Board of Governors of the Federal Reserve System

Annual Report of Holding Companies—FR Y-6

AMENDED DEC 06 2022

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, Ronald Alan Miller
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.

[signature]
Signature of Holding Company Director and Official

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 2412773
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

Medina Community Bancshares, Inc.
Legal Title of Holding Company

1502 Avenue M / P O Box 130
(Mailing Address of the Holding Company) Street / P.O. Box

Hondo	TX	78861
City	State	Zip Code

Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Beverly Brown	Secretary/Treasurer
Name	Title

830-426-3066
Area Code / Phone Number / Extension

830-426-2265
Area Code / FAX Number

bbrown@cnbanktx.com
E-mail Address

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

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.

Report Item
I: a. Medina Community Bancshares, Inc. is not required to prepare form 10K with the SEC.

1: b. Medina Community Bancshars, Inc. does prepare an annual report for its shareholders.
Two copies of the annual report will be sent under separate cover as soon as they are received from our accounting firm.

2: Organization Chart

Medina Community Bancshares, Inc.
Hondo, Texas
USA

100%

Community National Bank
Hondo, Texas
USA

3: State of Origin - Texas Both Entities

No entity in this organization has an LEI

AMENDED
DEC 06 2022

Results: A list of branches for your depository institution: COMMUNITY NATIONAL BANK (ID_RSSD: 643452).
This depository institution is held by MEDINA COMMUNITY BANCSHARES, INC. (2412773) of HONDO, 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	643452	COMMUNITY NATIONAL	1502 AVENUE M	HONDO	TX	78861-17	MEDINA	UNITED STATES	16424	0	COMMUNITY NATIONAL	643452	
OK		Full Service	1157581	CASTROVILLE BRANCH	835 HIGHWAY 90 EAST	CASTROVILLE	TX	78009	MEDINA	UNITED STATES	256337	1	COMMUNITY NATIONAL	643452	
OK		Full Service	4079693	LA COSTE BRANCH	15996 SOUTH FRONT STREET	LA COSTE	TX	78039	MEDINA	UNITED STATES	2126	3	COMMUNITY NATIONAL	643452	
OK		Full Service	3927162	LYTLE BRANCH	20102 INTERSTATE 35 SOUTH	LYTLE	TX	78052	ATASCOSA	UNITED STATES	493061	2	COMMUNITY NATIONAL	643452	

Form FR Y-6

Medina Community Bancshares, Inc.
Hondo, Texas
Fiscal Year Ending December 31, 2015

Report Item 3: Securities Holders

Current Securities Holders with ownership, control or holdings of 5% or more with power to vote as of fiscal year ending 12-31-2015				Securities Holders not listed in 3(1)(a) through (3)(1)(c) that had ownership, control or holdings of 5% or more with power to vote during the fiscal year ending 12-31-2014		
(1)(a) Name & Address (City, State, Country)	**(1)(b)** Country of Citizenship or Incorporation	**(1)(c)** Number and Percentage of Each Class of Voting Securities		**(2)(a)** Name & Address (City, State, Country)	**(2)(b)** Country of Citizenship or Incorporation	**(2)(c)** Number and Percentage of Each Class of Voting Securities
Christopher Moser San Antonio, Tx 78205	USA	14,123 Common	6.42%	NONE		
William Freed San Antonio, Tx 78209	USA	31,642 Common	14.38%			

Form FR Y-6

Medina Community Bancshares, Inc.
Hondo, Texas
Fiscal Year Ending December 31, 2015

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

(1) Names & Address ((	(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)
Thomas J Rothe Hondo, Tx USA	Attorney Private Practice	Director & Chairman of the Board	Director & Chairman of the Board Community Natl Bk Hondo, Tx	**DeMontel Joint Venture** Partner **Hondo Venture, Inc.** Corporation - Secretary **Penro Investments** Sole Proprietorship-Owner **Thomas J Rothe, PC** Professional Corporation President **G & R Joint Venture** Joint Venture **Dos Toros Cattle Company** Partner	3.38%	NONE	DeMontel Joint Venture (50%) Hondo Venture, Inc. (25%) Penro Investments (100%) Thomas J Rothe, PC (100%) G & R Joit Venture (50%) Dos Toros Cattle Company (50%)
Gail Boehme Castroville, Tx USA	Agri-business	Director	Director Community Natl Bk Hondo, Tx	**B-Two Farms** Farm Partnership Partner **Boehme & Jagge, LLC** Family Limited President **B & W Farms** Farm Partnership Partner **MJ Farms** Farm Partnership Partner **Jagge & Boehme Limited Partners** Partner	2.00%	NONE	B-Two Farms (50%) Boehme & Jagge, LLC (2%) B & W Farms (25%) MJ Farms (25%) Jagge & Boehme Limited Partners (2%)

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

(1) Names & Address ((	(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)
Brad Boyd Lytle, TX USA	Realtor	Director	Director Community National Bk Hondo, Tx	**Brush Country Realty, Inc.** Corporation President **BNB Properties, LTD** Limited Liability Partnership President **BNK Investment** Partnership President	0.42%	NONE	Brush Country Real Estate, LTD (100%) BNB Properties, LTD (100%) BNK Investment (100%)
Glen Riff Hondo, TX USA -	Veterinarian	Director	Director Community Natl Bk Hondo, Tx	**Hondo Veterinary Hospital, PLLC** Corporation President **GKAT, LLC** Limited Liability Company Managing Member **1951 Management, LLC** Limited Liability Company President **GK Riff GP, LLC** Limited Liability Company President **GK Riff LP** Limited Partnership President	2.01%	NONE	Hondo Veterinary Hospital, PLLC (100%) GKAT, LLC (50%) 1951 Management, LLC (94%) GK Riff GP, LLC (50%) GK Riff LP (49.5%)
Ronald A. Miller Hondo, Tx USA	Banking	Director-President	Director-CEO/President	**Nomad Adjusting** CAD Insurance Partner	0.89%	NONE	Nomad Adjusting (10%)
A. Olin Gilliam Hondo, Tx USA	Agri-business	Director	Director Community Natl Bk Hondo, Tx	**A Olin Gilliam, Jr. Children's Trust** Trust Trustee **Gilliam Ranch, LP** Limited Partnership Limited Partner **West Pasture, LC** Limited Company Co-Manager			A Olin Gilliam, Jr. Children's (0%) Gilliam Ranch, LP (12.50%) West Pasture, LC (9.71%)

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

(1) Names & Address ((	(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)
Christopher Moser San Antonio, TX USA	Investments	Director	Director Community Natl Bk Hondo, Tx	**River Restaurants, LTD.** Restaurants of San Antonio Riverwalk Limited Partner **COLM Restaurants, Inc.** General Partnership of RiverRestaurants, Ltd. Chairman/Secretary **Eslabon Ranch, Ltd** Ranching Limited Partner **Eslabo, LLC** General Partner of Eslabon Ranch Ltd. Vice President **Riverwalk Properties, Ltd.** Rental Properties Limited Partner **BC-AM SA Investors JV** St. Anthony Hotel, San Antonio, TX Joint Venture - Partner	6.42%	NONE	River Restaurants, LTD. (16.5%) COLM Restaurants, Inc. (50%) Eslabon Ranch, Ltd (26%) Eslabon, LLC (26%) Riverwalk Properties, Ltd. (12%) BC-AM SA Investors JV (50%)
Michael Saathoff Hondo, Tx USA	Agri-business	Director	Director Community Natl Bk Hondo, Tx	**E & S Farms, Inc.** Farm & Ranch Corporation President **M & M Farms** Limited Liability Corporation Limited Partner **Frio County Partners, Inc.** Partnership Partner **Panther Hollow LLC** Limited Liability Corporation Limited Partner **Dos Alemanes** General Partnership Partner	1.67%	NONE	E & S Farms, Inc. (33.333%) M & M Farms (50%) Frio County Partners, Inc. (33.33%) Panther Hollow LLC (50%) Dos Alemanes (50%)

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

(1) Names & Address ((	(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)
William A Freed San Antonio, Tx USA	Investments	Director	Director Community Natl Bk Hondo, Tx	**WAFCO, Inc.** Texas Corporation President, Secretary, Director	14.38%	NONE	WAFCO, Inc. (50%)
				FFP Investments, Ltd. Texas Limited Partnership President of General Partner			FFP Investments, Ltd. (70%)
				FSD, Inc. Texas Corporation Vice President, Director			FSD, Inc. (33.33%)
				Programming Concepts, Inc. Nevada Corporation Director			Programming Concepts, Inc. (20%)
				Commerce Oaklawn, Ltd Texas Limited Partnership Vice President of General Partner			Commerce Oak Lawn, Ltd (14%)
				Anchovie Partners, Ltd. Texas Limited Partnership President of General Partner			Anchovie Partners, Ltd. (30%)
				Devine Retail, LLC Texas Limited Liability Co. President of General Partner of Member			Devine Retail, LLC (17%)
				DT Building Mangement, Ltd. Texas Limited Partnership Vice President of General Partner			DT Building Management, Ltd. (23.33%)
				DT Lockhill Building, Ltd. Texas Limited Partnership Vice President of General Partner			DT Lockhill Building, Ltd. (17.2%)
				DT Lockhill Land, Ltd. Texas Limited Partnership Vice President of General Partner			DT Lockhill Land, Ltd. (19.22%)
				Duerler-Tobin Building, Ltd. Texas Limited Partnership Vice President of General Partner			Duerler-Tobin Building, Ltd. (23.33%)
				Nueces Holliday Maverick II, Ltd. Texas Limited Partnership Vice President of General Partner			Nueces Holliday Maverick II, Ltd. (18.66%)
				Metrocom Plaza, Ltd. Texas Limited Partnership President of General Partner			Metrocom Plaza, Ltd. (70%)

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

(1) Names & Address ((	(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)
William A Freed Continued				**Marian Rosenthal Associates** General Partnership President of General Partner of Partner			Marian Rosenthal Associates (56.875%)
				Nueces Blind River Partners, Ltd. Texas Limited Partnership Manager of general partner			Nueces Blind River Partners, Ltd. (30%)
				Nueces Building Partners, Ltd. Texas Limited Partnership President of General Partner			Nueces Building Partners, Ltd. (34.31%)
				Nueces Marketing Partners, Ltd Texas Limited Partnership Vice President of General Partner			Nueces Marketing Partners, Ltd (23.1%)
				Nueces Royalty Partners, Ltd Texas Limited Partnership Manager of General Partner			Nueces Royalty Partners, Ltd. (18.03%)
				Nueces Royalty Partners II, Ltd. Texas Limited Partnership Manager of General Partner			Nueces Royalty Partners II, Ltd. (13.89%)
				Nueces Strategic Partners, LC Texas Limited Liability Company Manager, Member			Nueces Strategic Partners, LC (16.67%)
				Nueces Capital Partners Texas General Partnership President of General Partner of Member			Nueces Capital Partners (23.33%)
				E. F. Perrin Beitel, Ltd Texas Limited Partnership President of General Partner			E. F. Perrin Beitel. Ltc. (34.9%)
				E. F. Blanco, LLC Texas Limited Liability Co. Manager , President of General Partner of Member			E. F. Blanco, LLC (34.9%)
				Nueces Hill Hospitality Partners, Ltd Texas Limited Partnership President of General Partner			Nueces Hill Hospitality Partners, Ltd. (9.08%)
				Northcross Business Center, Ltd. Texas Limited Partnership Vice President of General Partner			Northcross Business Center, Ltd. (20.79%)

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

(1) Names & Address ((	(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)
William A Freed Continued				**Nature Lodges, LC** Texas Limited Liability Company Manager, Member			Nature Lodges, LC (16.00%)
				Blossom-NMP Partners, Ltd. Texas Limited Partnership Vice President of General Partner			Blossom-NMP Partners, Ltd. (11.63%)
				West Commerce Plaza, Ltd. Texas Limited Partnership President of General Partner			West Commerce Plaza, Ltd. (35.00%)
				West Commerce Plaza II, Ltd. Texas Limited Partnership President of General Partner			West Commerce Plaza II, Ltd. (35%)
				PCI Educational Publishing, Ltd. Texas Limited Partnership Director of General Partner			PCI Educational Publishing, Ltd. (4.79%)
				Flatrock Compression, Ltd. Texas Limited Partnership Director of General Partner			Flatrock Compression, Ltd. (5.0%)
				Northeast Crossroads Building, Ltd. Texas Limited Partnership President of General Partner			Northeast Crossroads Building, Ltd. (70.00%)
				T-Slash-Bar Texas, Ltd. Texas Limited Partnership President of General Partner			T-Slash-Bar Texas, Ltd. (70.00%)
				T-Slash-Bar Livestock, Inc. Texas Corporation President, Secretary, Director			T-Slash-Bar Livestock, Inc. (100%)
				90/211 Farms Texas General Partnership President of General Partner of Partner			90/211 Farms (43.75%)
				TYRUS Properties I, Ltd. Texas Limited Partnership President of General Partner			TYRUS Properties I, Ltd. (0.5%)
				TSB Acquisition, LC Texas Limited Liability Company Manager, President of General Partner of Member			TSB Acquisition, LC (70.00%)
				Mobius Health, Inc. Delaware corporation Director, president of general partner of shareholder			Mobius Health, Inc. (3.5%)

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

(1) Names & Address ((	(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)
William A Freed Continued				**S3D Investments, JV** Texas Joint Venture President of General Partner of Partner			S3D Investments, JV (10%)
				Trailcrest Office, LLC Texas Limited Liability Co. Manager, President of General Partner of Member			Trailcrest Office, LLC (8.5%)
				CommZoom Communications, LLC Texas Limited Liability Co. Chairman, president of General Partner of Member			CommZoom Communications, LLC (4.6779%)
				S3S Waterfleet, LLC Texas Limited Liability Co. President of General Partner of Member			S3S Waterfleet, LLC (4.3%)
				173 Devine, LLC Texas Limited Liability Co. SEP is member			173 Devine, LLC (25%)
				Freham Properties, LLC Texas Limited Liability Co. Manager, President of General Partner of Member			Freham Properties, LLC (35%)
				Nueces Holiday Maverick III, LLC Texas Limited Liability Co. Manager, President of General Partner of Member			Nueces Holiday Maverick III, LLC (18.66%)
				NMP Ramsey, LLC Texas Limited Liability Co. Manager, President of General Partner of Member			NMP Ramsey, LLC (17.25%)
				San Antonio Zooligical Society, Inc. Texas non-profit corp Treasurer, executive comm member			San Antonio Zooligical Society, Inc. (0.0%)
				Accelerate H2O Texas non-profit corp Secretary, executive comm member			Accelerate H2O (0.0%)

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

(1) Names & Address ((	(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)
Geoffrey Groff Castroville, Tx USA	Petroleum Industry	Director	Director Community Natl Bk Hondo, Tx	**Devine/Jourdanton Prop** Corporation President **Groff Land Enterprises** Corporation Vice President **Medina Valley Enterprises** Corporation Vice President	0.42%	NONE	Devine/Jourdanton Prop (20%) Groff Land Enterprises (10.0%) Medina Valley Enterprises (18.0%)
Beverly Brown Hondo, Tx USA	Banking	Secretary/Treasurer	Sr. VP, Cashier & CFO Community Natl Bk Hondo, Tx	**M & B Farms** General Family Partnership Secretary/Treasurer	0.21%	NONE	M & B Farms (33.33%)
Newell E Woolls,Jr. Hondo, Tx USA	Banking		Sr. Vice President Community Natl Bk Hondo, Tx	**NONE**	0.24%	NONE	
Bruce Reed Castroville, Tx USA	Banking		Sr. VP, Branch Mgr Community Natl Bk Hondo, Tx	**NONE**	0.71%	NONE	
Michael Beasley Castroville, Tx USA	Banking		Sr. Vice President Community Natl Bk Hondo, Tx	**NONE**	0.00%	NONE	
David McLain San Antonio, Tx USA	Banking		Sr. Vice President Community Natl Bk Hondo, Tx	**NONE**	0.00%	NONE	

2412773

RECEIVED
APR 25 2016
NIC UNIT

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

MEDINA COMMUNITY BANCSHARES, INC.
AND SUBSIDIARY

December 31, 2015 and 2014

MEDINA COMMUNITY BANCSHARES, INC. AND SUBSIDIARY

December 31, 2015 and 2014

TABLE OF CONTENTS

Oliver Garrison LLC
Clarity in Banking

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Medina Community Bancshares, Inc.
Hondo, Texas

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

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

Oliver Garrison LLC

San Angelo, Texas
April 18, 2016

MEDINA COMMUNITY BANCSHARES, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

(Dollars in Thousands, Except Share Data)

	December 31, 2015	December 31, 2014
ASSETS		
Cash and due from banks	$ 8,968	$ 22,006
Certificates of deposit in banks	-	245
Trading securities	3,532	-
Securities available for sale	62,829	63,502
Nonmarketable equity securities	625	461
Loans, net	103,905	92,704
Premises and equipment, net	3,922	4,104
Bank owned life insurance	4,513	3,907
Goodwill and intangible assets	2,318	2,349
Accrued interest receivable	1,186	1,145
Other assets	390	319
	$ 192,188	$ 190,742
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits		
Noninterest-bearing	$ 56,210	$ 56,889
Interest-bearing	114,080	112,777
Total deposits	170,290	169,666
Note payable	242	555
Advances from Federal Home Loan Bank	1,469	1,554
Accrued interest payable and other liabilities	439	660
Total liabilities	172,440	172,435
Commitments (Notes E, I and L)		
Stockholders' equity		
Common stock - 2,000,000 shares $5 par value stock authorized; 233,104 shares issued; 219,979 shares outstanding	1,166	1,166
Surplus	3,236	3,236
Treasury stock	(955)	(955)
Retained earnings	15,991	14,712
Accumulated other comprehensive income	310	148
Total stockholders' equity	19,748	18,307
	$ 192,188	$ 190,742

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

MEDINA COMMUNITY BANCSHARES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME

(Dollars in Thousands, Except Share Data)

	Years ended December 31, 2015	Years ended December 31, 2014
Interest income		
Loans, including fees	$ 5,174	$ 5,342
Debt securities:		
Taxable	612	472
Tax-exempt	737	803
Other interest and dividends	148	150
Total interest income	6,671	6,766
Interest expense		
Deposits	468	527
Borrowed funds and other	101	125
Total interest expense	569	651
Provision for loan losses	-	140
Net interest income after provision for loan losses	6,102	5,975
Noninterest income		
Service charges on deposit accounts	722	786
Net gain (loss) on sale of assets[1]	66	(4)
Trading revenue	175	-
Other income	1,104	1,131
Total noninterest income	2,067	1,913
Noninterest expense		
Salaries and employee benefits	3,426	3,227
Occupancy and equipment	929	890
Other general and administrative	2,267	2,225
Total noninterest expense	6,622	6,342
Income before income taxes	1,548	1,546
Income tax expense	268	218
NET INCOME	$ 1,280	$ 1,328

[1]Net gain (loss) on sale of assets includes $61 and $(3) accumulated other comprehensive gain (loss) reclassifications for unrealized net gains (losses) on available for sale securities for 2015 and 2014, respectively.

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

MEDINA COMMUNITY BANCSHARES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in Thousands, Except Share Data)

	Years ended December 31, 2015	Years ended December 31, 2014
Net income	$ 1,280	$ 1,328
Other comprehensive income		
Gross unrealized gains on securities available for sale	306	536
Reclassification adjustment for (gains) losses realized in net income	(61)	3
Net unrealized gains	245	539
Tax effect	(83)	(183)
Total other comprehensive income	162	356
TOTAL COMPREHENSIVE INCOME	$ 1,525	$ 1,684

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

MEDINA COMMUNITY BANCSHARES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Years Ended December 31, 2015 and 2014

(Dollars in Thousands, Except Share Data)

	Common Stock	Surplus	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 2013	$ 1,166	$ 3,236	$ (955)	$ 13,824	$ (208)	$ 17,063
Net income	-	-	-	1,328	-	1,328
Other comprehensive income	-	-	-	-	356	356
Cash dividends declared	-	-	-	(440)	-	(440)
Balance at December 31, 2014	1,166	3,236	(955)	14,712	148	18,307
Net income	-	-	-	1,280	-	1,280
Other comprehensive income	-	-	-	-	162	162
Balance at December 31, 2015	$ 1,166	$ 3,236	$ (955)	$ 15,991	$ 310	$ 19,748

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

MEDINA COMMUNITY BANCSHARES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in Thousands, Except Share Data)

	Years ended December 31, 2015	2014
Cash flows from operating activities		
Net income	$ 1,280	$ 1,328
Adjustments to reconcile net income to cash provided by operating activities		
Net amortization of premium on investment securities	855	733
Loss (gain) on sale of investment securities	(61)	3
Federal Home Loan Bank stock dividend	(1)	-
Provision for loan losses	-	140
Depreciation and amortization expense	319	343
Gain on disposition of premises and equipment	(5)	-
Loss on sale of foreclosed assets	-	1
Increase in cash surrender value of bank owned life insurance	(106)	(107)
Deferred income taxes	(125)	(135)
Net change in:		
Trading account securities	(3,532)	-
Accrued interest receivable and other assets	(113)	715
Accrued interest payable and other liabilities	(179)	421
Cash provided by (used for) operating activities	(1,668)	3,442
Cash flows from investing activities		
Proceeds from maturities of certificates of deposit in banks	245	443
Purchases of nonmarketable equity securities	(163)	(13)
Proceeds from maturities, calls and paydowns of securities available for sale	7,090	3,932
Proceeds from sales of securities available for sale	8,829	1,000
Purchases of securities available for sale	(15,795)	(12,438)
Purchase of bank owned life insurance	(500)	-
Loans originated, net of principal collections	(11,201)	(778)
Proceeds from sales of premises and equipment	29	-
Additions to premises and equipment	(130)	(114)
Proceeds from sales of foreclosed assets	-	732
Cash used for investing activities	(11,596)	(7,236)
Cash flows from financing activities		
Net change in deposits	624	9,478
Principal payments on note payable	(313)	(375)
Principal payments on Federal Home Loan Bank borrowings	(85)	(80)
Cash dividends paid on common stock	-	(440)
Cash provided by financing activities	226	8,583
Net change in cash and cash equivalents	(13,038)	4,789
Cash and cash equivalents, beginning of year	22,006	17,217
Cash and cash equivalents, end of year	$ 8,968	$ 22,006
Supplemental disclosure of cash flow information		
Cash paid during the period for:		
Interest on deposits and borrowed funds	$ 590	$ 636
Income taxes	272	86
Supplemental disclosure of non-cash transactions		
Loan balances transferred to foreclosed real estate	$ -	$ 701

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Medina Community Bancshares, Inc. and Subsidiary conform to accounting principles generally accepted in the United States of America and to general practice within the banking industry. The following is a summary of the significant accounting and reporting policies:

Organization and Principles of Consolidation

Medina Community Bancshares, Inc. is a bank holding company which owns 100% of the common stock of Community National Bank ("the Bank"). The entities are collectively referred to as "the Company".

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

Nature of Operations

The Company provides a variety of banking services to individuals and businesses through their locations in South Central Texas. Their primary deposit products are checking, savings and term deposit accounts. Their primary lending products are commercial, agricultural loans and real estate mortgage loans. The Bank is subject to competition from other financial institutions and to regulation by certain federal agencies. The Bank undergoes periodic examinations by these regulatory authorities.

Use of Estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and revenues and expenses for the period. Actual results could differ significantly 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, the valuation of deferred tax assets and the fair value of financial instruments. In connection with the determination of the allowance for loan losses and the valuation of foreclosed real estate, management obtains independent appraisals for significant properties and assesses estimated future cash flows from borrowers' operations and the liquidation of loan collateral.

Management believes that the allowance for loan losses is adequate. While management uses available information to recognize losses on loans, changes in economic conditions may necessitate revisions in future years.

Significant Concentrations of Credit Risk

Most of the Company's activities are with customers located within Medina and surrounding counties. Therefore, the Company's exposure to credit risk is significantly affected by changes in the economy in the theses areas. Note B discusses the types of securities that the Company invests in. Note D discusses the types of lending that the Company engages in. The Company does not have any significant concentrations to any one industry or customer.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Company has defined cash equivalents as those amounts included in the balance sheet caption "Cash and due from banks". Cash a nd cash equivalents include cash and deposits with other financial institutions with maturities fewer than 90 days.

Balances in transaction accounts at other financial institutions and at the Federal Home Loan Bank may exceed amounts covered by federal deposit insurance. Management regularly evaluates the credit risk associated with other financial institutions and believes that the Company is not exposed to any significant credit risks on cash and cash equivalents.

Certificates of Deposit in Banks

Certificates of deposit in banks are carried at cost, and are fully covered by federal deposit insurance.

Trading Securities

The Company engages in trading activities for its own account. Securities that are held principally for resale in the near term are recorded at fair value with changes in fair value included in earnings. Interest is included in net interest income.

Investment 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 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.

The amortized cost of debt securities classified as held-to-maturity or available-for-sale is adjusted for amortization of purchase premiums and accretion of purchase discounts. 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 determined using the specific identification method.

Management evaluates securities for other-than-temporary impairment ("OTTI") on at least a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. For securities in an unrealized loss position, management considers the extent and duration of the unrealized loss, and the financial condition and near-term prospects of the issuer. Management also assesses whether it intends to sell, or it is more likely than not that it will be required to sell, a security in an unrealized loss position before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the entire difference between amortized cost and fair value is recognized as an impairment charge to earnings. For debt securities that do not meet the aforementioned criteria, the amount of impairment is split into two components as follows: 1) OTTI related to credit loss, which is recognized as an impairment charge to earnings, and 2) OTTI related to other factors, which is recognized in other comprehensive income. The credit loss is defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis. For equity securities, the entire amount of impairment is recognized through earnings.

Nonmarketable Equity Securities

The Company, as a member of the Federal Reserve Bank and the Federal Home Loan Bank a (FHLB), is required to maintain an investment in the capital stock of each. Also, the Company maintains an investment in the capital stock of TIB – The Independent BankersBank. No ready market exists for these stocks, and they have no quoted market value. For financial reporting purposes, such stock is considered restricted and is carried at cost under the caption "nonmarketable equity securities."

Periodically, management evaluates nonmarketable equity securities for other-than-temporary impairment. Management reviews for impairment based on the ultimate recoverability of the cost basis in the stock.

Loans

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

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

Past due loans are any loans for which payments of interest, principal or both have not been received within the timeframes designated by the loan agreements. Loans with payments in arrears but for which borrowers have resumed making scheduled payments are considered past due until arrearages are brought current. Loans that experience insignificant payment delays or payment shortfalls generally are not considered past due. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

The accrual of interest on any loan is discontinued at the time the loan specifically determined to be impaired unless the loan is well secured and in process of collection. Additionally, loans are placed on nonaccrual at an earlier date if collection of principal or interest is considered doubtful. When placing a loan on nonaccrual status, interest accrued to date is generally reversed and is charged against the current year's interest income. Payments received on a loan on nonaccrual status are applied against the balance of the loan. A loan is returned to accrual status when principal and interest are no longer past due and collectibility is no longer doubtful.

Troubled debt restructurings are loans for which concessions in terms have been made as a result of the borrower experiencing financial difficulty. Generally, concessions granted to customers include lower interest rates and modification of the payment stream to lower or defer payments. Interest on troubled debt restructurings is accrued under the new terms if the loans are performing and full collection of principal and interest is expected. However, interest accruals are discontinued on troubled debt restructurings that meet the Company's nonaccrual criteria.

Generally, loans are charged off in whole or in part on a loan-by-loan basis after they become significantly past due and based upon management's review of the collectibility of all or a portion of the loan unless the loan is in the process of restructuring. Charge off amounts are determined based upon the carrying amount of loans and the amount estimated to be collectible as determined by analyses of expected future cash flows and the liquidation of loan collateral.

Allowance for Loan Losses

The allowance for loan losses is a valuation allowance for probable incurred credit losses, and is established through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance consists of specific and general components. The specific component relates to loans that are considered impaired, and is comprised of valuation allowances calculated on a loan-by-loan basis. Impaired loans are all specifically identified loans for which it is probable that the Company will not collect all amounts due according to the contractual terms of the loan agreement. Loans for which the terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulties, are considered troubled debt restructurings (TDRs) and are classified as impaired. Factors considered by management in determining whether a loan is impaired include payment status, collateral value, the borrower's financial condition and overall loan quality as determined by an internal loan grading system. Included in impaired loan are all nonaccrual loans and all accruing troubled debt restructurings. Loans that experience insignificant payment delays or payment shortfalls generally are not considered impaired. For impaired loans for which repayment is expected solely from the collateral, impairment is measured based on the fair value of the collateral. For other impaired loans, impairment may be measured based on the fair value of the collateral or on the present value of expected future cash flows discounted at the loan's original effective interest rate. When the measure of the impaired loan is less than the recorded investment in the loan, the impairment is recorded through a valuation allowance.

Troubled debt restructurings are individually evaluated for impairment and included in the separately identified impairment disclosures. TDRs are measured at the present value of estimated future cash flows using the loan's effective rate at inception. If a TDR is considered to be a collateral dependent loan, the loan is reported, net, at the fair value of the collateral. For TDRs that subsequently default, the Company determines the amount of the allowance on that loan in accordance with the accounting policy for the allowance for loan losses on loans individually identified as impaired.

The general component relates to non-impaired loans, and is based on historical loss experience adjusted for the effects of economic factors that are likely to cause estimated credit losses as of the evaluation date to differ from the portfolio's historical loss experience. The historical loss experience is determined by portfolio segment and is based on the actual loss history experienced by the Company. This actual loss experience is supplemented with other economic factors based on the risks present for each portfolio segment. Economic factors include the following: economic conditions; industry conditions; changes in lending policies and procedures; trends in the volume and terms of loans; trends in the quality of risk management and loan administration practices; ability and depth of lending staff; levels and trends in delinquencies and impaired loans; levels and changes in the concentration of credit; levels and trends of loan quality as determined by an internal loan grading system.

Although the allowance contains a specific component, the entire allowance is available for any loan that, in management's judgment, should be charged off.

On a quarterly basis, management estimates the allowance balance required using the criteria identified above in relation to the relevant risks for each of the Company's major loan segments. Significant overall risk factors for both the Company's commercial and consumer portfolios include the strength of the real estate and agricultural market in the Company's lending area.

The quality of the Company's loan portfolio is assessed as a function of the levels of past due loans and impaired loans, and internal credit quality ratings which are updated quarterly by management. The ratings on the Company's internal credit scale are broadly grouped into the categories "pass", "special mention" and "substandard." Loans with a pass rating are those loans with minimal identified credit risk. Special mention loans include those with potential credit weaknesses which deserve management's attention but for which full collection of contractual principal and interest is not significantly at risk. Substandard loans are those loans that have well-defined weakness that put full collection of contractual principal or interest at risk, and classified loans for which it is probable that the Company will not collect all contractual principal or interest are also considered impaired. The credit quality ratings are an important part of the Company's overall credit risk management process and are considered in the determination of the allowance for loan losses.

Determination of the allowance is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Company's allowance. Such agencies may require the Company to recognize additional losses based on their judgments about information available to them at the time of their examination.

Premises and Equipment

Land is carried at cost. Buildings and equipment are carried at cost, less accumulated depreciation computed on the straight-line method over the estimated useful lives or lease terms including renewal options. Maintenance and repairs, which do not extend the useful lives of buildings and equipment, are charged to expense as incurred.

Bank Owned Life Insurance

The Bank has purchased life insurance policies on certain key executives. Bank owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement.

Goodwill and Intangible Assets

Goodwill resulting from business combinations prior to January 1, 2009 represents the excess of the purchase price over the fair value of the net assets of businesses acquired. Goodwill resulting from business combinations after January 1, 2009, is generally determined as the excess of the fair value of the consideration transferred, plus the fair value of any noncontrolling interests in the acquiree, over the fair value of the net assets acquired and liabilities assumed as of the acquisition date. Goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, but tested for impairment at least annually or more frequently if events and circumstances exists that indicate that a goodwill impairment test should be performed. Goodwill impairment is deemed to exist when carrying value exceeds the Company's estimated fair value. Goodwill is the only intangible asset with an indefinite life on our balance sheet.

Intangible assets consist of the core deposit intangible of acquired deposits. These assets are amortized over their estimated useful life of 8 years.

Income Taxes

Deferred income tax assets and liabilities are determined using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is determined based on the tax effects of the temporary differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur.

A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded.

The Company is no longer subject to examination by taxing authorities for years before 2012.

Off-Balance Sheet Financial Instruments

In the ordinary course of business, the Company enters into off-balance sheet financial instruments consisting of commitments to extend credit, unused lines of credit, standby letters of credit and undisbursed loans in process. These financial instruments are recorded in the financial statements when they are funded.

In conjunction with the determination of the allowance for loan losses, and using the same criteria, the Company determines the extent of credit risk on its off-balance sheet financial instruments and whether there are probable incurred credit losses on those instruments for which a loss provision is necessary. The Company has determined that there is minimal credit risk on its off-balance sheet financial instruments, and accordingly has not recorded a loss provision or allowance for those instruments.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been relinquished. Control over transferred assets is deemed to be relinquished when the assets have been isolated from the Company, 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 the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Loss Contingencies

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there now are such matters that will have a material effect on the financial statements.

Restrictions on Cash

Cash on hand or on deposit with the Federal Reserve Bank was required to meet regulatory reserve and clearing requirements.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, excluding transaction costs. When measuring fair value, entities should maximize the use of observable inputs and minimize the use of unobservable inputs. The following describes the three levels of inputs that may be used to measure fair value:

- *Level 1 Inputs* - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

- *Level 2 Inputs* - Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

- *Level 3 Inputs* - Unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

Comprehensive Income

Components of comprehensive income are net income and all other non-owner changes in equity. The only component of other comprehensive income consists of net unrealized holding gains and losses on available-for-sale securities, including related tax effects.

Accounting Standards Updates

ASU 2014-09 "Revenue from Contracts with Customers" ASU 2014-09 implements a common revenue standard that clarifies the principles for recognizing revenue. It will supersede most current revenue recognition requirements when it becomes effective. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, (v) recognize revenue when (or as) the entity satisfies the performance obligation. This guidance becomes effective for annual reporting periods beginning after December 15, 2018. The Company is still evaluating the effect that the guidance will have on its financial statements.

ASU 2016-01 "Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities". ASU 2016-01 amends a number of accounting standards, including: (1) Requiring equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in income; (2) Requiring public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes; (3) Requiring separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (i.e., securities or loans and receivables); (4) Simplifying the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment; (5) Clarifying that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity's other deferred tax assets; (6) Eliminating the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost; and (7) Eliminating the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities. This guidance becomes effective for annual reporting periods beginning after December 15, 2018. The new guidance permits early adoption of the provision that exempts private companies from having to disclose fair value information about financial instruments measured at amortized cost. The Company is still evaluating the overall effect that the guidance will have on its financial statements; however the Company has elected not to disclose information about the fair value of financial instruments.

Subsequent Events

Management evaluates events occurring subsequent to the balance sheet date, through the date the financial statements are eligible to be issued, to determine whether the events require recognition or disclosure in the financial statements. If a subsequent event evidences conditions existing at the balance sheet date, the effects are recognized in the financial statements (recognized subsequent event). If a subsequent event evidences conditions arising after the balance sheet date, the effects are not recognized in the financial statements but rather disclosed in the notes to the financial statements (non-recognized subsequent events). The effects of subsequent events are only recognized if material, or disclosed if the financial statements would otherwise be misleading.

The Company has evaluated subsequent events for recognition and disclosure through April 18, 2016, which is the date the financial statements were available to be issued.

NOTE B – INVESTMENT SECURITIES

The following presents information related to the Company's portfolio of debt securities (dollars in thousands):

	December 31, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available for sale				
U.S. Treasury	$ 3,050	$ -	$ (18)	$ 3,032
U.S. Agency	5,000	-	(16)	4,984
State and municipal	39,734	658	(196)	40,196
Mortgage-backed	13,824	79	(37)	13,866
Structured CDs	751	-	-	751
	$ 62,359	$ 737	$ (267)	$ 62,829

	December 31, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available for sale				
U.S. Agency	$ 5,000	$ -	$ (31)	$ 4,969
State and municipal	39,226	679	(528)	39,377
Mortgage-backed	18,302	169	(64)	18,407
Structured CDs	749	-	-	749
	$ 63,277	$ 848	$ (623)	$ 63,502

The amortized cost and estimated market value of debt securities at December 31, 2015, by contractual maturity are as follows (dollars in thousands):

	Available for Sale	
	Amortized Cost	Fair Value
Due in one year or less	$ 1,085	$ 1,085
Due after one year through five years	17,853	17,788
Due after five years through ten years	11,952	12,165
Due after ten years	17,645	17,925
	48,535	48,963
Securities without fixed maturities	13,824	13,866
	$ 62,359	$ 62,829

Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations without call or prepayment penalties.

At December 31, 2015 and 2014, investment securities with carrying values of $3.5 million and $2.5 million, respectively, were pledged to secure public deposits, repurchase agreements and for other purposes.

During 2015, there were gross realized gains of $84,000 and gross realized losses of $23,000 on the sale of investment securities. During 2014, there were no gross realized gains and gross realized losses of $3,000 on the sale of investment securities.

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, follows (dollars in thousands):

	December 31, 2015			
	Less than 12 months		Over 12 months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Securities available for sale				
U.S. Treasury	$ 18	$ 3,032	$ -	$ -
U.S. Agency	16	4,984	-	-
State and municipal	55	10,243	141	6,929
Mortgage-backed	37	5,724	-	-
	$ 126	$ 23,983	$ 141	$ 6,929

	December 31, 2014			
	Less than 12 months		Over 12 months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Securities available for sale				
U.S. Agency	$ -	$ -	$ 31	$ 4,969
State and municipal	27	5,181	501	16,927
Mortgage-backed	64	5,578	-	-
	$ 91	$ 10,759	$ 532	$ 21,896

Management evaluates securities for other-than-temporary impairment on at least a quarterly basis, and more frequently when economic or market conditions 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.

NOTE C – NONMARKETABLE EQUITY SECURITIES

Nonmarketable equity securities carried at cost are as follows (dollars in thousands):

	December 31, 2015	December 31, 2014
Federal Home Loan Bank of Dallas	$ 301	$ 144
Federal Reserve Bank	192	192
TIB - The Independent BankersBank	132	125
	$ 625	$ 461

NOTE D - LOANS

Major classifications of loans are as follows (dollars in thousands):

	December 31, 2015	December 31, 2014
Real Estate		
Commercial	$ 33,700	$ 33,928
Residential	29,529	22,463
Agricultural	5,848	5,733
Commercial	19,482	17,194
Agricultural Production	8,770	7,075
Consumer and Other	8,660	8,326
	105,989	94,719
Less: Unearned Loan Fees	(219)	(128)
Less: Allowance For Loan Losses	(1,865)	(1,887)
Total Loans	$ 103,905	$ 92,704

Transactions in the allowance for loan losses are as follows (dollars in thousands):

	Year Ended December 31, 2015						
	Commercial Real Estate	Residential Real Estate	Agriculture Real Estate	Commercial	Agricultural Production	Consumer and Other	Total
Balance at December 31, 2014	$ 454	$ 256	$ 63	$ 714	$ 112	$ 288	$ 1,887
Provision for loan losses	7	229	(8)	(136)	10	(102)	-
Charge-offs	-	-	-	(26)	-	(73)	(99)
Recoveries	-	1	-	37	-	39	77
Net (charge-offs) recoveries	-	1	-	11	-	(34)	(22)
Balance at December 31, 2015	$ 461	$ 486	$ 55	$ 589	$ 122	$ 152	$ 1,865

	Year Ended December 31, 2014						
	Real Estate - Commercial	Real Estate - Residential	Real Estate - Agricultural	Commercial	Agricultural Production	Consumer and Other	Total
Balance at December 31, 2013	$ 112	$ 581	$ 52	$ 431	$ 2	$ 318	$ 1,496
Provision for loan losses	(12)	(194)	11	268	110	(43)	140
Charge-offs	(58)	(136)	-	(1)	-	(101)	(296)
Recoveries	412	5	-	16	-	114	547
Net (charge-offs) recoveries	354	(131)	-	15	-	13	251
Balance at December 31, 2014	$ 454	$ 256	$ 63	$ 714	$ 112	$ 288	$ 1,887

Components of the allowance for loan losses, and the related carrying amounts of loans for which the allowance is determined, are as follows (dollars in thousands):

	Year Ended December 31, 2015						
	Commercial Real Estate	Residential Real Estate	Agriculture Real Estate	Commercial	Agricultural Production	Consumer and Other	Total
Allocation of Allowance To:							
Impaired loans - evaluated individually	$ -	$ -	$ -	$ 52	$ -	$ -	$ 52
Impaired loans - evaluated collectively	-	-	-	-	-	-	-
Total impaired loans	-	-	-	52	-	-	52
Unimpaired loans - evaluated collectively	461	486	55	537	122	152	1,813
	$ 461	$ 486	$ 55	$ 589	$ 122	$ 152	$ 1,865
Recorded Investment In:							
Impaired loans - evaluated individually	$ 17	$ 518	$ -	$ 173	$ 2	$ 22	$ 732
Impaired loans - evaluated collectively	-	-	-	-	-	-	-
Total impaired loans	17	518	-	173	2	22	732
Unimpaired loans - evaluated collectively	33,683	29,011	5,848	19,309	8,768	8,638	105,257
	$ 33,700	$ 29,529	$ 5,848	$ 19,482	$ 8,770	$ 8,660	$ 105,989

	Year Ended December 31, 2014						
	Real Estate - Commercial	Real Estate - Residential	Real Estate - Agricultural	Commercial	Agricultural Production	Consumer and Other	Total
Allocation of Allowance To:							
Impaired loans - evaluated individually	$ -	$ -	$ -	$ 74	$ -	$ 5	$ 79
Impaired loans - evaluated collectively	-	-	-	-	-	-	-
Total impaired loans	-	-	-	74	-	5	79
Unimpaired loans - evaluated collectively	454	256	63	640	112	283	1,808
	$ 454	$ 256	$ 63	$ 714	$ 112	$ 288	$ 1,887
Recorded Investment In:							
Impaired loans - evaluated individually	$ 47	$ 470	$ -	$ 116	$ 2	$ 12	$ 647
Impaired loans - evaluated collectively	-	-	-	-	-	-	-
Total impaired loans	47	470	-	116	2	12	647
Unimpaired loans - evaluated collectively	33,881	21,993	5,733	17,078	7,073	8,314	94,072
	$ 33,928	$ 22,463	$ 5,733	$ 17,194	$ 7,075	$ 8,326	$ 94,719

Information relative to impaired loans is as follows (dollars in thousands):

	December 31, 2015				Year Ended December 31, 2015
	Recorded Investment In Impaired Loans With No Valuation Allowance	Recorded Investment In Impaired Loans With A Valuation Allowance	Total Impaired Loans	Valuation Allowance on Impaired Loans	Average Impaired Loans
Real Estate					
Commercial	$ 17	$ -	$ 17	$ -	$ 221
Residential	518	-	518	-	510
Agricultural	-	-	-	-	-
Commercial	31	142	173	52	215
Agricultural Production	2	-	2	-	2
Consumer and Other	22	-	22	-	14
Total Loans	$ 590	$ 142	$ 732	$ 52	$ 962

	December 31, 2014				Year Ended December 31, 2014
	Recorded Investment In Impaired Loans With No Valuation Allowance	Recorded Investment In Impaired Loans With A Valuation Allowance	Total Impaired Loans	Valuation Allowance on Impaired Loans	Average Impaired Loans
Real Estate					
Commercial	$ 47	$ -	$ 47	$ -	$ 160
Residential	470	-	470	-	624
Agricultural	-	-	-	-	-
Commercial	1	115	116	74	244
Agricultural Production	2	-	2	-	-
Consumer and Other	7	5	12	5	25
Total Loans	$ 527	$ 120	$ 647	$ 79	$ 1,053

There are no commitments to extend credit on impaired loans at December 31, 2015 and interest income recognized on impaired loans was immaterial for the years ended December 31, 2015 and 2014.

During the years ended December 31, 2015 and 2014, the terms of certain loans were modified as troubled debt restructurings. The modification of the terms of such loans included one or a combination of the following: a reduction of the stated interest rate of the loan; an extension of the maturity date at a stated rate of interest lower than the current market rate for new debt with similar risk; or a permanent reduction of the recorded investment in the loan. Troubled debt restructurings included in impaired loans, and the related valuation allowance thereon, are as follows (dollars in thousands):

	December 31, 2015	
	TDRs - included in impaired loans	Portion of Valuation Allowance on Impaired Loans Attributable to TDRs
Real Estate		
Commercial	$ -	$ -
Residential	304	-
Agricultural	-	-
Commercial	87	47
Agricultural Production	-	-
Consumer and Other	-	-
Total Loans	$ 391	$ 47

	December 31, 2014	
	TDRs - included in impaired loans	Portion of Valuation Allowance on Impaired Loans Attributable to TDRs
Real Estate		
Commercial	$ -	$ -
Residential	401	-
Agricultural	-	-
Commercial	-	-
Agricultural Production	-	-
Consumer and Other	-	-
Total Loans	$ 401	$ -

The carrying amounts of loans by performance status are as follows (dollars in thousands):

	December 31, 2015				
	Accruing Loans				
	Current	30-89 Days Past Due	90 Days or More Past Due	Nonaccrual Loans	Total Loans
Real Estate					
Commercial	$ 33,581	$ 102	$ -	$ 17	$ 33,700
Residential	28,218	793	-	518	29,529
Agricultural	5,823	25	-	-	5,848
Commercial	19,089	212	8	173	19,482
Agricultural Production	8,724	44	-	2	8,770
Consumer and Other	8,566	72	-	22	8,660
Total	$ 104,001	$ 1,248	$ 8	$ 732	$ 105,989

	December 31, 2014				
	Accruing Loans				
	Current	30-89 Days Past Due	90 Days or More Past Due	Nonaccrual Loans	Total Loans
Real Estate					
Commercial	$ 33,694	$ 187	$ -	$ 47	$ 33,928
Residential	21,279	609	105	470	22,463
Agricultural	5,706	27	-	-	5,733
Commercial	17,003	75	-	116	17,194
Agricultural Production	7,075	-	-	-	7,075
Consumer and Other	8,190	119	5	12	8,326
Total	$ 92,947	$ 1,017	$ 110	$ 645	$ 94,719

The carrying amounts of loans by credit quality indicator are as follows (dollars in thousands):

	December 31, 2015			
	Pass	Special Mention	Substandard	Total Loans
Real Estate				
Commercial	$ 32,913	$ 227	$ 560	$ 33,700
Residential	28,403	-	1,126	29,529
Agricultural	5,652	-	196	5,848
Commercial	17,619	-	1,863	19,482
Agricultural Production	8,332	-	438	8,770
Consumer and Other	8,604	11	45	8,660
Total Loans	$ 101,523	$ 238	$ 4,228	$ 105,989

	December 31, 2014			
	Pass	Special Mention	Substandard	Total Loans
Real Estate				
Commercial	$ 33,084	$ 233	$ 611	$ 33,928
Residential	21,413	69	981	22,463
Agricultural	5,733	-	-	5,733
Commercial	15,287	5	1,902	17,194
Agricultural Production	6,795	278	2	7,075
Consumer and Other	8,207	65	54	8,326
Total Loans	$ 90,519	$ 650	$ 3,550	$ 94,719

NOTE E – PREMISES AND EQUIPMENT

Premises and equipment are as follows (dollars in thousands):

	December 31,	
	2015	2014
Land	$ 1,803	$ 1,803
Buildings and improvements	4,124	4,059
Furniture, fixtures and equipment	2,335	2,461
	8,262	8,323
Accumulated depreciation	4,340	4,219
	$ 3,922	$ 4,104

Operating Leases

The Company leases certain branch and ATM properties and equipment under operating leases. Rent expense was $92,000 and $32,000 for 2015 and 2014, respectively. Rent commitments, before considering renewal potions were as follows (dollars in thousands):

Year Ending December 31,	
2016	$ 22
2017	13
2018	5
2019	5
2020	5
Thereafter	3
	$ 53

NOTE F - DEPOSITS

The aggregate amount of time deposits in denominations of $250 thousand or more at December 31, 2015 and 2014 was $5.8 million and $6.4 million, respectively. At December 31, 2015, the scheduled maturities of time deposits are as follows (dollars in thousands):

Year Ending December 31,	
2016	$ 27,481
2017	8,023
2018	1,319
2019	628
2020	1,534
Thereafter	-
	$ 38,985

NOTE G - BORROWINGS

Note Payable

The Company has a note payable to an unrelated financial institution with a principal balance of $242 thousand and $555 thousand at December 31, 2015 and 2014. The note is secured by 200,000 shares of Bank stock. The note is payable in quarterly installments of principal and interest through its maturity date of September 30, 2016. The interest rate is a variable rate equal to the Wall Street Journal Prime Rate plus 0.50%; which equaled the rate of 4.0% and 3.75% at December 31, 2015 and 2014, respectively.

Advances from the Federal Home Loan Bank

Advances amounting to $1.47 million and $1.55 million were outstanding at December 31, 2015 and 2014, respectively. The interest rates on fixed rate, long-term debt ranged from 4.8% to 6.0%. The weighted average rate at December 31, 2015 and 2014 was 5.50%. The advances were collateralized by first mortgage loans under a blanket lien agreement. Based on this collateral and the Company's holdings of FHLB stock, the Company is eligible to borrow up to a total of $43.2 million at December 31, 2015.

At December 31, 2015, future scheduled principal payments on borrowings are as follows (dollars in thousands):

Year Ending December 31,		
2016	$	332
2017		95
2018		100
2019		105
2020		111
Thereafter		968
	$	1,711

NOTE H – INCOME TAXES

Allocation of federal income taxes between current and deferred positions is as follows (dollars in thousands):

	Years ended December 31,			
	2015		2014	
Current federal provision	$	393	$	353
Deferred provision (benefit)		(125)		(135)
	$	268	$	218

Listed below are the components of the net deferred tax asset (dollars in thousands):

	December 31, 2015	December 31, 2014
Deferred tax assets		
Allowance for loan losses	$ 250	$ 250
Other	66	59
	316	309
Deferred tax liabilities		
Depreciation	80	206
Securities available for sale	160	76
Trading securities	12	-
Other	90	94
	342	376
Net deferred tax asset (liability)	$ (26)	$ (67)

The reasons for the differences between the statutory federal income tax rate and the effective tax rates are summarized as follows:

	Years ended December 31, 2015	Years ended December 31, 2014
Statutory federal tax rate	34.0%	34.0%
Increase (decrease) resulting from:		
Tax-exempt income	(19.6)	(19.2)
Other	2.9	(0.7)
Effective tax rates	17.3%	14.1%

NOTE I – OFF-BALANCE SHEET ACTIVITIES

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 stand-by 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.

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

	2015	2014
Unfunded commitments to extend credit	$ 20,757	$ 16,002
Commercial and standby letters of credit	351	385

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. The Company evaluates each customer's credit-worthiness 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. Collateral held varies, but may include accounts receivable, inventory, property, plant and equipment and income-producing commercial properties. Unfunded commitments under commercial lines of credit are usually collateralized and have a stated maturity date.

Commercial and 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.

NOTE J – MINIMUM REGULATORY CAPITAL REQUIREMENTS

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct effect on the Company's and the Bank'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 their assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

The final rules implementing Basel Committee on Banking Supervision's capital guidelines for U.S. banks (Basel III rules) became effective for the Bank on January 1, 2015 with full compliance with all of the requirements being phased in over a multi-year schedule, and fully phased in by January 1, 2019. The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital. Capital amounts and ratios for December 31, 2014 are calculated using Basel I rules. Management believes, as of December 31, 2015, that the Bank meets all capital adequacy requirements to which it is subject.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At year-end 2015 and 2014, the most recent regulatory notification categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Bank's category.

The Bank's actual and required capital amounts and ratios as of December 31, 2015 and 2014 are presented in the following table.

	Actual		Minimum capital requirement		Minimum to be well capitalized under prompt corrective action provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(dollars in thousands)			
As of December 31, 2015						
Total capital (to risk weighted assets)	$ 18,831	15.9%	$ 9,474	8.0%	$ 11,842	10.0%
Tier 1 capital (to risk weighted assets)	17,346	14.6%	7,105	6.0%	9,474	8.0%
Common Tier 1 (to risk weighted assets)	17,346	14.6%	781	4.5%	1,127	6.5%
Tier 1 capital (to average assets)	17,346	9.0%	7,672	4.0%	9,591	5.0%
As of December 31, 2014						
Total capital (to risk weighted assets)	$ 18,068	17.3%	$ 8,366	8.0%	$ 10,457	10.0%
Tier 1 capital (to risk weighted assets)	16,753	16.0%	4,183	4.0%	6,274	6.0%
Tier 1 capital (to average assets)	16,753	8.9%	7,506	4.0%	9,382	5.0%

NOTE K – DIVIDEND RESTRICTIONS

The Company's principal source of funds for dividend payments is dividends received from the Bank. Banking regulations limit the amount of dividends that may be paid without prior approval of regulatory agencies. Under these regulations, the amount of dividends that may be paid in any calendar year is limited to the current year's net profits, combined with the retained net profits of the preceding two years, subject to the capital requirements described above.

In addition, dividends paid by the Bank to the Company would be prohibited if the effect thereof would cause the Bank's capital to be reduced below applicable minimum capital requirements.

NOTE L – EMPLOYEE BENEFIT PLANS

The Company has a 401(k) plan in which substantially all eligible employees participate. Employees may contribute up to 75% of their compensation subject to certain limits based on federal tax laws. The Company makes a fully vested contribution of 3% of each participant's compensation, under the Safe Harbor Nonelective Allocation method. For the years ended December 31, 2015 and 2014, matching contributions amounted to $80,000 and $74,000, respectively.

NOTE M – RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Company has granted loans to executive officers, principal shareholders and directors and parties affiliated with those persons (collectively, "insiders"). The Company has loans to insiders aggregating $3.4 million and $5.3 million at December 31, 2015 and 2014, respectively. At December 31, 2015 and 2014, deposits from insiders totaled $4.9 million and $6.9 million, respectively.

NOTE N – FAIR VALUE MEASUREMENTS

The following is a description of the Company's valuation methodologies for assets and liabilities recorded at fair value:

Securities (Trading and Available for Sale) – Securities are recorded at fair value on a recurring basis based upon measurements obtained from an independent pricing service. The fair values for investment securities are determined by quoted market prices, if available (Level 1). For securities where quoted prices are not available, the fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, market consensus prepayment speeds, credit information and the bonds' terms and conditions, among other things (Level 2).

Impaired Loans – The Company does not record loans at fair value on a recurring basis. However, from time to time, fair value adjustments are recorded on these loans to reflect (1) partial write-downs that are based on the current appraised or market-quoted value of the underlying collateral or (2) the full charge-off of the loan carrying value. In some cases, the properties for which market quotes or appraised values have been obtained are located in areas where comparable sales data is limited, outdated, or unavailable. Fair value estimates for collateral-dependent impaired loans are obtained from real estate brokers or other third-party consultants (Level 3).

The following table provides the hierarchy and fair value for each major category of assets and liabilities recorded at fair value on a recurring basis:

	December 31, 2015			
	Level 1	Level 2	Level 3	Total
Trading securities				
State and municipal	$ -	$ 3,532	$ -	$ 3,532
Securities available for sale				
U.S. Treasury	$ 3,032	$ -	$ -	$ 3,032
U.S. Agency	-	4,984	-	4,984
State and municipal	-	40,196	-	40,196
Mortgage-backed	-	13,866	-	13,866
Structured CDs	-	751	-	751
	$ 3,032	$ 59,797	$ -	$ 62,829

	December 31, 2014			
	Level 1	Level 2	Level 3	Total
Securities available for sale				
U.S. Agency	$ -	$ 4,969	$ -	$ 4,969
State and municipal	-	39,377	-	39,377
Mutual funds	-	18,407	-	18,407
Structured CDs	-	749	-	749
	$ -	$ 63,502	$ -	$ 63,502

During 2015 and 2014, there were no Level 3 assets or liabilities measured at fair value on a recurring basis.

Assets and liabilities recorded at fair value on a non-recurring basis are summarized below.

	December 31, 2015			
	Level 1	Level 2	Level 3	Total
Impaired loans	$ -	$ -	$ 680,000	$ 680,000

	December 31, 2014			
	Level 1	Level 2	Level 3	Total
Impaired loans	$ -	$ -	$ 568,000	$ 568,000

Impaired loans, had a carrying amount of $732,000, with a valuation allowance of $52,000, at December 31, 2015, and a carrying amount of $647,000, with a valuation allowance of $79,000, at December 31, 2014.