee, Jr. Andrews, Texas	U.S. Citizen	11,196 / 9.781%
Elvin D. Brownlee III Trust Elvin D. Brownlee III Trustee Andrews, Texas	U.S. Citizen	10,000 / 8.736%
James Russell Shannon Andrews, Texas	U.S. Citizen	8,108 / 7.083%
Daniel D. Sullivan Lubbock, Texas	U.S. Citizen	9,828 / 8.586%
Wilma Howell Tom Andrews, Texas	U.S. Citizen	9,614 / 8.399%

3: (2) NA

Results: A list of branches for your depository institution: NATIONAL BANK OF ANDREWS, THE (ID_RSSD: 488653).
This depository institution is held by ANDREWS BANCSHARES, INC. (2348087) of ANDREWS, 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)	488653	NATIONAL BANK OF ANDREWS, THE	1501 NORTH MAIN STREET	ANDREWS	TX	79714	ANDREWS	UNITED STATES	11575	0	NATIONAL BANK OF ANDREWS, THE	488653	
OK		Full Service	3511945	NBA CONVENIENCE CENTER BRANCH	1201 NORTH MAIN STREET	ANDREWS	TX	79714	ANDREWS	UNITED STATES	363619	2	NATIONAL BANK OF ANDREWS, THE	488653	
OK		Limited Service	487058	NORTHWEST 1ST STREET BRANCH	101 NORTHWEST FIRST STREET	ANDREWS	TX	79714	ANDREWS	UNITED STATES	16974	1	NATIONAL BANK OF ANDREWS, THE	488653	

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

Report Item 4: Insiders

Name	Principal Occupation	Position w/ Andrews Bancshares	Position w/ National Bank of Andrews	Position w/ Subsidiaries Shares Owned	Position w/ Other Co.	%of Voting Shrs In Holding Co
Cynthia J. Breyman Big Spring, Texas	Entrepreneur	Director	Director	None None	Sole Member & Co-Manager- Breyman Producing LLC	9.070%
E. D. Brownlee, Jr. Andrews, Texas	Retired	Director	Director	None None	None	9.781%
Trey Duncan Seminole, Texas	Title Examiner/ Closer	Director	Director	President PBA None	None	.874 %
Lloyd Eisenrich Andrews,Texas	Insurance Agency Owner	Director	Director	None None	50% Owner Weatherby/Eisenrich 2% Owner Pres. & CEO Combined Agents Of America LLC 50% Owner E3 Marketing	2.365%
Dan Fisher Andrews, Texas	Rancher/Oil	Director	Director	None None	100% Owner Marvin Dan Fisher Inc. 100% Owner Fisher Rodeo Cattle 100% Owner Fisher Cattle Company	2.365%

Report Item 4: Andrews Bancshares, Inc. (Cont.)

Name	Principal Occupation	Position w/ Andrews Bancshares	Position w/ National Bank of Andrews	Position w/ Subsidiaries Shares Owned	Position w/ Other Co.	%of Voting Shrs In Holding Co
Saul Flores Andrews, Texas	Builder	Director	Director	None None	100% Owner C & S Homes 100% Owner C & S Floor Covering	3.238%
Natver T. Jariwala Andrews, Texas	Retired Physician	Director	Director	None None	President- MTJ, Inc.	.044%
Scott Little Andrews, Texas	Oil Producer	Director	Director	None None	50% Owner & Pres. Stealth Energy Oper. Manager Robertson Resources	3.238%
Ricky Kidd Andrews, Texas	Banker	Director. & V.P./Treas.	Director & Sr. V.P./ CLO	Director PBA None	None	3.023%
Debbie Rulestead Andrews, Texas	Banker	Director V.P. Asst. Treasurer	Director Sr. V.P./CFO	Director PBA None	20% Owner F & T Inc.	1.459%
Russell Shannon Andrews, Texas	Banker	CEO, President & Director	Chairman of the Board, CEO President & Director	Director Chairman PBA None	50% Owner- PeRu Farms 50% Owner- PeTo Farms	7.083%

Report Item 4: Andrews Bancshares, Inc. (Cont.)

Name	Principal Occupation	Position w/ Andrews Bancshares	Position w/ National Bank of Andrews	Position w/ Subsidiaries Shares Owned	Position w/ Other Co.	%of Voting Shrs In Holding Co
Robert Stewart Andrews, Texas	Oilfield Service	Director	Director	None None	100% Owner Pres/CEO Stewart Welding & Machine 79% Owner President Stampede Inc. 25% Owner Sec/Treas S & W Steel & Supply	1.240%
Daniel D. Sullivan Lubbock, Texas	Retired Atty	Director	Director	None None	None	8.586%

Andrews Bancshares, Inc.
and Subsidiaries

Consolidated Financial Statements
Years Ended December 31, 2015 and 2014

JOHNSON, MILLER & CO. CPA's PC
Certified Public Accountants A Professional Corporation
An Independent Member of BDO Alliance USA

Andrews Bancshares, Inc. and Subsidiaries

Contents

Independent Auditors' Report

Board of Directors
Andrews Bancshares, Inc. and Subsidiaries
Andrews, Texas

We have audited the accompanying consolidated financial statements of Andrews Bancshares, Inc. (an S Corporation) and Subsidiaries, (together referred to as the "Company") which comprise the consolidated statements of financial condition as of December 31, 2015 and 2014, and the related consolidated statements of income and comprehensive income, 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.

Auditors' 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.

2626 JBS Parkway
Suite A-200
Odessa, Texas 79761
(432) 362-3800

Two Fasken Center
550 West Texas Avenue
Midland, Texas 79701
(432) 683-1835

225 East Bender Boulevard
P. O. Drawer 220
Hobbs, New Mexico 88241
(575) 393-2171

www.jmcpa.com

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2015 and 2014, and the consolidated 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.

Johnson Miller & Co., CPA's PC

Odessa, Texas
March 10, 2016

Consolidated Financial Statements

Andrews Bancshares, Inc. and Subsidiaries

Consolidated Statements of Financial Condition

December 31,		2015	2014
ASSETS			
Cash and Cash Equivalents (Notes 1, 2 and 3)			
Cash and due from banks	$	**8,338,807**	10,317,970
Interest bearing deposits in other banks		**6,032,095**	16,012,510
Federal funds sold		**18,800,000**	34,500,000
Total cash and cash equivalents		**33,170,902**	60,830,480
Interest Bearing Time Deposits in Other Banks (Note 1)		**4,684,832**	4,435,126
Securities (Notes 1 and 4)			
Available for sale		**41,016,589**	39,302,280
Held to maturity		**74,601**	108,901
Restricted		**320,850**	287,950
Loans, Net (Notes 1 and 5)		**92,830,594**	86,487,930
Premises and Equipment, Net (Notes 1 and 6)		**3,145,206**	3,205,380
Other Assets			
Goodwill and intangible assets (Notes 1 and 15)		**7,798,418**	7,798,418
Cash surrender value of life insurance policies (Note 8)		**3,543,857**	3,446,720
Other		**1,184,892**	1,143,399
Total assets	$	**187,770,741**	207,046,584
LIABILITIES AND STOCKHOLDERS' EQUITY			
Liabilities			
Deposits (Note 7)			
Noninterest bearing demand	$	**72,831,811**	84,113,926
Interest bearing		**92,441,793**	98,951,997
Total deposits		**165,273,604**	183,065,923
Other liabilities (Notes 8 and 9)		**3,694,628**	5,585,364
Total liabilities		**168,968,232**	188,651,287
Commitments and Contingencies (Notes 8, 10 and 11)			
Stockholders' Equity (Notes 13 and 14)			
Common stock; $1 par value; 119,864 shares authorized; 119,864 and 118,742 shares issued; 114,470 and 113,373 shares outstanding at December 31, 2015 and 2014, respectively		**119,864**	118,742
Paid-in capital		**6,309,156**	6,021,348
Retained earnings		**11,722,191**	11,588,813
Treasury stock, at cost, 5,394 and 5,369 shares at December 31, 2015 and 2014, respectively		**(327,615)**	(322,775)
Accumulated other comprehensive income		**978,913**	989,169
Total stockholders' equity		**18,802,509**	18,395,297
Total liabilities and stockholders' equity	$	**187,770,741**	207,046,584

See accompanying notes to consolidated financial statements.

Andrews Bancshares, Inc. and Subsidiaries

Consolidated Statements of Income and Comprehensive Income

Years Ended December 31,		**2015**	2014
Interest Income:			
Loans	$	**5,592,141**	5,165,594
Securities		**1,048,278**	930,324
Federal funds sold		**120,308**	86,661
Deposits in other banks		**49,717**	49,241
		6,810,444	6,231,820
Interest Expense:			
Deposits		**204,368**	191,966
Net interest income		**6,606,076**	6,039,854
Provision for Loan Losses (Note 5)		**214,022**	259,733
Net interest income after provision for loan losses		**6,392,054**	5,780,121
Noninterest Income:			
Escrow, tract usage and closing fees		**1,874,270**	1,843,449
Service charges on deposit accounts		**1,040,425**	1,123,517
Title insurance premiums		**995,250**	855,772
Bargain purchase on acquisition (Note 15)		**-**	300,000
Other		**1,593,155**	1,290,730
		5,503,100	5,413,468
Noninterest Expense:			
Salaries and employee benefits		**3,891,259**	3,285,300
Occupancy and equipment		**597,903**	548,235
Data processing		**298,891**	291,689
Directors' fees		**259,607**	279,246
Legal and audit fees		**150,916**	144,159
Supplies		**100,580**	96,754
FDIC assessment		**96,394**	82,338
Advertising and promotional		**79,698**	95,786
Other		**1,337,433**	1,191,713
		6,812,681	6,015,220
NET INCOME		**5,082,473**	5,178,369
Other Comprehensive Income (Loss):			
Net change in unrealized appreciation on Bank's securities available-for-sale		**(10,256)**	796,952
TOTAL COMPREHENSIVE INCOME	**$**	**5,072,217**	5,975,321

See accompanying notes to consolidated financial statements.

Andrews Bancshares, Inc. and Subsidiaries

Consolidated Statements of Stockholders' Equity

Years Ended December 31, 2015 and 2014		Common Stock	Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income	Total
Balance at January 1, 2014	$	105,355	3,258,197	10,036,465	(322,775)	192,217	13,269,459
Net income		-	-	5,178,369	-	-	5,178,369
Net change in unrealized appreciation on the Bank's securities available for sale		-	-	-	-	796,952	796,952
Dividends paid		-	-	(3,626,021)	-	-	(3,626,021)
Common stock issued (Note 8)		13,387	2,763,151	-	-	-	2,776,538
Balance at December 31, 2014		118,742	6,021,348	11,588,813	(322,775)	989,169	18,395,297
Net income		-	-	5,082,473	-	-	5,082,473
Net change in unrealized appreciation on the Bank's securities available for sale		-	-	-	-	(10,256)	(10,256)
Dividends paid		-	-	(4,949,095)	-	-	(4,949,095)
Purchase of treasury stock, 25 shares		-	-	-	(4,840)	-	(4,840)
Common stock issued (Note 8)		1,122	287,808	-	-	-	288,930
Balance at December 31, 2015	$	119,864	6,309,156	11,722,191	(327,615)	978,913	18,802,509

See accopanying notes to consolidated financial statements.

Andrews Bancshares, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

Years Ended December 31,		2015	2014
Cash flows from operating activities:			
Net income	$	**5,082,473**	5,178,369
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation expense		**69,403**	281,384
Net losses on other real estate and repossessed assets		**83,750**	-
Net gain on sale or calls of securities available for sale		**-**	(8,976)
Net amortization on securities available for sale		**23,682**	51,949
Net amortization on securities held to maturity		**94**	127
Gain on bargain purchase in acquisition (Note 15)		**-**	(300,000)
Provision for loan losses		**214,022**	259,733
(Increase) decrease in accrued interest receivable and other assets		**(49,493)**	(47,425)
(Decrease) increase in interest payable and other liabilities		**(1,890,736)**	1,407,383
Net cash provided by operating activities		**3,533,195**	6,822,544
Cash flows from investing activities:			
Proceeds from sales, maturities and principal reductions of securities available for sale		**15,297,483**	9,293,467
Purchases of securities available for sale		**(17,045,730)**	(11,468,170)
Proceeds from maturities and principal reductions of securities held to maturity		**34,206**	33,573
Purchases of restricted securities		**(32,900)**	(79,200)
Net increase in cash surrender value of life insurance		**(97,137)**	(98,551)
Net increase in interest bearing time deposits in other banks		**(249,706)**	(1,245,000)
Net increase in loans		**(6,643,686)**	(9,184,592)
Purchases of bank premises and equipment		**(267,322)**	(304,350)
Proceeds from sale of fixed assets		**258,093**	-
Proceeds from sale of other real estate and repossessed assets		**11,250**	-
Cash used in acquisition (Note 15)		**-**	(4,000,000)
Net cash used in investing activities		**(8,735,449)**	(17,052,823)
Cash flows from financing activities:			
Net (decrease) increase in demand deposits, NOW and savings accounts		**(17,528,194)**	41,978,661
Net decrease in certificates of deposit		**(264,125)**	(334,971)
Dividends paid		**(4,949,095)**	(3,626,021)
Stock issued		**288,930**	2,776,538
Purchase of treasury stock		**(4,840)**	-
Net cash (used in) provided by financing activities		**(22,457,324)**	40,794,207
Net increase (decrease) in cash and cash equivalents		**(27,659,578)**	30,563,928
Cash and cash equivalents at beginning of year		**60,830,480**	30,266,552
Cash and cash equivalents at end of year	$	**33,170,902**	60,830,480
Cash paid during year for:			
Interest	$	**205,530**	191,932
Non-cash investing and financing activities:			
Net change in unrealized appreciation on available-for-sale securities	$	**(10,256)**	(796,952)
Loans transferred to other real estate and repossessed assets		**87,000**	215,000

See accompanying notes to consolidated financial statements.

1. Summary of Significant Accounting Policies

Andrews Bancshares, Inc. (the "Company"), its wholly owned subsidiary, the National Bank of Andrews ("Bank"), and its wholly owned subsidiary, Permian Basin Abstract Company ("Abstract"), conduct business in the commercial and consumer banking industry. Abstract also conducts business in the title insurance industry. The accounting and reporting policies of the Company and its subsidiaries conform to accounting principles generally accepted in the United States of America and to general practices within the banking industry.

Following is a summary of the Company's more significant accounting and reporting policies:

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany transactions have been eliminated in consolidation.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include cash on hand, amounts due from banks (includes interest bearing other than time) and federal funds sold. Federal funds are normally sold for one-day periods. The Company normally considers all highly liquid investments with an initial maturity of less than ninety days to be cash equivalents.

Interest Bearing Time Deposits in Other Banks

Interest bearing time deposits in other banks mature within one year and are carried at cost which approximates fair value.

Securities Held to Maturity

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

Securities Available for Sale

Available-for-sale securities consist of bonds, notes, debentures, and certain equity securities not classified as held-to-maturity securities. Such securities are carried at estimated fair value based on quoted market prices in active markets for identical assets. (Level 1, under the authoritative guidance for fair value measurement).

1. Summary of Significant Accounting Policies (Continued)

Securities Available for Sale (Continued)

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

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

Any nontemporary declines in the fair value of individual available-for-sale or held-to-maturity securities below their cost would result in write-downs on the individual securities to their fair value. The related write-downs, if any, have been included in earnings as realized losses. During 2015 and 2014, the Company was not required to write-down any securities for such market declines.

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

Restricted Securities

Restricted securities consist of stock in depository institutions, including the Federal Home Loan Bank and Federal Reserve Bank. Ownership in these stocks is restricted and such stocks do not have a readily determinable fair value. Accordingly, the Company reports these securities at cost.

Loans Receivable

Loans receivable for which management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding unpaid principal balances reduced by any charge-offs or specific valuation accounts and net of any deferred fees or costs on originated loans, or unamortized premiums or discounts on purchased loans.

Loan origination fees and certain direct origination costs are generally recognized in the period in which fees were received and/or costs were incurred. Under accounting principles generally accepted in the United States of America, such fees and costs are deferred and recognized over the life of the loan as an adjustment of the yield. As of December 31, 2015 and 2014, management believes that the effect of not deferring such fees and costs, and amortizing them over the life of the related loan does not materially affect the financial position of the Company.

The accrual of interest on impaired loans is discontinued when, in management's opinion, the borrower may be unable to meet payments as they become due. When interest accrual is discontinued, all unpaid accrued interest is reversed. Interest income is subsequently recognized only to the extent cash payments are received.

1. Summary of Significant Accounting Policies (Continued)

Loans Receivable (Continued)

A loan is considered impaired when it is probable, based upon current information and events, the Company will be unable to collect all contractual principal and interest payments due in accordance with the terms of the loan agreement. Impaired loans are accounted for at the net present value of expected future cash flows, discounted at the loan's effective interest rate, the observable market price of the loan or at the fair value of the collateral if the loan is collateral dependent.

The Company grants commercial, real estate, and consumer loans to customers primarily in the Permian Basin of West Texas. Although the Company has a diversified loan portfolio, a substantial portion of its debtors' ability to honor their contracts is dependent upon the general economic conditions of the area.

Allowance for Loan Losses

The allowance for loan losses is maintained at a level, which, in management's judgment, is adequate to absorb credit losses inherent in the loan portfolio, including unfunded credit commitments. The amount of the allowance is based on management's evaluation of the collectability of the loan portfolio. To perform this analysis, management divides the loan portfolio into portfolio segments, which are further divided into classes. A portfolio segment is the level at which management develops and documents a systematic methodology to determine the allowance for loan losses, and a segment class is the subdivision of a portfolio segment based on the initial measurement attribute, risk characteristics and methods for assessing risk.

Allowance levels for all portfolio segments are influenced by a number of factors, including, but not limited to, loan volume, delinquency rates and historical loss rates based on a rolling twelve quarter period. Historical loss rates are adjusted based on management's analysis of non-financial factors, including: changes in the Company's lending procedures and monitoring; national and local economic factors; portfolio trends, management's ability, experience and depth; the results of the loan portfolio review and changes in loan grades assigned; concentrations of credit of credit risk and other external factors. In addition to these general factors, management also considers risks specific to the nature of the loans in each portfolio segment. While management attributes portions of the allowance for loan losses to individual impaired loans and specific loan portfolio segments, the entire allowance is available to absorb credit losses inherent in the loan portfolio.

1. Summary of Significant Accounting Policies (Continued)

Allowance for Loan Losses (Continued)

Below is a summary of the segments of the Company's loan portfolio:

Commercial - This portfolio segment includes general secured and unsecured commercial loans which are not secured by real estate. Risks inherent to this portfolio segment include fluctuations in the local and national economy.

Commercial – real estate - This portfolio segment includes all commercial loans that are secured by real estate, other than those included in the 1-4 family residential segment. The segment includes construction of both business and residential structures and real estate development loans. Risks inherent to this portfolio segment include fluctuations in property values and changes in the local and national economy impacting the sale of the finished structures.

Consumer - This portfolio segment consists of non-real estate loans to consumers. This includes unsecured revolving lines as well as secured loans such as auto and personal loans. The risks inherent to this portfolio segment include those factors that would impact the consumer's ability to meet their obligations under the loan. These include increases in the local unemployment rate and fluctuations in consumer and business sales.

Other - This portfolio segment includes loans to both commercial and consumer borrowers secured by real estate for housing units of up to four families. Risks inherent to this portfolio segment include increases in the local unemployment rate, changes in the local economy, and factors that would impact the value of the underlying collateral, such as in property values.

The segment also includes loans to companies in the dairy and cattle industries and farmers. Loans in the segment are secured by collateral including, cattle, equipment and real estate. Risks inherent in this portfolio segment include adverse changes in climate, fluctuations in feed and cattle prices and changes in property values.

Credit Quality Indicators

The Company monitors the credit quality of the loans in the various segments by identifying and evaluating credit quality indicators specific to each segment class. This information is incorporated into management's analysis of the adequacy of the allowance for loan losses. Information for the credit quality indicators is updated monthly for classified assets and quarterly for the remainder of the portfolio. The following is a discussion of the primary credit quality indicators most closely monitored for the respective portfolio segment classes:

1. Summary of Significant Accounting Policies (Continued)

Allowance for Loan Losses (Continued)

Credit Quality Indicators (Continued)

Commercial - In assessing risk associated with commercial loans, management considers the business's cash flow and the value of the underlying collateral to be the primary credit quality indicators.

Commercial real estate - Construction - In assessing the credit quality of construction loans, management considers the ability of the borrower to finance principal and interest payments in the event that he is unable to sell the completed structure to be a primary credit quality indicator. For real estate development loans, management also considers the likelihood of the successful sale of the constructed properties in the development.

Commercial real estate - Other - Management considers the strength of the borrower's cash flows and changes in property values to be key credit quality indicators of other commercial – real estate loans.

Consumer - Management considers the debt to income ratio of the borrower, the borrower's credit history, the availability of other credit to the borrower and the borrower's past-due history to be primary credit quality indicators for unsecured loans. In addition to the credit quality indicators for unsecured loans, management also considers the estimated value of the underlying collateral in assessing secured consumer loans.

Other - Management considers changes in the local economy, changes in property values, and changes in local unemployment rates to be key credit quality indicators of the loans in the 1-4 family residential loan segment. In assessing risk associated with agriculture loans, management considers the borrowers cash flows, the value of the underlying collateral and sources for secondary repayment to be primary credit quality indicators.

Although management uses available information to recognize losses on loans, because of uncertainties associated with local economic conditions, collateral values, and future cash flows on impaired loans, it is reasonably possible that a material change could occur in the allowance for loan losses in the near term. However, the amount of the change that is reasonably possible cannot be estimated. The allowance is increased by a provision for loan losses, which is charged to expense and reduced by charge-offs, net of recoveries. Changes in the allowance relating to impaired loans are charged or credited to the provision for loan losses.

1. Summary of Significant Accounting Policies (Continued)

Premises and Equipment

Land is stated at cost. Buildings, equipment and furniture are stated at cost less accumulated depreciation. Depreciation is recognized on the straight-line method over the estimated useful lives of the assets. The estimated useful lives range from 5 to 45 years. Gains or losses on dispositions are credited or charged to income. Maintenance, repairs and minor improvements are charged to expense as incurred.

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 real estate is carried at the lower of cost or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in other noninterest expense.

Goodwill and Intangible Assets

Goodwill represents the excess of cost of the entity acquired over the fair value of its net tangible and identifiable intangible assets at the date of acquisition. The intangible assets are primarily the Title plant acquired in the acquisition of Abstract, and Abstract's acquisition discussed at note 15. Such assets have an indefinite life. Goodwill and indefinite life intangible assets are reviewed annually for impairment.

Federal Income Taxes

The Company has elected to be taxed under Subchapter S sections of federal income tax law, which provide that, in lieu of corporation income taxes, the stockholders separately account for their pro rata shares of the Company's income, deductions, losses, and credits. As a result of this election, the Company is no longer liable for income taxes.

Because the Company's stockholders are obligated to pay federal income taxes on the earnings of the Company, the Company expects to declare cash dividends sufficient to fund stockholder tax payments as they come due.

Tax years open for examination for taxing authorities include the years from 2012 through 2015.

Advertising Expenses

All advertising costs are expensed when incurred. Advertising expenses were approximately $80,000 and $96,000 for the years ended December 31, 2015 and 2014, respectively.

1. Summary of Significant Accounting Policies (Continued)

Off-Balance-Sheet 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 financial statements when they are funded or related fees are incurred or received.

Fair Values of Financial Instruments

According to the authoritative guidance on fair value of financial instruments, the Company is required to disclose the estimated fair value of its financial instruments (assets and liabilities). For the Company, as for most financial institutions, the bulk of its assets and liabilities are considered financial instruments as defined by the authoritative guidance. However, many of these instruments lack an available trading market, as characterized by a willing buyer and seller engaging in an exchange transaction. Also, it is the Company's general practice and intent to hold its financial instruments, other than available-for-sale securities, to maturity and not to engage in trading or sales activities with those instruments. Therefore, the Company had to use significant estimations and present value calculations to prepare this disclosure.

Changes in the assumptions or methodologies used to estimate fair values may materially affect the estimated amounts. Also, management is concerned that there may not be reasonable comparability between institutions due to the wide range of permitted assumptions and methodologies in the absence of active markets. This lack of uniformity gives rise to a high degree of subjectivity in estimating financial instrument fair values. Fair values have been estimated using data that management considered the best available, as generally provided in the Company's Regulatory Reports, and the estimation methodologies deemed suitable for the pertinent category of financial instrument. The carrying amounts are the amounts at which the financial instruments are reported in the financial statements.

The following methods and assumptions were used by the Company in estimating fair values of financial instruments as disclosed herein:

Cash and Cash Equivalents - The carrying amounts of cash and short-term instruments approximate their fair value.

Held-to-Maturity and Available-for-Sale Securities - Fair values for investment securities, excluding restricted equity securities, are based on quoted market prices. The carrying values of restricted equity securities approximate fair values.

1. Summary of Significant Accounting Policies (Continued)

Fair Values of Financial Instruments (Continued)

Loans Receivable - For variable-rate loans that reprice frequently and have no significant change in credit risk, fair values are based on carrying values. Fair values for certain mortgage loans (for example, one-to-four family residential), credit card loans, and other consumer loans are based on quoted market prices of similar loans sold in conjunction with securitization transactions, adjusted for differences in loan characteristics. Fair values for commercial real estate and commercial loans are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. Fair values for impaired loans are estimated using discounted cash flow analyses or underlying collateral values, where applicable.

Deposit Liabilities - The fair values disclosed for demand deposits are, by definition, equal to the amount payable on demand at the reporting date (that is, their carrying amounts). The carrying amounts of variable-rate, fixed-term money market accounts and certificates of deposit (CDs) approximate their fair values at the reporting date. Fair values for fixed-rate CDs are estimated using a discounted cash flow calculation that applies interest rates currently being offered on CDs to a schedule of aggregated expected monthly maturities.

Off-Balance-Sheet Instruments - Fair values for off-balance-sheet lending commitments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing.

Use of Estimates

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

Recently Issued Accounting Pronouncements

In January of 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-02, *Accounting for Goodwill* (a consensus of the Private Company Council). The amendments in this update allow an accounting alternative for the subsequent measurement of goodwill. An entity within the scope of the amendments that elects the accounting alternative in this Update should amortize goodwill on a straight-line basis over 10 years, or less than 10 years if the entity demonstrates that another useful life is more appropriate.

1. Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Pronouncements (Continued)

An entity that elects the accounting alternative is further required to make an accounting policy election to test goodwill for impairment at either the entity level or the reporting unit level. The accounting alternative, if elected, should be applied prospectively to goodwill existing as of the beginning of the period of adoption and new goodwill recognized in annual periods beginning after December 15, 2014, and interim periods within annual periods beginning after December 15, 2015. Early application is permitted, including application to any period for which the entity's annual or interim financial statements have not yet been made available for issuance. Management has determined not to adopt the provisions of this update.

In April of 2014, the FASB issued ASU No. 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*. The amendments in this update change the requirements for reporting discontinued operations in Subtopic 205-20. A disposal of a component of an entity or a group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results when any of the following occurs:

1. The component of an entity or group of components of an entity meets the criteria in paragraph 205-20- 45-1E to be classified as held for sale.

2. The component of an entity or group of components of an entity is disposed of by sale.

3. The component of an entity or group of components of an entity is disposed of other than by sale (for example, by abandonment or in a distribution to owners in a spinoff). A business or nonprofit activity that, on acquisition, meets the criteria in paragraph 205-20-45-1E to be classified as held for sale also is a discontinued operation.

The amendments in this Update require an entity to present, for each comparative period, the assets and liabilities of a disposal group that includes a discontinued operation separately in the asset and liability sections, respectively, of the statement of financial position and additional disclosures. The amendments in this Update should be applied prospectively to both of the following:

1. Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Pronouncements (Continued)

1. All disposals (or classifications as held for sale) of components of an entity that occur within annual periods beginning on or after December 15, 2014, and interim periods within annual periods beginning on or after December 15, 2015

2. All businesses or nonprofit activities that, on acquisition, are classified as held for sale that occur within annual periods beginning on or after December 15, 2014, and interim periods within annual periods beginning on or after December 15, 2015.

An entity should not apply the amendments in this Update to a component of an entity, or a business or nonprofit activity, that is classified as held for sale before the effective date even if the component of an entity, or business or nonprofit activity, is disposed of after the effective date. Early adoption is permitted, but only for disposals (or classifications as held for sale) that have not been reported in financial statements previously issued or available for issuance.

In September 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements- Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Equity's Ability to Continue as a Going Concern* The amendments in this update define when and how companies are required to disclose going concern uncertainties, which must be evaluated each interim and annual period. Specifically, the ASU requires management to determine whether substantial doubt exists regarding the entity's going concern presumption. Substantial doubt about an entity's ability to continue as a going concern exists when relevant conditions and events, considered in the aggregate, indicate that it is probable that the entity will be unable to meet its obligations as they become due within one year after the date that the financial statements are issued (or available to be issued). If substantial doubt exists, certain disclosures are required; the extent of those disclosures depends on an evaluation of management's plan (if any) to mitigate the going concern uncertainty. The new standard applies prospectively, for both public and private entities, to annual periods ending after December 15, 2016, and to annual and interim periods thereafter. Early adoption is permitted.

1. Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Pronouncements (Continued)

In December 2014, the FASB issued ASU No. 2014-18 *Business Combinations (Topic 805): Accounting for Identifiable Intangible Assets in a Business Combination (a consensus of the Private Company Council).* ASU 2014-18 provides private companies that recognize intangible assets as a result of applying the acquisition method under Topic 805, accounting for equity method "basis differences" under Topic 323, or in connection with fresh-start accounting under Topic 852 with the option of not recognizing two basic types of intangible assets. Specifically, a private company may elect not to separately record (i) noncompetition agreements and (ii) customer related intangible assets unless they are capable of being sold or licensed independently from the other assets of the business. Rather, those assets would be included in goodwill. Entities making the election are also required to elect the option to amortize goodwill under ASU 2014-02. If elected, the accounting alternative should be applied to eligible transactions in fiscal years beginning after December 15, 2015. Specifically, if the first eligible transaction occurs in the first fiscal year beginning after December 15, 2015, the elective adoption will be effective for that year's annual financial reporting and all interim and annual periods thereafter. If the first eligible transaction occurs in fiscal years beginning after December 15, 2016, the elective adoption will be effective in the interim period that includes the date of the first in-scope transaction and subsequent interim and annual periods thereafter. Early application is permitted for any interim and annual financial statements that have not yet been made available for issuance.

Management does not believe these new standards will have a material impact on its consolidated financial statements.

Reclassifications

Certain reclassifications have been made to conform with the 2015 presentation.

2. Concentrations of Credit Risk

The Company maintains cash balances, including federal funds sold, at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $250,000. Uninsured balances aggregate to approximately $21,275,000 and $36,673,000 at December 31, 2015 and 2014. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

3. Restriction on Cash and Due From Banks

The Company was required to have approximately $1,257,000 and $1,306,000 on hand or on deposit with the Federal Reserve Bank to meet regulatory reserve and clearing requirements at December 31, 2015 and 2014, respectively.

4. Investment Securities

Investment securities have been classified in the consolidated statement of financial condition according to management's intent. All fair values are based on quoted prices in active markets for identical assets (Level 1). The amortized cost of securities and their approximate fair values at December 31, 2015 and 2014, were as follows:

AVAILABLE FOR SALE	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2015:				
U.S. Government agency obligations	**$ 12,791,778**	**189,369**	**(20,772)**	**12,960,375**
State and local municipal obligations – nontaxable	**21,968,148**	**551,607**	**(9,221)**	**22,510,534**
State and local municipal obligations – taxable	**2,000,000**	**243,780**	**-**	**2,243,780**
Mortgage backed pass-through	**2,977,129**	**45,481**	**(20,554)**	**3,002,056**
SBA loan pools	**300,621**	**-**	**(777)**	**299,844**
	$ 40,037,676	**1,030,237**	**(51,324)**	**41,016,589**

AVAILABLE FOR SALE	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2014:				
U.S. Government agency obligations	$ 15,735,394	64,863	(115,289)	15,684,968
State and local municipal obligations – nontaxable	17,447,031	588,017	(1,013)	18,034,035
State and local municipal obligations – taxable	2,000,000	353,220	-	2,353,220
Mortgage backed pass-through	2,750,932	102,757	(2,888)	2,850,801
SBA loan pools	379,753	-	(497)	379,256
	$ 38,313,110	1,108,857	(119,687)	39,302,280

4. Investment Securities (Continued)

HELD TO MATURITY		Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2015:					
Mortgage backed pass-through	**$**	**74,601**	**2,490**	**-**	**77,091**

HELD TO MATURITY		Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2014:					
Mortgage backed pass-through	$	108,901	2,901	-	111,801

Investment securities also include restricted securities with a cost of $320,850 and $287,950 at December 31, 2015 and 2014, respectively. The carrying values approximate fair values.

Investment securities with fair values of approximately $15,231,000 and $16,576,000 at December 31, 2015 and 2014, respectively, were pledged to secure public deposits and for other purposes required or permitted by law.

The scheduled maturities of investment securities at December 31, 2015 were as follows:

		Available for Sale	
		Amortized Cost	Fair Value
Due in one year or less	**$**	**1,471,423**	**1,471,786**
Due in one to five years		**14,760,399**	**14,950,596**
Due in five to ten years		**12,087,154**	**12,418,268**
Due after ten years		**11,718,700**	**12,175,939**
	$	**40,037,676**	**41,016,589**

		Held to Maturity	
		Amortized Cost	Fair Value
Due in one year or less	**$**	**-**	**-**
Due in one to five years		**10,190**	**10,379**
Due in five to ten years		**38,336**	**39,461**
Due after ten years		**26,075**	**27,251**
	$	**74,601**	**77,091**

4. Investment Securities (Continued)

The maturity distribution above is based on contractual lives of the underlying securities. Management believes a significant portion of the mortgage backed securities will pay down prior to the end of their contractual lives. Some securities may have call dates which are not reflected in the above maturity distributions.

The following table discloses, as of December 31, 2015 and 2014, the Company's investment securities that have been in a continuous unrealized loss position for less than 12 months and those that have been in a continuous unrealized loss position for 12 or more months:

December 31, 2015	Less Than 12 Months		12 Months or Greater	
Category	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Mortgage backed securities – AFS	$ **1,035,558**	**(17,416)**	**294,772**	**(3,138)**
U.S. Government agency obligations – AFS	**-**	**-**	**2,977,183**	**(20,772)**
State and local municipal obligations – nontaxable	**433,042**	**(5,147)**	**491,811**	**(4,074)**
SBA loan pools – AFS	**-**	**-**	**299,844**	**(777)**
	$ **1,468,600**	**(22,563)**	**4,063,610**	**(28,761)**

December 31, 2014	Less Than 12 Months		12 Months or Greater	
Category	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Mortgage backed securities – AFS	$ -	-	356,358	(2,888)
U.S. Government agency obligations – AFS	-	-	9,791,923	(115,289)
State and local municipal obligations – nontaxable	-	-	752,711	(1,013)
SBA loan pools – AFS	-	-	379,726	(497)
	$ -	-	11,280,718	(119,687)

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 cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

4. Investment Securities (Continued)

At December 31, 2015, two (2) mortgage backed securities have unrealized losses with aggregate depreciation of less than 2% from the Company's cost basis. This unrealized loss is principally due to interest rates. No credit issues have been identified that cause management to believe the declines in market value are other than temporary. In analyzing the issuer's financial condition, management considers industry analysts' reports, financial performance and projected target prices of investment analysts within a one-year time frame. As management has the ability to hold debt securities until maturity, or for the foreseeable future if classified as available for sale, no declines are deemed to be other than temporary.

At December 31, 2015, four (4) state and local municipal obligations - nontaxable have unrealized losses with aggregate depreciation of less than 1% from the Company's cost basis. This unrealized loss is principally due to interest rates. No credit issues have been identified that cause management to believe the declines in market value are other than temporary. In analyzing the issuer's financial condition, management considers industry analysts' reports, financial performance and projected target prices of investment analysts within a one-year time frame. As management has the ability to hold debt securities until maturity, or for the foreseeable future if classified as available for sale, no declines are deemed to be other than temporary.

At December 31, 2015, three (3) U.S. government agency obligations have unrealized losses with aggregate depreciation of less than 1% from the Company's cost basis. These unrealized losses are principally due to interest rates. No credit issues have been identified that cause management to believe the declines in market value are other than temporary. In analyzing the issuer's financial condition, management considers industry analysts' reports, financial performance and projected target prices of investment analysts within a one-year time frame. As management has the ability to hold debt securities until maturity, or for the foreseeable future if classified as available for sale, no declines are deemed to be other than temporary.

At December 31, 2015, one (1) SBA loan pool has an unrealized loss with aggregate depreciation of less than 1% from the Company's cost basis. This unrealized loss is principally due to interest rates. No credit issues have been identified that cause management to believe the declines in market value are other than temporary. In analyzing the issuer's financial condition, management considers industry analysts' reports, financial performance and projected target prices of investment analysts within a one-year time frame. As management has the ability to hold debt securities until maturity, or for the foreseeable future if classified as available for sale, no declines are deemed to be other than temporary.

5. Loans and Allowance for Loan Losses

Major classifications of loans are summarized as follows at December 31:

		2015	2014
Commercial	$	**35,189,128**	33,375,372
Real estate		**43,984,538**	35,254,372
Consumer		**5,375,690**	5,817,540
Other		**9,925,507**	13,495,748
		94,474,863	87,943,032
Less - allowance for loan losses		**(1,644,270)**	(1,455,102)
Loans, net	$	**92,830,594**	86,487,930

Allowance for Loan Losses and Recorded Investment in Financing Receivable for the Years Ended December 31, 2015 and 2014

		Commercial	Real Estate	Consumer	Other	Total
Allowance for loan losses:						
Balance at December 31, 2013	$	293,234	559,749	94,472	129,025	1,076,480
Charge-offs		(100,773)	-	(5,236)	-	(106,009)
Recoveries		200,050	-	24,848	-	224,898
Provision		98,572	104,121	17,182	39,858	259,733
Balance at December 31, 2014		491,083	663,870	131,266	168,883	1,455,102
Charge-offs		(10,425)	-	(14,909)	-	(25,334)
Recoveries		-	-	480	-	480
Provision		131,784	101,651	(23,277)	3,864	214,022
Balance at December 31, 2015	$	612,442	765,521	93,560	172,747	1,644,270

Credit Quality Indicators As of December 31, 2015

Classification		Commercial	Real Estate	Consumer	Other	Total
Pass	$	30,661,735	41,316,587	5,351,525	9,925,507	87,255,354
Watch		2,991,504	354,800	-	-	3,346,304
OAEM		159,771	-	-	-	159,771
Substandard		1,376,118	2,313,151	24,165	-	3,713,434
Doubtful		-	-	-	-	-
Total	$	35,189,128	43,984,538	5,375,690	9,925,507	94,474,863

5. **Loans and Allowances for Loan Losses (Continued)**

Credit Quality Indicators
As of December 31, 2014

Classification		Commercial	Real Estate	Consumer	Other	Total
Pass	$	33,129,821	34,381,984	5,791,225	13,495,748	86,798,778
Watch		163,486	-	-	-	163,486
OAEM		71,447	-	-	-	71,447
Substandard		10,618	872,388	26,315	-	909,321
Doubtful		-	-	-	-	-
Total	$	33,375,372	35,254,372	5,817,540	13,495,748	87,943,032

Age Analysis of Past Due Financing Receivables
As of December 31, 2015

Category		30-59 days	60-89	>90	Total Past Due	Current	Recorded Investment
Commercial	$	541,734	56,168	-	597,902	34,591,226	35,189,128
Real Estate		826,989	825,513	7,481	1,659,983	42,324,555	43,984,538
Consumer		298,091	29,037	-	327,128	5,048,562	5,375,690
Other		-	-	-	-	9,925,507	9,925,507
Total	$	1,666,814	910,718	7,481	2,585,013	91,889,850	94,474,863

Age Analysis of Past Due Financing Receivables
As of December 31, 2014

Category		30-59 days	60-89	>90	Total Past Due	Current	Recorded Investment
Commercial	$	1,120,699	61,785	58,797	1,241,281	32,134,091	33,375,372
Real Estate		285,940	19,539	101,216	406,695	34,847,677	35,254,372
Consumer		161,102	34,130	21,025	216,257	5,601,283	5,817,540
Other		-	-	-	-	13,495,748	13,495,748
Total	$	1,567,741	115,454	181,038	1,864,233	86,078,799	87,943,032

Loans, contractually delinquent over ninety days, which continued to accrue interest, amounted to approximately $7,500 and $181,000 at December 31, 2015 and 2014, respectively.

Overdrawn demand deposits reclassified as loan balances totaled $17,057 and $198,525 at December 31, 2015 and 2014, respectively.

5. Loans and Allowance for Loan Losses (Continued)

Loans considered to be impaired have carrying values of approximately $985,000 and $-0- at December 31, 2015 and 2014. The total allowance for loan losses related to these loans was approximately $-0- in 2015 and 2014. The average recorded investment in impaired loans during 2015 and 2014 was insignificant. No additional funds are committed to be advanced in connection with these loans. Additionally, there was no significant interest income recognized on impaired loans for cash payments received for the year ended December 31, 2015 and 2014.

6. Premises and Equipment

Major categories of premises and equipment are summarized as follows at December 31:

	2015	2014
Land	$ **231,189**	231,189
Building and improvements	**4,011,241**	3,858,678
Furniture and equipment	**1,670,711**	1,814,045
	5,913,141	5,903,912
Less accumulated depreciation	**(2,767,935)**	(2,698,532)
	$ **3,145,206**	3,205,380

Depreciation expense was approximately $327,000 and $298,000 in 2015 and 2014, respectively.

7. Deposits

Deposit account balances are summarized as follows at December 31:

	2015	2014
Noninterest bearing demand	$ **72,831,811**	84,113,926
Interest bearing demand	**49,749,669**	54,191,191
Savings deposits	**23,202,895**	25,007,452
Certificates of deposit (CDs), less than $100,000	**5,710,561**	6,501,661
CDs, $100,000 and greater	**13,778,668**	13,251,693
	$ **165,273,604**	183,065,923

At December 31, 2015, the scheduled maturities of CDs are as follows:

2016	$ 18,086,610
2017	1,015,423
2018	114,848
2019	221,465
Thereafter	50,883
	$ 19,489,229

8. Employee Benefit Plans

Deferred Compensation Plans

The Bank has an Executive Deferred Compensation ("EDC") plan, a nonqualified executive benefit plan in which eligible Bank executives voluntarily elect to defer some portion of current compensation in exchange for the Bank to pay a deferred benefit. The plan provides death and retirement benefits to such employees. The deferred period is the number of years to retirement for each employee. The recorded obligation at December 31, 2015 and 2014 was approximately $650,000 and $586,000, respectively. Expense related to the EDC plan was approximately $49,000 and $44,000 for the years ending December 31, 2015 and 2014, respectively.

The Bank has a Director Deferred Compensation ("DDC") plan, a nonqualified deferred compensation plan, which provides deferral of all or part of director fees earned by plan participants. The deferral period is the number of years to retirement. The recorded obligation for the plan was approximately $362,000 and $453,000 at December 31, 2015 and 2014, respectively. Expense related to the DDC plan was approximately $32,000 and $46,000 for the years ending December 31, 2015 and 2014, respectively.

In order to fund the post-retirement benefits of the EDC and DDC plans, the Bank purchased life insurance policies on each of the officers and directors participating in the plans. The cash values of such policies were $3,543,587 and $3,446,720 at December 31, 2015 and 2014, respectively.

Defined Contribution Plan and 401(k) Employee Stock Ownership Plan

The Company has a defined contribution plan for which substantially all employees are eligible to participate after one year of service. Employees who participate in the plan may contribute from 1% to 12% of their salary. The Company generally matches a portion of the employee contributions up to 6% of the employee's salary. Participants in the plan are vested in the Company's matching contributions over a six-year period.

Effective November 15, 2013, the Company amended the previous plan by adopting the 401(k) Employee Stock Ownership Plan ("KSOP" or the "Plan"). The Plan covers substantially all of their employees, effective January 1, 2014. Under the Plan, eligible employees may choose to reduce their compensation and have these amounts contributed to the Plan on their behalf. Contributions to the Plan by the Company will be invested in a manner selected by the employee while both employer matching and discretionary contributions can be made with either cash or Company stock. Discretionary employee matching contributions shall be made for Participants who are employed on any day of the Plan Year; the matching contributions shall be determined by the Company each year. For 2015 and 2014, the matching percentages were dollar for dollar up to 6% of eligible compensation. The Company made total contributions of approximately $143,000 and $104,000 for the years ending December 31, 2015 and 2014, respectively. As of December 31, 2015, the KSOP owns 5,711 shares or approximately 5% of the outstanding common stock of the Company.

9. Other Liabilities

Other liabilities are summarized as follows at December 31:

		2015	2014
Estimated earnout payable (Note 15)	$	**1,032,668**	2,450,000
Escrow deposits payable		**1,204,322**	1,558,996
Post retirement benefits payable		**1,011,523**	1,038,882
Other liabilities		**446,115**	537,486
	$	**3,694,628**	5,585,364

10. Financial Instruments

Financial Instruments with Off-Balance Sheet Risk

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

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of these instruments.

The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments. At December 31, 2015 and 2014, the approximate amounts of these financial instruments are as follows:

		2015	2014
Commitments to extend credit	$	**14,521,000**	16,209,000
Standby letters of credit		**886,000**	1,479,000
	$	**15,407,000**	17,688,000

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

The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained if deemed necessary by the Company upon extension of credit is based on management's credit evaluation of the counterparty. Collateral held varies but may include cattle, real estate, oil and gas properties, accounts receivable, inventory, equipment and income-producing commercial properties.

10. Financial Instruments (Continued)

Standby letters of credit are conditional commitments issued by the Company 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, 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. In the event the customer does not perform in accordance with the terms of the agreement with the third party, the Company would be required to fund the commitment. The maximum potential amount of future payments the Company could be required to make is represented by the contractual amount shown in the table above.

If a commitment is funded, the Company would be entitled to seek recovery from the customer. As of December 31, 2015 and 2014, no amounts have been recorded as liabilities for the Company's potential obligations under these guarantees.

Fair Value of Financial Instruments

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

		2015	
		Carry Amount	Fair Value
Financial Assets (Liabilities):			
Cash and short-term investments	$	**37,855,734**	**37,855,734**
Securities available for sale		**41,016,589**	**41,016,589**
Securities held to maturity		**74,601**	**77,091**
Restricted securities		**320,850**	**320,850**
Loans receivable		**92,830,594**	**92,517,000**
Deposits		**(165,273,604)**	**(157,975,000)**

		2014	
		Carry Amount	Fair Value
Financial Assets (Liabilities):			
Cash and short-term investments	$	65,265,606	65,265,606
Securities available for sale		39,302,280	39,302,280
Securities held to maturity		108,901	111,801
Restricted securities		287,950	287,950
Loans receivable		86,487,930	86,485,000
Deposits		(183,065,923)	(178,651,000)

The fair value of the off-balance sheet financial instruments is not significant to these financial statements.

11. Commitments and Contingencies

At December 31, 2015, future minimum annual rental commitments under noncancelable operating lease with initial of remaining terms of more than one year are as follows:

2016	$	19,800
2017		4,950
2018		-
2019		-
	$	24,750

Total rental expense was approximately $19,800 and $19,800 for the years ended December 31, 2015 and 2014, respectively.

12. Related Party Transactions

In the ordinary course of business, the Company conducts transactions with its officers, directors, principal stockholders and other related parties. Generally, in the opinion of management, loan and deposit transactions have terms, including interest rates and collateral, similar to transactions with the Company's general public customers.

At December 31, 2015 and 2014, aggregate loans to related parties were approximately $2,732,00 and $4,365,000 respectively. At December 31, 2015 and 2014, aggregate deposit balances for related parties were approximately $19,371,000 and $6,300,000, respectively.

13. Restrictions on Undivided Profits of Bank

Under federal banking law, there are legal restrictions limiting the amount of dividends the Bank can declare to its parent company without prior regulatory approval. Approval of the Office of the Comptroller of the Currency ("OCC") is required if dividends declared exceed the net profits for that year combined with the retained net profits for the two preceding years or if the dividends declared would cause regulatory capital ratios to be reduced below certain specified levels. The Bank's dividends paid to its parent during 2015 and 2014 did not meet any of the regulatory restrictions, and thus, no prior approval was required.

14. Regulatory Matters

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

14. Regulatory Matters (Continued)

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

As of February 9, 2015, the most recent notification from the OCC categorized the Bank as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well capitalized," the Bank must maintain minimum total risk based, Tier 1 risk based, and Tier 1 leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes would change the Bank's category.

The Bank's actual capital amounts (in thousands) and ratios are also presented in the table.

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2015:						
Total capital to risk weighted assets	**$ 19,054**	**14.74 %**	**10,340**	**8 %**	**12,926**	**10 %**
Tier 1 capital to risk weighted assets	**17,436**	**13.49 %**	**5,170**	**4 %**	**7,755**	**6 %**
Tier 1 capital to average assets	**17,436**	**9.54 %**	**7,309**	**4 %**	**9,136**	**5 %**

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2014:						
Total capital to risk weighted assets	$ 18,562	15.05 %	9,865	8.00 %	12,332	10.00 %
Tier 1 capital to risk weighted assets	17,019	13.80 %	4,933	4.00 %	7,399	6.00 %
Tier 1 capital to average assets	17,019	8.52 %	7,992	4.00 %	9,900	5.00 %

15. Business Combination

On May 31, 2014, Permian Basin Abstract ("Abstract") purchased certain assets from Elliot & Waldron Abstract Company of Pecos ("E&W"), in an effort to expand its market in West Texas. In accordance with FASB ASC 805, Business Combinations, the assets and liabilities acquired at the date of acquisition are recorded at their respective fair values as of the acquisition date in the Company's consolidated statement of financial condition.

The Company has recognized a gain on the purchase of $300,000, for the amount that the fair value of the acquired net assets exceed the purchase price. Additionally, the Company has recognized a payable of $2,450,000, which is estimated to be paid to the former owner of E&W over the next five years. The estimated liability is based on an earnout provision whereby the former owner will be paid if certain financial thresholds are met by E&W for the next five years. E&W's results of operations are included in the consolidated statement of income from the date of acquisition.

The determination of fair value requires management to make assumptions and estimates. The following summarizes the purchase price allocation of the fair values of the assets and liabilities acquired (approximately):

Bank premises and equipment	$	72,280
Title Plant		6,677,720
Gain on Asset purchase		(300,000)
Net purchase price		6,450,000
Less earnout payable		(2,450,000)
Cash paid	$	4,000,000

As discussed above, the Company has a payable to the former owner of E&W. Based on the results of the earnout provisions, the payable was reduced as fallows during the year:

Earnout payable at December 31, 2014	$	2,450,000
Payments made during 2015		1,417,332
Earnout payable at December 31, 2015	$	1,032,668

16. Subsequent Events

The Company has evaluated subsequent events through March 10, 2016, the date the consolidated financial statements were available to be issued.

Supplementary Information

Independent Auditors' Report on
Supplementary Information

Board of Directors
Andrews Bancshares, Inc. and Subsidiaries
Andrews, Texas

Our report on our audits of the consolidated financial statements of Andrews Bancshares, Inc. and Subsidiaries as of December 31, 2015 and 2014, and for the years then ended, is included separately herein. Those audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual companies. 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 basic consolidated financial statements. The consolidating statement of financial condition information as of December 31, 2015, and the consolidating statement of income and comprehensive income information for the year ended December 31, 2015, have been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic consolidated financial statements or to the basic 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.

Johnson Miller & Co., CPA's PC

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March 10, 2016

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Andrews Bancshares, Inc. and Subsidiaries

Consolidating Statement of Financial Condition Information

December 31, 2015	Andrews Bancshares, Inc.	The National Bank of Andrews	Eliminations	Consolidated
ASSETS				
Cash Equivalents				
Cash and due from banks	$ 3,369	8,338,807	(3,369)	8,338,807
Interest bearing deposits in other banks	-	6,032,095	-	6,032,095
Federal funds sold	-	18,800,000	-	18,800,000
Total cash and cash equivalents	3,369	33,170,902	(3,369)	33,170,902
Interest Bearing Time Deposits in Other Banks	-	4,684,832	-	4,684,832
Securities				
Available for sale	-	41,016,589	-	41,016,589
Held to maturity	-	74,601	-	74,601
Restricted	-	320,850	-	320,850
Investment in Subsidiaries	18,799,140	-	(18,799,140)	-
Loans, Net	-	92,830,594	-	92,830,594
Premises and Equipment, Net	-	3,145,206	-	3,145,206
Other Assets				
Goodwill and intangible assets	-	7,798,418	-	7,798,418
Cash surrender value of life insurance policies	-	3,543,857	-	3,543,857
Other	-	1,184,892	-	1,184,892
Total assets	$ 18,802,509	187,770,741	(18,802,509)	187,770,741
LIABILITIES AND STOCKHOLDERS' EQUITY				
Deposits				
Noninterest bearing demand	$ -	72,835,180	(3,369)	72,831,811
Interest bearing	-	92,441,793	-	92,441,793
Total deposits	-	165,276,973	(3,369)	165,273,604
Other Liabilities	-	3,694,628	-	3,694,628
Total liabilities	-	168,971,901	(3,369)	168,968,232
Stockholders' Equity				
Common stock	119,864	2,000,000	(2,000,000)	119,864
Paid-in capital	6,309,156	5,930,826	(5,930,826)	6,309,156
Retained earnings	11,722,191	9,889,401	(9,889,401)	11,722,191
Treasury stock	(327,615)	-	-	(327,615)
Accumulated other comprehensive income	978,913	978,913	(978,913)	978,913
Total stockholders' equity	18,802,509	18,799,140	(18,799,140)	18,802,509
Total liabilities and stockholders' equity	$ 18,802,509	187,770,741	(18,802,509)	187,770,741

Andrews Bancshares, Inc. and Subsidiaries

Consolidating Statement of Income and Comprehensive Income Information

Year Ended December 31, 2015		Andrews Bancshares, Inc.	The National Bank of Andrews	Eliminations	Consolidated
Interest Income:					
Loans	$	-	5,592,141	-	5,592,141
Securities		-	1,048,278	-	1,048,278
Federal funds sold		-	120,308	-	120,308
Deposits in other banks		-	49,717	-	49,717
		-	6,810,444	-	6,810,444
Interest Expense:					
Deposits		-	204,368	-	204,368
Net interest income		-	6,606,076	-	6,606,076
Provision for Loan Losses		-	214,022	-	214,022
Net interest income after provision for loan losses		-	6,392,054	-	6,392,054
Noninterest Income:					
Escrow, tract usage, and closing fees		-	1,874,270	-	1,874,270
Service charges on deposit accounts		-	1,040,425	-	1,040,425
Title insurance premiums		-	995,250	-	995,250
Other		-	1,593,155	-	1,593,155
Dividends and undistributed earnings of subsidiary		5,082,473	-	(5,082,473)	-
		5,082,473	5,503,100	(5,082,473)	5,503,100
Noninterest Expense:					
Salaries and employee benefits		-	3,891,259	-	3,891,259
Occupancy and equipment		-	597,903	-	597,903
Data processing		-	298,891	-	298,891
Directors' compensation		-	259,607	-	259,607
Legal and audit fees		-	150,916	-	150,916
Supplies		-	100,580	-	100,580
FDIC assessment		-	96,394	-	96,394
Advertising		-	79,698	-	79,698
Other		-	1,337,433	-	1,337,433
		-	6,812,681	-	6,812,681
NET INCOME		5,082,473	5,082,473	(5,082,473)	5,082,473
Other Comprehensive Income (Loss):					
Net change in unrealized appreciation on Bank's securities available-for-sale		(10,256)	(10,256)	10,256	(10,256)
TOTAL COMPREHENSIVE INCOME	$	5,072,217	5,072,217	(5,072,217)	5,072,217

Description of Consolidating Entries

a. To eliminate intercompany cash and deposits.

b. To eliminate equity in accumulated comprehensive income of subsidiary.

c. To eliminate intercompany income.

d. To eliminate the Company's investment in consolidated subsidiaries.

Andrews Bancshares, Inc.
Attachments to Annual Report of Bank Holding Companies FR Y-6
December 31, 2015

Report Item

1: The bank holding company prepares an annual report for its securities holders and is not registered with the SEC. As specified by the appropriate Reserve Bank, 2 copies are enclosed.

2a: Organizational Chart

Andrews Bancshares, Inc.
Andrews, Texas
Incorporated in Texas

Owns 100% of

The National Bank of Andrews
Andrews, Texas
Incorporated in Texas

Owns 100% of

Permian Basin Abstract Company
Andrews, Texas
Incorporated in Texas

2b: Domestic branch listing provided to the Federal Reserve Bank.

3: (1) Securities holders with ownership, control or holdings of 5% or more with power to vote as of fiscal year ending 12-31-2015

Name & Address	Citizenship	# of Shares
Shelia Black Odessa, Texas	U.S. Citizen	9,416 / 8.226%
Cynthia Breyman Big Spring, Texas	U.S. Citizen	10,382 / 9.070%
E. D. Brownlee, Jr. Andrews, Texas	U.S. Citizen	11,196 / 9.781%
Elvin D. Brownlee III Trust Elvin D. Brownlee III Trustee Andrews, Texas	U.S. Citizen	10,000 / 8.736%
James Russell Shannon Andrews, Texas	U.S. Citizen	8,108 / 7.083%
Daniel D. Sullivan Lubbock, Texas	U.S. Citizen	9,828 / 8.586%
Wilma Howell Tom Andrews, Texas	U.S. Citizen	9,614 / 8.399%

3: (2) NA