AMENDED
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FR Y-6
OMB Number 7100-0297
Approval expires September 30, 2018
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Board of Governors of the Federal Reserve System

Annual Report of Holding Companies—FR Y-6

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

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

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

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

I, Gary Roberts, Sr.
Name of the Holding Company Director and Official

President, CEO & Director
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.*

Gary R. Roberts, Sr.
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:
- [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
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
Relationship Financial Corporation
Legal Title of Holding Company
1309 Bandera HWY
(Mailing Address of the Holding Company) Street / P.O. Box
Kerrville | TX | 78028
City | State | Zip Code

Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:
Greg Shoults | CFO
Name | Title
(830) 792-1954
Area Code / Phone Number / Extension
(830) 257-1345
Area Code / FAX Number
gregs@guadalupenational.com
E-mail Address
www.guadalupenational.com
Address (URL) for the Holding Company's web page

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

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

Relationship Financial Corp (Please see detail below)

Guadalupe National Bank (Please See detail below)
Incoporated in Texas (No LEI Number)

Single Tier Holding Company

2a(1)	Relationship Financial Corporation
2a(2)	LEI: Relationship Financial Corporation and Gudadlupe National Bank do not have a LEI Number
2a(3)	Kerrville, TX USA
2a(4)	S Corporation incorporated in the State of Texas
2a(5)	Relationship Financial Corporation's owns 100% of the voting shares of Guadalupe National Bank (Association located in Kerrville, TX USA). RFC does not have any other ownership interests.
2a(6)	Relationship Financial Corporation is owned by several Shareholders and Trusts. Please see attached Shareholder listing. There is only one class of shares. This class is voting

Guadalupe National Bank Locations

1 Main Branch
Kerrville, TX USA

2 West Branch
Kerrville, TX USA

3 Fredericksburg Branch
Fredericksburg, TX USA

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Results: A list of branches for your holding company: RELATIONSHIP FINANCIAL CORPORATION (3635560) of KERRVILLE, TX.
The data are as of 03/31/2016. Data reflects information that was received and processed through 04/05/2016.

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	N/A	Full Service (Head Office)	3635551	GUADALUPE NATIONAL BANK	1309 BANDERA HIGHWAY	KERRVILLE	TX	78028	KERR	UNITED STATES	467484	0	GUADALUPE NATIONAL BANK	3635551	
Ok	N/A	Full Service	4901552	FREDERICKSBURG BRANCH	1027 HIGHWAY 16	FREDERICKSBURG	TX	78624	GILLESPIE	UNITED STATES	Not Required	Not Required	GUADALUPE NATIONAL BANK	3635551	
Ok	N/A	Full Service	4236508	WEST BRANCH	1916 JUNCTION HIGHWAY	KERRVILLE	TX	78028	KERR	UNITED STATES	Not Required	Not Required	GUADALUPE NATIONAL BANK	3635551	

Relationship Financial Corporation

Shareholder Listing

12/31/2015

ID	NAME 1 \ NAME 2	CITY	ST	ZIP	ntry of Resid	Country of Citizenship	Trustee	SHARES	% Ownership
163	Gary Roberts and Debra Roberts Trust	Kerrville	TX	78028	USA	USA	Gary Roberts Sr.	7,235	7.61%
85	Charles J. Whelan Cynthia A. Whelan	Kerrville	TX	78028	USA	USA		7,000	7.36%
64	Gary A. Roberts, Jr. Kimberly K. Roberts	Fredericksburg	TX	78624	USA	USA		5,000	5.26%
	Grand Totals							**95,108**	
Item 3(2)	McKinney Revocable Living Trust u/a/d 8-3-99	Kerrville	TX	78028	USA	USA	Kent McKinney	11,868	13.02%

AMENDED

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Report Item 4: Insiders
(1), (2), (3)(a)(b)© and (4)(a)(b)©

FORM FR Y-6
RELATIONSHIP FINANICAL CORPORATION
FISCAL YEAR ENDING DECEMBER 31, 2015

(1) Name	City State Country	(2) Principal Occupation if other than with Bank Holding Company	(3)(a) Title & Position with Bank Holding Company	(3)(b) Title & Position with Subsidiaries (include names of subsidiaries	Title & Position with other Businesses (include name of other businesses)	(4)(a) Percentage of Voting Shares in Bank Holding Company	(4)(b) Percentages of Voting shares in Subsidiaries (include names of subsidiaries)	(4)©
Column1	Column12	Column2	Column3	Column4	Column5	Column6	Column7	
Gary Roberts, Sr.	Kerrville, TX USA	N/A	Pres., COB	Director Guadalupe National Bank	Premiere Land and Cattle Co. LLP/Ltd. Partner	7.610%	None	49% LTD Partner Premiere Land and Cattle Co. LLP
Gary Roberts, Jr.	Kerrville, TX USA	Home Builder/RE Invest.	Director	COB, President Guadalupe National Bank	Kerrville Storage Ltd. / President R & D Real Estate Hold Ltd. / Ltd. Partner Aggelina, LLC President Brick & Mortar, LTD President	5.260%	None	75% LTD Partner Kerrville Storage Ltd 100% LTD Partner R&D Real Estate Holding Ltd. 100% Mgr/Partner Aggelina LLC 100% LTD Partner Brick & Mortar, LTD
David Wampler	Kerrville, TX USA	Investments	Director	Vice COB Guadalupe National Bank	MDBA Investments, Inc. / President Kerrville Medical Plaza LLP / General Partner	3.150%	None	100% Shareholder MDBA Investments, Inc. 50% Gen Partner Kerrville Medical Plazaq LLP
William B Patterson I	Kerrville, TX USA	Veterinary	Director	Director Guadalupe National Bank	Town & Country Animal Hospital / Partner	1.050%	None	80% Gen Partner Town and Country Animal Hosp / Partn
Albert D. Pattillo, III	Kerrville, TX USA	Attorney at Law	Director	Director Guadalupe National Bank	Patillo and Richards PC / Partner in Lawfirm Riveritas Ltd / Ltd. Partner Riveritas Mgmt LLC/President	1.050%	None	50% Shareholder Pattillo and Richards PC 50% Ltd. Partner Riveritas Ltd. 50% Member Riveritas Mgmt LLC
Charley Whelan	Kerrville, TX USA	Investments	Director	Director Guadalupe National Bank	WP Remnants, Inc / President (CCKL Ventures GP, Inc / Gen. Partner/President	7.360%	None	100% Sharholder WP Remnants, Inc 64% General Partner CCKL Ventures GP Inc.
Chad Stary	Kerrville, TX USA	N/A	N/A	EVP, CLO Guadalupe National Bank	Director	1.58%	None	None

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Relationship Financial Corp.

Consolidated Financial Statements

For the Years Ended December 31, 2015, 2014 and 2013

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Briggs & Veselka Co.
A PROFESSIONAL CORPORATION
Certified Public Accountants and Business Advisors

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
Relationship Financial Corp.
Kerrville, Texas

We have audited the accompanying consolidated financial statements of Relationship Financial Corp. (a Texas corporation) and subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2015, 2014 and 2013, and the related consolidated statements of income and comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of 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 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 auditors' 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 auditors consider internal controls relevant to the Company'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 Company'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.

To the Board of Directors and Stockholders of
Relationship Financial Corp.
Re: Independent Auditors' Report

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Relationship Financial Corp. and subsidiaries as of December 31, 2015, 2014 and 2013, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Briggs & Veselka Co.

Briggs & Veselka Co.
Houston, Texas

March 23, 2016

RELATIONSHIP FINANCIAL CORP.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2015, 2014 AND 2013

	2015	2014	2013
ASSETS			
Cash and noninterest-bearing due from banks	**$ 7,626,334**	$ 7,616,028	$ 6,608,475
Interest-bearing due from banks	**15,507,895**	1,591,899	1,497,300
Federal funds sold	**1,372,000**	10,276,000	4,322,000
Total cash and cash equivalents	**24,506,229**	19,483,927	12,427,775
Certificates of deposit	**1,221,000**	7,465,000	18,368,000
Available-for-sale securities	**3,281,387**	3,585,680	626,016
Bank stock, at cost	**363,582**	358,082	284,850
Loans held-for-sale	**1,273,409**	478,000	6,258,320
Loans receivable, net	**87,950,155**	80,981,620	73,688,227
Accrued interest receivable	**278,351**	259,235	243,256
Other real estate owned	**-**	72,000	-
Premises and equipment, net	**4,550,324**	4,485,331	4,237,377
Bank owned life insurance	**2,620,410**	2,534,498	-
Prepaid expenses	**182,784**	171,890	129,008
Other assets	**172,528**	148,164	108,679
TOTAL ASSETS	**$ 126,400,159**	$ 120,023,427	$ 116,371,508
LIABILITIES AND STOCKHOLDERS' EQUITY			
Liabilities			
Deposits			
Demand	**$ 32,010,497**	$ 26,760,437	$ 24,539,281
Savings	**73,084,965**	67,651,580	67,383,498
Time	**8,737,079**	14,128,914	14,323,395
Total deposits	**113,832,541**	108,540,931	106,246,174
Line of credit	**2,306,417**	2,100,000	1,875,000
Accrued interest payable and other liabilities	**173,829**	157,325	159,521
Total liabilities	**116,312,787**	110,798,256	108,280,695
Stockholders' equity			
Common stock, $100 par value; 300,000 shares authorized, 99,925 shares issued 2015, 97,335 issued 2014 and 2013; 95,108, 91,122 and 91,837 outstanding, respectively	**9,992,500**	9,733,500	9,733,500
Additional paid-in capital	**10,451**	71,071	71,071
Treasury stock, at cost, 4,817, 6,213 and 5,498 shares	**(491,496)**	(829,412)	(731,693)
Accumulated other comprehensive income (loss)	**(24,454)**	38,106	124
Retained earnings (deficit)	**600,371**	211,906	(982,189)
Total stockholders' equity	**10,087,372**	9,225,171	8,090,813
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 126,400,159**	$ 120,023,427	$ 116,371,508

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

RELATIONSHIP FINANCIAL CORP.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013

	2015	2014	2013
Interest and dividend income			
Loans, including fees	$ 4,550,059	$ 4,191,045	$ 4,050,488
Investment securities	52,192	60,255	8,303
Dividend income	18,050	8,718	15,951
Federal funds sold	21,099	13,781	10,099
Deposits in other financial institutions	33,020	105,509	125,640
Other investments	36,310	19,239	14,144
Total interest and dividend income	4,710,730	4,398,547	4,224,625
Interest expense			
Deposits	249,731	348,675	368,551
Federal funds purchased	-	-	29
Other	76,586	65,610	61,151
Total interest expense	326,317	414,285	429,731
Net interest income	4,384,413	3,984,262	3,794,894
Provision for loan losses	194,430	29,000	199,000
Net interest income after provision for loan losses	4,189,983	3,955,262	3,595,894
Noninterest income			
Service charges on deposits	65,636	65,250	69,054
Loan processing origination fees	381,167	2,299,738	5,815,728
Other	565,743	590,789	794,480
Total noninterest income	1,012,546	2,955,777	6,679,262
Noninterest expenses			
Salaries and employee benefits	1,951,208	3,048,775	5,676,903
Occupancy expenses	446,931	491,694	667,523
Data and check processing	519,427	438,706	343,019
Advertising and contributions	88,617	237,242	792,741
Professional and exam fees	202,457	229,101	159,247
Insurance and assessment	143,221	154,282	155,085
Loan processing office expenses	-	307,051	272,958
Communication and office expenses	274,877	324,000	484,174
Network monitoring expenses	202,502	206,655	247,750
Loss on sale of other real estate owned	9,035	-	24,254
Gain on sale of securities	(75,081)	-	-
Other expenses	366,814	279,438	352,047
Total noninterest expenses	4,130,008	5,716,944	9,175,701
Net income	1,072,521	1,194,095	1,099,455
Other comprehensive income (loss)			
Unrealized gain (loss) on securities	(62,560)	37,982	(2,203)
COMPREHENSIVE INCOME	$ 1,009,961	$ 1,232,077	$ 1,097,252

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

RELATIONSHIP FINANCIAL CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013

	Common Stock	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit)	Total Stockholders' Equity
BALANCE, JANUARY 1, 2013	$ 9,733,500	$ 71,071	$ (8,768)	$ 2,327	$ (2,081,644)	$ 7,716,486
Change in unrealized loss on securities	-	-	-	(2,203)	-	(2,203)
Purchase of treasury stock	-	-	(747,925)	-	-	(747,925)
Sale of treasury stock	-	-	25,000	-	-	25,000
Net income	-	-	-	-	1,099,455	1,099,455
BALANCE, DECEMBER 31, 2013	9,733,500	71,071	(731,693)	124	(982,189)	8,090,813
Purchase of treasury stock	-	-	(97,719)	-	-	(97,719)
Change in unrealized gain on securities	-	-	-	37,982	-	37,982
Net income	-	-	-	-	1,194,095	1,194,095
BALANCE, DECEMBER 31, 2014	9,733,500	71,071	(829,412)	38,106	211,906	9,225,171
Purchase of treasury stock	-	-	**(2,583,850)**	-	-	**(2,583,850)**
Sale of treasury stock	-	-	**2,921,766**	-	**(202,021)**	**2,719,745**
Issuance of common stock for warrants	**259,000**	**(60,620)**	-	-	-	**198,380**
Change in unrealized loss on securities	-	-	-	**(62,560)**	-	**(62,560)**
Distributions	-	-	-	-	**(482,035)**	**(482,035)**
Net income	-	-	-	-	**1,072,521**	**1,072,521**
BALANCE, DECEMBER 31, 2015	**$ 9,992,500**	**$ 10,451**	**$ (491,496)**	**$ (24,454)**	**$ 600,371**	**$ 10,087,372**

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

RELATIONSHIP FINANCIAL CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013

	2015	2014	2013
Cash flows from operating activities			
Net income	**$ 1,072,521**	$ 1,194,095	$ 1,099,455
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation and amortization	**247,285**	204,060	210,871
Provision for loan losses	**194,430**	29,000	199,000
Amortization of premiums and discounts in securities	**2,762**	(11,451)	14,956
Income from bank owned life insurance	**(36,843)**	(36,843)	-
Loss on sale of other real estate owned	**9,035**	-	24,254
Changes in operating assets and liabilities:			
Loans held-for-sale	**(795,409)**	5,780,320	7,621,363
Accrued interest receivable	**(19,116)**	(15,979)	(23,136)
Prepaid expenses	**(10,894)**	(42,882)	132,512
Other assets	**(51,631)**	(44,775)	67,315
Accrued interest payable and other liabilities	**16,504**	(2,195)	(34,054)
Net cash from operating activities	**628,644**	7,053,350	9,312,536
Cash flows from investing activities			
Net change in certificates of deposit	**6,244,000**	10,903,000	(1,947,485)
Purchases of available-for-sale securities	**(2,979,816)**	(3,339,511)	(30,000,000)
Proceeds from sale of securities	**2,820,993**	-	-
Proceeds from maturities and principal paydowns of securities	**397,794**	429,280	30,500,801
Purchase of bank owned life insurance	**(49,069)**	(2,497,655)	-
Purchases of premises and equipment	**(285,011)**	(446,725)	(122,386)
Proceeds from sale of other real estate owned	**74,965**	-	88,035
Purchases of bank stock	**(5,500)**	(73,232)	(33,150)
Change in loans receivable, net of principal collections	**(7,174,965)**	(7,394,393)	(11,611,751)
Net cash from investing activities	**(956,609)**	(2,419,236)	(13,125,936)
Cash flows from financing activities			
Net change in demand deposits and savings accounts	**10,683,445**	2,489,238	9,082,200
Net change in time deposits	**(5,391,835)**	(194,481)	(1,500,956)
Net change in borrowings	**206,417**	225,000	725,000
Purchase of treasury stock	**(2,583,850)**	(97,719)	(747,925)
Sales of treasury stock	**2,719,745**	-	25,000
Distributions	**(482,035)**	-	-
Issuance of common stock for warrants	**198,380**	-	-
Net cash from financing activities	**5,350,267**	2,422,038	7,583,319
Net change in cash and cash equivalents	**5,022,302**	7,056,152	3,769,919
Cash and cash equivalents at beginning of year	**19,483,927**	12,427,775	8,657,856
Cash and cash equivalents at end of year	**$ 24,506,229**	$ 19,483,927	$ 12,427,775
Supplemental information:			
Interest paid	**$ 333,833**	$ 349,696	$ 370,944
Noncash transactions:			
Unrealized (gain) loss on securities	**$ 62,560**	$ (37,982)	$ 2,203
Transfer of loans to other real estate owned	**$ 12,000**	$ 72,000	$ -

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

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Relationship Financial Corp. (the "Company") is a bank holding company headquartered in Kerrville, Texas which provides services through its wholly-owned subsidiary, Guadalupe National Bank (the "Bank"). Guadalupe National Bank is a full-service commercial bank offering a wide-range of products and services and currently operates two branches. In 2014, the Bank closed its five loan production offices in the states of Kansas and Missouri. As of December 2015, the Bank had one loan production office in Fredericksburg, Texas. It is the policy of the Bank, consistent with safe and sound banking operations, to meet the deposit and credit needs of the entire community and not to purposefully exclude or discriminate against any area of the community. The Bank's primary deposit products are savings, demand deposits and certificates of deposit. The Bank also offers money market accounts. Its primary lending products are real estate and commercial loans. The Bank also offers treasury management products including internet banking and cash management services.

Basis of Presentation – The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) and with general practices within the banking industry. All significant intercompany accounts and transactions have been eliminated.

Basis of Consolidation – The consolidated financial statements include the accounts of Relationship Financial Corp. and the Bank. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant estimates include, but are not limited to, allowance for loan losses, useful lives used in depreciation, the assessment of fair value for loans held-for-sale, and valuation of real estate acquired in connection with foreclosures or in satisfaction of loans.

Cash and Cash Equivalents – Cash and cash equivalents include cash, due from banks, and federal funds sold. Generally, the Company considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

Federal Funds Sold and Purchased – Federal funds transactions involve lending (federal funds sold) or borrowing (federal funds purchased) of immediately available reserve balances. Usually, the federal funds transactions are for one day or overnight borrowing and lending. In addition, agreements may include rollover provisions. As of December 31, 2015, 2014 and 2013, the Bank had no federal funds purchased and had $1,372,000, $10,276,000, and $4,322,000 respectively, of federal funds sold.

Investment Securities – The Company reviews its financial position, liquidity, and future plans in evaluating the criteria for classifying investment securities. Debt securities are classified as follows:

- **Held-to-Maturity Securities** – 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. The Company held no held-to-maturity securities as of December 31, 2015, 2014 or 2013.

- **Available-for-Sale Securities** – Available-for-sale securities consist of bonds, notes, debentures, and certain equity securities not classified as trading securities or as held-to-maturity securities. Unrealized holding gains and losses, net of tax, on available-for-sale securities are reported as a net amount in a separate component of stockholders' equity until realized.

Gains and losses on the sale of available-for-sale securities are determined using the specific-identification method. Declines in the fair value of individual available-for-sale securities below their cost that are other-than-temporary result in write-downs of the individual securities to their fair value. The related write-downs are included in earnings as realized losses. Premiums and discounts are recognized in interest income using the interest method over the period to maturity.

Loans Held-For-Sale – Included in this category are loans which the Company has the current intent to sell and loans which are available to be sold in the event that the Company determines that loans should be sold to support the Company's investment and liquidity objectives, as well as to support its overall asset and liability management strategies. Loans included in this category for which the Company has the current intention to sell are recorded at the lower of aggregate cost or fair value.

Loans Receivable – Loans that 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 amounts and net of any deferred fees or costs on originated loans. Loans are considered past due or delinquent based on the contractual terms in the loan agreement and how recently repayments have been received. Interest income is recognized based upon principal amounts outstanding. The accrual of interest on a loan is discontinued when, in the opinion of management, there is doubt about the ability of the borrower to pay interest or principal. Interest previously accrued but uncollected on such loans is reversed and charged against current income. Subsequent interest collected on such loans is credited to loan principal if, in the opinion of management, collectability of principal is doubtful; otherwise, the interest collected is recognized as income and resumption of interest accruals may occur. Loans are charged-off as uncollectible when, in the opinion of management, collectability of principal is improbable.

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. The amount of the allowance is based on management's evaluation of the collectability of the loan portfolio, including the nature of the portfolio, credit concentrations, trends in historical loss experience, specific impaired loans and economic conditions. Allowances for impaired loans are generally determined based on collateral values or the present value of estimated cash flows. Because of uncertainties associated with regional economic conditions, collateral values, and future cash flows on impaired loans, it is reasonably possible that management's estimate of credit losses inherent in the loan portfolio and the related allowance may change materially in the near-term. 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. Management's periodic evaluation of the adequacy of the allowance is based on the current level of net loan losses, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, and current economic conditions.

Other Real Estate Owned (OREO) – OREO consists of properties acquired through a foreclosure proceeding or acceptance of a deed in lieu of foreclosure. These properties are carried at the lower of cost or fair market value based on appraisal value less estimated sales costs. Loan losses arising from the acquisition of such properties are charged against the allowance for loan losses; subsequent valuation adjustments are charged to expense, and the basis of the properties is reduced accordingly. These properties are not held for the production of income and, therefore, are not depreciated. Significant improvements to increase resale value are capitalized and added to the value of the property.

Premises and Equipment – Land is carried at cost. Bank premises and leasehold improvements, furniture and equipment are carried at cost, less accumulated depreciation computed principally by the straight-line method over the estimated useful lives ranging from three to twenty years. Maintenance and repairs which do not extend the life of banking premises and equipment are charged to expense.

Bank Owned Life Insurance – Bank owned life insurance is carried at the aggregate cash surrender value of life insurance policies owned where the Company is the beneficiary. Increases in the cash surrender value derived from crediting rates for underlying insurance policies is credited to noninterest income in other income. The Company's surrender value of these life insurance policies at December 31, 2015 and 2014 was $2,620,410 and $2,534,498, respectively. There were no life insurance policies as of December 31, 2013.

Income Taxes – The Company's stockholders have elected to have the Company's income taxed as an S corporation under provisions of the Internal Revenue Code. Therefore, taxable income or loss is reported to the individual stockholders for inclusion in their respective tax returns and no provision for federal income taxes is included in these financial statements. The provision for income taxes included in other expenses on the consolidated statements of income and comprehensive income is for state income taxes only. Accrued interest and penalties associated with uncertain tax positions are recognized as part of the income tax provision. The Company had no uncertain tax provisions for 2015, 2014 or 2013.

State Margin Taxes – This tax applies to legal entities conducting business in Texas, Kansas and Missouri, including previously nontaxable entities such as limited partnerships and limited liability partnerships. The tax is calculated by applying a tax rate to a base that considers both revenues and expenses and, therefore, has the characteristics of an income tax. The Company recorded $18,754, $39,650, and $21,638 in state income tax for 2015, 2014 and 2013, respectively, which are included in noninterest expenses as other expenses in the consolidated statements of income and comprehensive income.

Fair Values of Financial Instruments – Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. A three-level fair value hierarchy prioritizes the inputs used to measure fair value:

- **Level 1** – Quoted prices in active markets for identical assets or liabilities includes certain U.S. Treasury and other U.S. Government agency debt that is highly liquid and are actively traded in over-the-counter markets.

- **Level 2** – Inputs other than Level 1 that are observable, either directly or indirectly, 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 for substantially the full term of the assets or liabilities.

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

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The Company uses fair value to measure certain assets and liabilities on a recurring and nonrecurring basis.

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

Advertising Costs – Advertising costs are expensed as incurred. The total advertising costs charged to expense for 2015, 2014 and 2013 were $28,203, $169,094, and $729,377, respectively, and are included in advertising and contributions expense in the consolidated statements of income and comprehensive income.

Concentration of Credit Risk – Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and cash equivalents. At times, the Company maintains deposits in federally insured financial institutions in excess of federally insured limits. Management monitors the credit ratings and concentration of risk with these financial institutions on a continuing basis to safeguard cash deposits.

Reclassification – Certain reclassifications of prior year amounts have been made to conform with the current year presentation, none of which were considered material to the Company's financial statements.

Recent Accounting Pronouncements – The Company has implemented all new accounting pronouncements and does not believe there are any new pronouncements that have been issued that may have a material impact on the financial statements.

NOTE 2 – RESTRICTIONS ON CASH AND DUE FROM BANKS

The Company is required to maintain reserve funds in cash or on deposit with the Federal Reserve Bank. At December 31, 2015, 2014 and 2013, the reserve balances amounted to $643,000, $714,000, and $450,000, respectively.

NOTE 3 – AVAILABLE-FOR-SALE SECURITIES

Available-for-sale securities have been classified in the consolidated balance sheets according to management's intent at December 31, 2015, 2014 and 2013. All securities are valued using Level 2 inputs. The carrying amount of securities and their approximate fair values at December 31 were as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2015				
Municipal securities	**$ 322,215**	**$ 20**	**$ (223)**	**$ 322,012**
U.S. Treasury notes	**2,983,625**	**-**	**(24,250)**	**2,959,375**
Totals	**$ 3,305,840**	**$ 20**	**$ (24,473)**	**$ 3,281,387**
December 31, 2014				
Municipal securities	$ 577,358	$ 625	$ (738)	$ 577,245
Mortgaged-backed securities	2,970,216	38,219	-	3,008,435
Totals	$ 3,547,574	$ 38,844	$ (738)	$ 3,585,680
December 31, 2013				
Municipal securities	$ 625,892	$ 1,478	$ (1,354)	$ 626,016
Totals	$ 625,892	$ 1,478	$ (1,354)	$ 626,016

There were no available-for-sale securities sold during 2015, 2014 and 2013.

Securities in an unrealized loss position at December 31 are summarized below as to whether the security has been in a loss position for less than 12 months or more than 12 months:

	Less Than 12 Months		12 Months or More		Total	
Description of Securities	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
December 31, 2015						
Municipal securities	**$ 110,178**	**$ (28)**	**$ 100,987**	**$ (195)**	**$ 211,165**	**$ (223)**
U.S. Treasury notes	**2,959,375**	**(24,250)**	**-**	**-**	**2,959,375**	**(24,250)**
Total temporarily impaired securities	**$ 3,069,553**	**$ (24,278)**	**$ 100,987**	**$ (195)**	**$ 3,170,540**	**$ (24,473)**
December 31, 2014						
Municipal securities	$ 111,592	$ (300)	$ 101,519	$ (438)	$ 213,111	$ (738)
Total temporarily impaired securities	$ 111,592	$ (300)	$ 101,519	$ (438)	$ 213,111	$ (738)
December 31, 2013						
Municipal securities	$ -	$ -	$ 101,379	$ (1,354)	$ 101,379	$ (1,354)
Total temporarily impaired securities	$ -	$ -	$ 101,379	$ (1,354)	$ 101,379	$ (1,354)

The unrealized losses on the Company's investments were due primarily to interest rate fluctuations during 2015, and 2014 and 2013. Because the Company has the ability and intent to hold these investments until a recovery of fair value, which may be maturity, and that the decline in market value is due to interest rates and not credit quality, the Company does not consider these investments to be other-than-temporarily impaired at December 31, 2015, 2014 and 2013. The scheduled maturities of available-for-sale securities at December 31, 2015 were as follows:

	Available-for-Sale Securities	
	Amortized Cost	Fair Value
Due in one year or less	$ 221,033	$ 221,025
Due from one year to five years	3,084,807	3,060,362
Totals	$ 3,305,840	$ 3,281,387

No securities were pledged as of December 31, 2015, 2014 and 2013.

NOTE 4 – LOANS RECEIVABLE

As of December 31, the components of loans receivable in the consolidated balance sheets were as follows:

	2015	**Percent**	2014	Percent	2013	Percent
Real estate	**$ 68,195,640**	**76.4%**	$ 60,580,221	73.8%	$ 51,365,050	68.7%
Commercial	**14,206,785**	**15.9%**	13,901,214	16.9%	13,461,094	18.0%
Construction	**2,511,295**	**2.8%**	2,276,718	2.8%	3,277,047	4.4%
Consumer and other	**4,368,934**	**4.9%**	5,354,612	6.5%	6,714,162	9.0%
Subtotal	**89,282,654**	**100.0%**	82,112,765	100.0%	74,817,353	100.0%
Less: allowance for loan losses	**(1,332,499)**		(1,131,145)		(1,129,126)	
Net loans	**$ 87,950,155**		$ 80,981,620		$ 73,688,227	

As of December 31, 2015, 2014 and 2013, a majority of the Company's loan customers were located in Texas.

Allowance for Loan Losses and Recorded Investment in Loans – The following is a summary of the allowance for loan losses and recorded investment in loans as of December 31:

	Real Estate	Commercial	Construction	Consumer and Other	Total
December 31, 2015					
Allowance for loan losses					
Ending balance: individually evaluated for impairment	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Ending balance: collectively evaluated for impairment	**752,283**	**292,983**	**137,424**	**149,809**	**1,332,499**
Totals	**$ 752,283**	**$ 292,983**	**$ 137,424**	**$ 149,809**	**$ 1,332,499**
Loans					
Ending balance: individually evaluated for impairment	**$ 213,100**	**$ -**	**$ -**	**$ -**	**$ 213,100**
Ending balance: collectively evaluated for impairment	**67,982,540**	**14,206,785**	**2,511,295**	**4,368,934**	**89,069,554**
Totals	**$ 68,195,640**	**$ 14,206,785**	**$ 2,511,295**	**$ 4,368,934**	**$ 89,282,654**
December 31, 2014					
Allowance for loan losses					
Ending balance: individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -
Ending balance: collectively evaluated for impairment	633,013	284,359	98,590	115,183	1,131,145
Totals	$ 633,013	$ 284,359	$ 98,590	$ 115,183	$ 1,131,145
Loans					
Ending balance: individually evaluated for impairment	$ 2,965,336	$ -	$ -	$ -	$ 2,965,336
Ending balance: collectively evaluated for impairment	57,614,885	13,901,214	2,276,718	5,354,612	79,147,429
Totals	$ 60,580,221	$ 13,901,214	$ 2,276,718	$ 5,354,612	$ 82,112,765

	Real Estate	Commercial	Construction	Consumer and Other	Total
December 31, 2013					
Allowance for loan losses					
Ending balance: individually evaluated for impairment	$ 8,277	$ 21,721	$ -	$ 536	$ 30,534
Ending balance: collectively evaluated for impairment	768,788	179,031	49,654	101,119	1,098,592
Totals	$ 777,065	$ 200,752	$ 49,654	$ 101,655	$ 1,129,126
Loans					
Ending balance: individually evaluated for impairment	$ 627,056	$ 1,645,490	$ -	$ 40,610	$ 2,313,156
Ending balance: collectively evaluated for impairment	50,737,994	11,815,604	3,277,047	6,673,552	72,504,197
Totals	$ 51,365,050	$ 13,461,094	$ 3,277,047	$ 6,714,162	$ 74,817,353

There were no loans acquired with deteriorated credit as of December 31, 2015.

The following is a summary of activities for the allowance for loan losses for December 31:

	2015	2014	2013
Allowance for credit losses:			
Beginning balance	**$ 1,131,145**	$ 1,129,126	$ 938,966
Provision	**194,430**	29,000	199,000
Charge-offs			
Commercial	**-**	(21,485)	-
Consumer and other	**(411)**	(5,946)	(9,060)
Total charge-offs	**(411)**	(27,431)	(9,060)
Recoveries			
Consumer and other	**7,335**	450	220
Total recoveries	**7,335**	450	220
Ending balance	**$ 1,332,499**	$ 1,131,145	$ 1,129,126

In addition to the allowance for loan losses, the Company may also estimate probable losses related to unfunded lending commitments. Unfunded lending commitments are subject to individual reviews and are analyzed and segregated by risk according to the Company's internal risk rating scale. These risk classifications, in conjunction with an analysis of historical loss experience, current economic conditions, performance trends within specific portfolio segments and any other pertinent information, result in the estimation of the reserve for unfunded lending commitments. As of December 31, 2015, 2014 and 2013, the Company had no allowance for unfunded lending commitments.

Nonperforming Assets – Loans are considered to be nonperforming when a loan is greater than 90 days delinquent. Loans that are 90 days or more past due may still accrue interest if they are well-secured and in the process of collection. Payment activity is reviewed by management on a monthly basis to determine the performance of each loan.

The following table presents an aging analysis of the recorded investment of past due loans as of December 31, 2015:

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Financing Receivables	Recorded Investment > 90 Days and Accruing
Real estate	$ 96,000	$ 112,198	$ -	$ 208,198	$ 67,987,442	$ 68,195,640	$ -
Commercial	5,709	-	38,771	44,480	14,162,305	14,206,785	-
Construction	-	-	-	-	2,511,295	2,511,295	-
Consumer and other	16,371	2,808	-	19,179	4,349,755	4,368,934	-
Totals	$ 118,080	$ 115,006	$ 38,771	$ 271,857	$ 89,010,797	$ 89,282,654	$ -

The Company had no past due loans over 30 days at December 31, 2014. At December 31, 2013, the Company had one consumer loan past due over 30 days with an outstanding balance of approximately $1,000.

The Company had no nonperforming assets and no nonaccrual loans at December 31, 2014. The Company had no nonperforming assets and one real estate nonaccrual loan at December 31, 2013 with a balance of $17,682. The Company had two OREO properties at December 31, 2014, valued at $72,000, which is less than 0.1% of total assets. The Company had no OREO properties at December 31, 2015 or 2013.

Credit Quality Indicators – The following table represents the credit exposure by internally assigned grades at December 31. This grading analysis estimates the capability of the borrower to repay the contractual obligations of the loan agreements in accordance with the loan terms. The Company's internal credit risk grading system is based on management's experiences with similarly graded loans. Credit risk grades are reassessed each quarter based on any recent developments potentially impacting the creditworthiness of the borrower, as well as other external statistics and factors, which may affect the risk characteristics of the respective loan.

The Company's internally assigned grades are as follows:

- **Pass** – Strong credit with no existing or known potential weaknesses deserving of management's close attention.
- **Special Mention** – Potential weaknesses that deserve management's close attention. Borrower and guarantor's capacity to meet all financial obligations is marginally adequate or deteriorating.
- **Substandard** – Inadequately protected by the paying capacity of the borrower and/or collateral pledged. The borrower or guarantor is unwilling or unable to meet loan terms or loan covenants for the foreseeable future.
- **Doubtful** – All the weakness inherent in a loan classified as substandard with the added characteristic that those weaknesses in place make the collection or liquidation in full, on the basis of current conditions, highly questionable and improbable.
- **Loss** – Considered uncollectible or no longer a bankable asset. This classification does not mean that the asset has absolutely no recoverable value. In fact, a certain salvage value is inherent in these loans. Nevertheless, it is not practical or desirable to defer writing off a portion or whole of a perceived asset even though partial recovery may be collected in the future.

	Real Estate	Commercial	Construction	Consumer and Other	Total
December 31, 2015					
Grade					
Pass	**$ 67,918,968**	**$ 14,186,963**	**$ 2,511,295**	**$ 4,368,934**	**$ 88,986,160**
Special mention	**-**	**-**	**-**	**-**	**-**
Substandard	**276,672**	**19,822**	**-**	**-**	**296,494**
Totals	**$ 68,195,640**	**$ 14,206,785**	**$ 2,511,295**	**$ 4,368,934**	**$ 89,282,654**
December 31, 2014					
Grade					
Pass	$ 57,614,885	$ 13,901,214	$ 2,276,718	$ 5,354,612	$ 79,147,429
Special mention	266,878	-	-	-	266,878
Substandard	2,698,458	-	-	-	2,698,458
Totals	$ 60,580,221	$ 13,901,214	$ 2,276,718	$ 5,354,612	$ 82,112,765
December 31, 2013					
Grade					
Pass	$ 49,519,819	$ 13,461,094	$ 3,277,047	$ 6,246,236	$ 72,504,196
Special mention	305,330	-	-	467,926	773,256
Substandard	1,539,901	-	-	-	1,539,901
Totals	$ 51,365,050	$ 13,461,094	$ 3,277,047	$ 6,714,162	$ 74,817,353

There were no loans assigned to the doubtful or loss grade as of December 31, 2015, 2014 and 2013.

Impaired Loans – Impaired loans include the recorded investment and unpaid principal balances for loans deemed impaired along with the associated allowance amount, if applicable. Management determines the specific allowance based on the present value of expected future cash flows, discounted at the loan's effective interest rate, except when the remaining source of repayment for the loan is the operation or liquidation of the collateral. In those cases, the current fair value of the collateral, less selling costs, is used to determine the specific allowance recorded. When the ultimate collectability of the total principals of an impaired loan is in doubt and the loan is on nonaccrual status, all payments are applied to principal, under the cost recovery method.

When the ultimate collectability of the total principal of an impaired loan is not in doubt and the loan is on nonaccrual status, contractual interest is credited to interest income when received, under the cash basis method. The average balances are calculated based on the month-end balances of the financing receivables of the period reported.

During 2015, no interest income was recognized on these loans subsequent to their classification as impaired. Furthermore, the Company stopped accruing interest on these loans on the date they were classified as nonaccrual, reversed any uncollected interest that had been accrued as income and began recognizing interest income only as cash interest payments are received.

The Company had no impaired loans as of December 31, 2015, 2014 and 2013.

NOTE 5 – LONG-TERM INVESTMENT

The Company has acquired stock in three banks. The carrying value for the stock at December 31, 2015 for the Federal Reserve Bank, Federal Home Loan Bank (FHLB), and FarmerMac are $303,000, $48,150, and $12,432, respectively. The carrying value for the stock at December 31, 2014 for the Federal Reserve Bank, FHLB, and FarmerMac are $298,650, $47,000 and $12,432, respectively. As of December 31, 2013, the Company owned Federal Reserve Bank stock of $284,850. Bank stock is accounted for using the cost basis of accounting. The Company is required to maintain minimum levels of Federal Reserve Bank stock based on various factors including the amount of mortgage assets and the Bank's total assets. As a result, the Bank is required to periodically purchase Federal Reserve Bank stock to meet these requirements.

NOTE 6 – PREMISES AND EQUIPMENT

Components of premises and equipment included in the consolidated balance sheets at December 31 were as follows:

	2015	2014	2013
Land	**$ 653,026**	$ 653,026	$ 653,026
Land improvements	**111,667**	-	-
Building and leasehold improvements	**3,507,724**	3,422,853	3,352,843
Construction in progress	**39,638**	204,452	-
Vehicles	**51,863**	51,863	-
Furniture and fixtures	**378,611**	347,452	320,792
Equipment	**435,861**	286,892	234,220
Computer hardware	**516,366**	456,677	415,609
Landscaping	**117,175**	114,964	114,964
Total cost	**5,811,931**	5,538,179	5,091,454
Less: accumulated depreciation	**(1,261,607)**	(1,052,848)	(854,077)
Net premises and equipment	**$ 4,550,324**	$ 4,485,331	$ 4,237,377

Depreciation and amortization expense was $247,285, $204,060, and $210,871 as of December 31, 2015, 2014 and 2013, respectively.

NOTE 7 – MATURITIES OF TIME DEPOSITS

Following are maturities of time deposits at December 31, 2015:

Maturity	Amount
One year or less	$ 5,493,187
Over one year through three years	1,756,636
Over three years	1,487,256
Total	$ 8,737,079

At December 31, 2015, 2014 and 2013, the Company had approximately $1,156,048, $1,857,000, and $702,000 in time deposits $250,000, respectively, and over. At December 31, 2015, approximately $403,000 matures within one year.

Interest expense on time certificates of deposit and other time deposits in denominations of $250,000 or more amounted to approximately $5,250, $18,000, and $2,000 for 2015, 2014 and 2013, respectively.

NOTE 8 – OTHER BORROWINGS

At December 31, 2015, the Company had availability of $5,500,000 from a federal funds line available from a correspondent financial institution, subject to the terms of the related agreement.

At December 31, 2014 and 2013, the Company had availability of $4,500,000 from a federal funds line available from a correspondent financial institution, subject to the terms of the related agreement.

At December 31, 2015, 2014 and 2013, the Company had availability of $4,000,000 from a line of credit from a correspondent financial institution, of which $2,306,417, $2,100,000 and $1,875,000 was outstanding as of December 31, 2015, 2014 and 2013, respectively.

NOTE 9 – FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

In the normal course of business, the Company has outstanding commitments to extend credit and standby letters of credit, which are not included in the accompanying financial statements. The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit and standby letters of credit is represented by the contractual or notional amount of those instruments. The Company uses the same credit policies in making commitments as it does for instruments that are included in the consolidated balance sheets.

Financial instruments whose contract amounts represent off-balance-sheet credit risk are as follows:

	Contract Amount 2015	Contract Amount 2014	Contract Amount 2013
Commitments to extend credit	**$ 3,517,860**	$ 5,838,292	$ 5,761,284
Standby letters of credit	**$ 141,000**	$ 141,000	$ -

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. Collateral held varies and may include accounts receivable, inventory, property and equipment, and income-producing commercial properties.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third-party. Standby letters of credit generally have fixed expiration dates or other termination clauses and may require payment for a fee. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company's policy for obtaining collateral, and the nature of such collateral, is essentially the same as that involved in making commitments to extend credit.

NOTE 10 – 401(K) PLAN

Effective January 1, 2008, the Company adopted a 401(k) plan. The plan covers all employees who have met certain service and age requirements. Employees may contribute a portion of their salary to the plan on a tax deferred basis. In addition, the Company may make discretionary matching and profit sharing contributions in an amount determined by the Board of Directors. There were no employer matching contributions for 2015, 2014 or 2013.

NOTE 11 – COMMITMENTS AND CONTINGENT LIABILITIES

In the ordinary course of business, the Company may have various outstanding commitments and contingent liabilities. As of December 31, 2015, 2014 and 2013, management was not aware of any material commitments or contingent liabilities requiring accrual or disclosure, other than those disclosed within these financial statements.

NOTE 12 – LEASES

The Company has one lease that expires in 2017 for an office in Fredericksburg, Texas. Rent expense under the operating lease was $18,683, $57,746, and $190,354 for 2015, 2014 and 2013, respectively. Future minimum rental commitments under the noncancelable operating lease are as follows:

For the Year Ending December 31,	Amount
2016	$ 22,200
2017	14,800
Total	$ 37,000

NOTE 13 – SALARY CONTINUATION PLAN

The Company maintains a salary continuation plan with two executive officers and accrues the respective costs over the periods to retirement for each participant. The deferred liability related to these agreements as of December 31, 2015 and 2014 was approximately $53,000 and $29,000, respectively. The Company did not have a deferred liability related to these agreements at December 31, 2013.

NOTE 14 – REGULATORY MATTERS

The Company 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, which if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines involving 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.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of total risk-based capital and Tier 1 capital to risk-weighted assets, and Tier 1 capital to average assets. Management believes, as of December 31, 2015, 2014 and 2013, that the Bank meets all capital adequacy requirements to which it is subject.

The Bank is also subject to certain restrictions on the amount of dividends that they may declare without prior regulatory approval. As of December 31, 2015, 2014 and 2013, the Bank was categorized as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank will have to maintain minimum total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios as disclosed in the table below. There are no conditions or events that management believes have changed the Bank's prompt corrective action category.

The Bank's actual and required capital amounts and ratios are as follows:

	Actual		For Capital Adequacy Purposes		To be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2015 (in thousands)						
Total Capital (to Risk-Weighted Assets)	**$ 13,214**	**14.13%**	**$ 7,483**	**≥8.00%**	**$ 9,353**	**≥10.00%**
Tier I Capital (to Risk-Weighted Assets)	**$ 12,043**	**12.88%**	**$ 3,741**	**≥4.00%**	**$ 5,612**	**≥6.00%**
Common Equity Tier 1 Capital (to Risk-Weighted Assets)	**$ 12,043**	**12.88%**	**$ 4,209**	**≥4.50%**	**$ 6,080**	**≥6.50%**
Tier I Capital (to Average Assets)	**$ 12,043**	**10.07%**	**$ 4,785**	**≥4.00%**	**$ 5,981**	**≥5.00%**
As of December 31, 2014 (in thousands)						
Total Capital (to Risk-Weighted Assets)	$ 11,602	13.76%	$ 6,745	≥8.00%	$ 8,431	≥10.00%
Tier I Capital (to Risk-Weighted Assets)	$ 10,764	12.77%	$ 3,372	≥4.00%	$ 5,059	≥6.00%
Tier I Capital (to Average Assets)	$ 10,764	9.18%	$ 4,689	≥4.00%	$ 5,861	≥5.00%

	Actual		For Capital Adequacy Purposes		To be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2013 (in thousands)						
Total Capital (to Risk-Weighted Assets)	$ 10,898	14.47%	$ 6,026	≥8.00%	$ 7,533	≥10.00%
Tier I Capital (to Risk-Weighted Assets)	$ 9,954	13.21%	$ 3,013	≥4.00%	$ 4,520	≥6.00%
Tier I Capital (to Average Assets)	$ 9,954	8.52%	$ 4,675	≥4.00%	$ 5,844	≥5.00%

NOTE 15 – RELATED PARTY TRANSACTIONS

The Company has entered into transactions with its executive officers, directors, significant stockholders, and their affiliates (related parties). Fees and bonuses paid to directors for 2015, 2014 and 2013 were $76,260, $58,100, and $20,700, respectively. Deposits from related parties held by the Company at December 31, 2015, 2014 and 2013 amounted to $8,627,992, $4,647,974 and $1,152,270, respectively.

The aggregate amount of loans to such parties at December 31 was as follows:

	2015	2014	2013
Outstanding at beginning of period	**$ 4,043,047**	$ 3,268,308	$ 3,132,517
New loans and advances	**3,064,692**	1,553,860	1,124,490
Repayments on loans	**(406,073)**	(779,121)	(988,699)
Loans outstanding at December 31	**$ 6,701,666**	$ 4,043,047	$ 3,268,308

In management's opinion, such loans and other extensions of credit and deposits were made in the ordinary course of business and were made on substantially the same terms (including interest rates and collateral) as those prevailing at the time for comparable transactions with other persons. Further, in management's opinion, these loans did not involve more than normal risk of collectability or present other unfavorable features.

NOTE 16 – FAIR VALUES OF FINANCIAL INSTRUMENTS

The following table sets forth by level, within the fair value hierarchy, the Company's assets at fair value as follows at December 31:

	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Fair Value
December 31, 2015				
Available-for-sale securities				
Recurring basis				
Mortgage-backed securities and municipal securities	**$ -**	**$ 3,281,387**	**$ -**	**$ 3,281,387**
Loans held-for-sale	**-**	**1,273,409**	**-**	**1,273,409**
Totals	**$ -**	**$ 4,554,796**	**$ -**	**$ 4,554,796**
December 31, 2014				
Available-for-sale securities				
Recurring basis				
Mortgage-backed securities and municipal securities	$ -	$ 3,585,680	$ -	$ 3,585,680
Loans held-for-sale	-	478,000	-	478,000
Nonrecurring basis				
Other real estate owned	-	-	72,000	72,000
Totals	$ -	$ 4,063,680	$ 72,000	$ 4,135,680
December 31, 2013				
Available-for-sale securities				
Recurring basis				
U.S. Government agency and municipal securities	$ -	$ 626,016	$ -	$ 626,016
Loans held-for-sale	-	6,258,320	-	6,258,320
Totals	$ -	$ 6,884,336	$ -	$ 6,884,336

The following table presents estimated fair values of the Company's financial instruments for December 31:

	2015 (in thousands)		2014 (in thousands)		2013 (in thousands)	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets						
Cash and noninterest-bearing due from banks	$ 7,626	$ 7,626	$ 7,616	$ 7,616	$ 6,608	$ 6,608
Interest-bearing due from banks	15,508	15,793	1,592	1,610	1,497	1,497
Federal funds sold	1,372	1,372	10,276	10,276	4,322	4,322
Available-for-sale securities	3,281	3,281	3,586	3,622	626	626
Bank stock, at cost	364	364	358	358	285	285
Loans held-for-sale	1,273	1,273	478	478	6,258	6,258
Loans receivable, net	87,950	91,207	80,982	82,671	73,688	74,995
Other real estate owned	-	-	72	72	-	-
Financial liabilities						
Demand deposits	$ 32,010	$ 32,010	$ 26,760	$ 26,760	$ 24,539	$ 24,539
Savings deposits	73,085	73,085	67,652	67,652	67,383	67,383
Time deposits	8,737	8,683	14,129	14,201	14,323	14,556

Methods and assumptions used to estimate the fair value of each class of financial instruments are discussed below. There have been no changes in the methodologies used at December 31, 2015, 2014 and 2013.

Cash and Noninterest-Bearing Due From Banks, Interest-Bearing Due From Banks, Federal Funds Sold and Federal Reserve Bank Stock – The carrying amount approximates fair value.

Securities Available-for-Sale – Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include highly liquid government bonds, mortgage products and exchange-traded equities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows.

Level 2 securities include certain collateralized mortgage and debt obligations and certain municipal securities. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy and include certain residual municipal securities and other less liquid securities.

Other Real Estate Owned – Real estate acquired by foreclosure is recorded at the fair value of the property, but not greater than its loan amount, less any selling costs, as applicable, at the time of foreclosure. If necessary, carrying amounts are reduced to reflect the value through charges to the allowance for possible credit losses upon foreclosure. Subsequent to foreclosure, real estate is carried at the lower of its new cost basis or fair value based on property appraisals less estimated costs, which include both observable and unobservable inputs, at the time of transfer and as appropriate thereafter.

Loans Held-For-Sale – Loans held-for-sale relate to loans purchased under the Correspondent Lender Agreement with a third-party. These are fair valued under Level 2 based on quotes of comparable instruments.

Loans Receivable – Loans are generally not recorded at fair value on a recurring basis. Periodically, the Company records nonrecurring adjustments to the carrying value of loans based on fair value measurements for loans subject to impairment. The valuation of fair value for impaired loans is typically determined using a combination of observable inputs, such as interest rates, contract terms, appraisals of collateral supporting the loan and recent comparable sales of similar properties, and unobservable inputs such as creditworthiness, selling costs and underlying cash flows associated with the loan. Since the estimates of fair value utilized for loans also involve unobservable inputs, valuations of loans have been classified as Level 3. As of December 31, 2015, 2014 and 2013, the Company had no impaired loans.

Deposits – Deposits include demand deposits, savings accounts, NOW accounts and certain money market deposits. The carrying amount approximates fair value. The fair value of fixed-maturity time deposits is estimated using a discounted cash flow calculation that applies the rates currently offered for deposits of similar remaining maturities.

The fair values of certain of these instruments were calculated by discounting expected cash flows, which involves significant judgments by management, and uncertainties. Fair value is the estimated amount at which financial assets or liabilities could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Because no market exists for certain of these financial instruments and because management does not intend to sell these financial instruments, the Company does not know whether the fair values shown represent values at which the respective financial instruments could be sold individually or in the aggregate.

NOTE 17 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 23, 2016, the date the financial statements were available to be issued.

In January 2016, the Board approved and paid a dividend to all shareholders of record as of December 31, 2015. The dividend totaled $433,275 or approximately $4.56 per share. Payments to shareholders were based on the weighted-average shares owned during the calendar year.