Board of Governors of the Federal Reserve System

Annual Report of Holding Companies—FR Y-6

MAR 29 2016

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

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

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

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

I, Elliott Garsek
Name of the Holding Company Director and Official

Chairman of the Board
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.

Elliott Garsek, Chairman of Board
Signature of Holding Company Director and Official

03/28/2016
Date of Signature

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

- [x] is included with the FR Y-6 report
- [ ] will be sent under separate cover
- [ ] is not prepared

For Federal Reserve Bank Use Only

RSSD ID 3716151
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

Liberty Bancshares, Inc.
Legal Title of Holding Company

3880 Hulen Street, Suite 100
(Mailing Address of the Holding Company) Street / P.O. Box

Fort Worth	TX	76107
City	State	Zip Code

Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Veronica Watkins	CFO/EVP
Name	Title

817-479-1053
Area Code / Phone Number / Extension

817-605-3120
Area Code / FAX Number

vwatkins@libertydfw.com
E-mail Address

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

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

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

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

AMENDED
AUG 31 2016

FORM FR Y-6 ITEM 1 & 2a
LIBERTY BANCSHARES, INC
Fiscal Year Ending December 31, 2015

(1) The bank holding company prepares an annual report for its shareholders. A copy is enclosed.

(2)(a) Organization Chart

State of Incorporation: Texas

Liberty Bancshares, Inc.
Fort Worth, TX
USA

100%

Liberty Bank
Hurst, TX
USA

No entitiy has a LEI number as stated in the cover page.

FORM FR Y-6 ITEM 2b
LIBERTY BANCSHARES, INC
Fiscal Year Ending December 31, 2015

Results: A list of branches for your depository institution: LIBERTY BANK (ID_RSSD: 708164).
This depository institution is held by LIBERTY BANCSHARES, INC. (3716151) of FORT WORTH, TX.
The data are as of 12/31/2015. Data reflects information that was received and processed through 01/07/2016.

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

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

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

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

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

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

Data Action	Effective Date	Branch Service Type	Branch ID_RSSD*	Popular Name	Street Address	City	State	Zip Code	County	Country	FDIC UNINUM*	Office Number*	Head Office	Head Office ID_RSSD*	Comments
OK		Full Service (Head Office)	708164	LIBERTY BANK	860 AIRPORT FREEWAY, SUITE 100	HURST	TX	76054-326	TARRANT	UNITED STATES	Not Required	Not Required	LIBERTY BANK	708164	
OK		Full Service	3880744	SUMMIT BRANCH	3880 HULEN STREET	FORT WORTH	TX	76107	TARRANT	UNITED STATES	489678	6	LIBERTY BANK	708164	
OK		Full Service	3682546	WESTSIDE BRANCH	2424 MERRICK STREET	FORT WORTH	TX	76107-502	TARRANT	UNITED STATES	477904	5	LIBERTY BANK	708164	
OK		Full Service	4253587	DAVIS BRANCH	6330 DAVIS BOULEVARD	NORTH RICHLAND HILLS	TX	76180	TARRANT	UNITED STATES	Not Required	Not Required	LIBERTY BANK	708164	
Ok		Full Service	2541114	NORTH RICHLAND HILLS BOULEVARD 26 BRANCH	7001 BOULEVARD 26	NORTH RICHLAND HILLS	TX	76180	TARRANT	UNITED STATES	340791	2	LIBERTY BANK	708164	

Form FR Y-6 ITEM 3
Liberty Bancshares, Inc
Fiscal Year Ending Decmeber 31, 2015

Report Item 3: Securities holders
(1)(a)(b)© and (2)(a)(b)©

Current securites holder with ownership, control or holdings of 5% or more with power to vote as of fiscal year ending 12-31-2015			Current securites holder not listed in 3(1)(a) through 3(1)© that had ownership, control or holding or 5% or more with power to vote during the fiscal year ending 12/31/2015		
(1)(a) Name, City, State, Country	(1)(b) County of Citizenship or incorporation	(1)(c) No. and percentage of Each class of voting securities	(2)(a) Name, City, State, Country	(2)(b) County of Citizenship or incorporation	(2)(c) No. and percentage of Each class of voting securities
B3 Capital Partners L.P. Attn: Martin C. Bowen Fort Worth, TX	USA	116,666 shares Voting Common 5.75%	NONE		
Gourley, W.J., III Trust c/o Richard A. Griffin, Trustee Fort Worth, TX	USA	237,043 shares Voting Common 11.69%			
Gourley, Gayle Trust c/o Richard A. Griffin, Trustee Fort Worth, TX	USA	341,342 shares Voting Common 16.83%			
Lott, Mary Theresa Trust c/o Richard A. Griffin, Trustee Fort Worth, TX	USA	369,787 shares Voting Common 18.23%			

Form FR Y-6 ITEM 4
Liberty Bancshares, Inc.
Fiscal Year Ending December 31. 2015

(1)(a) Name, City, State, Country	(2) Principal Occupation	(3)(a) Title & Position with BHC	(3)(b) Title & Position with Subsidiaries	(3)(c) Title & Position with Other Business	(4)(a) Percentage of Voting Shares in BHC	(4)(b) Percentage of Voting Shares in Subsidiaries	(4)(c) List of Names of other Companies
Richard Griffin - Trustee Gourley, W.J., III Trust Fort Worth, TX , USA	Investment Manager	Principal Shareholder	Richard Griffin - Trustee Gourley, W.J., III Trust	Richard Griffin - Trustee Gourley, W.J., III Trust	11.69%	None	N/A
Richard Griffin - Trustee Gourley, Gayle Trust Fort Worth, TX, USA	Investment Manager	Principal Shareholder	Richard Griffin - Trustee Gourley, Gayle Trust	Richard Griffin - Trustee Gourley, Gayle Trust	16.83%	None	N/A
Richard Griffin - Trustee Lott, Mary Theresa Trust Fort Worth, TX, USA	Investment Manager	Principal Shareholder	Richard Griffin - Trustee Lott, Mary Theresa Trust	Richard Griffin - Trustee Lott, Mary Theresa Trust	18.23%	None	N/A
Martin C. Bowen (shares owned by B3 Capital Partners L.P.) Fort Worth, TX, USA	Investments	Principal Shareholder, Director	Director Liberty Bank	Vice President/CFO Thru Line, LP Fort Worth, TX	5.75%	None	N/A
Elliott Garsek Fort Worth, TX, USA	Attorney	Director, Chairman & President	Director Liberty Bank	Counsel at Barlow Garsek & Simon, LLP (law firm)	2.51%	None	BGL Series, LLC (d/b/a B & G Leasing) 80%, BGL SERIES, LLC - CE Series 33 1/3%
Ronald Goldman Fort Worth, TX, USA	Investments	Director	Director Liberty Bank	President, Ronnie's	1.60%	None	Ronnie's LLC 99%
Jay Lesok Fort Worth, TX, USA	Mortgage Portfolio Management & Property Management	Director	Director Liberty Bank	President CFS Financial and Kosel Investments, Inc.	1.68%	None	CFS Financial 100% Kosel Investments Inc 50% Jentex Financial Inc 50% Cratex, Inc. 50%
Bob G. Scott Fort Worth, TX, USA	Financial Consulting	Director, Secretary & Treasurer	Director Liberty Bank	N/A	1.31%	None	N/A
Larry Hilcher (shares owned through LLMH Investments and Hilcher Family Income Trust Mansfield, TX, USA	Investments	Director	Director Liberty Bank	President Hilcher Holdings	2.12%	None	N/A
Richard Griffin Fort Worth, TX, USA	Investment Manager	Director	Director Liberty Bank	CEO Mercantile Partners L.P.	1.15%	None	N/A
Matt Speight Colleyville, TX, USA	Construction	Director	Director Liberty Bank	President, Speight Construction, LLC	1.54%	None	Speight Construction 35%, LLC., SAM 114 50%, LLC, 901 Clinic, Ltd. 100%, CEMS Real Estate Holdings, LLC. 50%, MJ Texas Real Estate Holdings, LLC 50%.
Brian Randolph Grapevine, TX, USA	Investment Manager	Director	Director Liberty Bank	President of Mercantile Partners, L.P	N/A	None	N/A
Don Waters North Richland Hills, TX, USA	N/A	Director	Director, Chairman & President Liberty Bank	N/A	0.59%	None	N/A
Laura Miller Fort Worth, TX, USA	N/A	N/A	Market President Liberty Bank	N/A	0.21%	None	N/A
Mike Rigby North Richland Hills, TX, USA	N/A	N/A	Market President Liberty Bank	N/A	0.18%	None	N/A
Norman David Moore Fort Worth, TX, USA	N/A	N/A	Market President Liberty Bank	N/A	N/A	None	N/A
Gary Green Fort Worth, TX, USA	N/A	N/A	Market President Liberty Bank	N/A	N/A	None	N/A
Veronica Watkins Fort Worth, TX, USA	N/A	N/A	CFO/EVP Liberty Bank	N/A	N/A	None	N/A

AMENDED
AUG 31 2016

LIBERTY BANCSHARES, INC.
AND SUBSIDIARY
FORT WORTH, TEXAS

AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION

DECEMBER 31, 2015 AND 2014

CONTENTS

Stovall Grandey & Allen LLP

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Fort Worth, Texas
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders
of Liberty Bancshares, Inc.
Fort Worth, Texas

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Liberty Bancshares, Inc. and Subsidiary as of December 31, 2015 and 2014 and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The other financial information on pages 43-44 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Stovall, Grandey & Allen, LLP

STOVALL, GRANDEY & ALLEN, L.L.P.
Fort Worth, Texas
February 23, 2016

LIBERTY BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2015 AND 2014

	2015	2014
ASSETS		
Cash and due from banks - Note 3	$ 7,351,661	$ 6,692,071
Interest-bearing deposits with other banks	41,161,055	24,171,525
Federal funds sold	854,000	-
Total cash and cash equivalents	49,366,716	30,863,596
Securities available-for-sale - Note 4	46,363,582	40,792,797
Other investments - Note 2	1,498,100	1,444,400
Loans, net - Note 5	298,842,539	281,775,854
Bank premises and equipment, net - Note 6	6,440,439	6,789,149
Goodwill - Note 7	12,917,734	12,917,734
Other intangible assets, net - Note 7	282,507	804,059
Accrued interest receivable	1,154,990	1,045,033
Other real estate	2,640,564	1,791,150
Other assets	1,849,943	1,367,306
Total Assets	$ 421,357,114	$ 379,591,078
LIABILITIES		
Deposits - Note 9:		
Noninterest-bearing	$ 117,871,838	$ 102,233,555
Interest-bearing	252,139,826	227,887,891
Total deposits	370,011,664	330,121,446
Note payable - Note 10	5,925,000	-
Federal income tax - deferred - Note 8	421,142	392,616
Accrued interest payable	152,177	110,258
Accrued expenses and other liabilities	1,484,383	1,405,913
Total Liabilities	377,994,366	332,030,233
Commitments and contingencies - Notes 11, 13, 14, 17 and 18		
SHAREHOLDERS' EQUITY - Notes 19, 20, 21 and 22		
Preferred stock - par value $1 per share; liquidation value $1,000 per share; 5,000,000 shares authorized:		
Preferred Series A, -0- and 6,500 shares issued and outstanding at December 31, 2015 and 2014, respectively	-	6,500,000
Preferred Series B, -0- and 196 shares issued and outstanding at December 31, 2015 and 2014, respectively	-	196,000
Common stock - voting, par value $1 per share; 15,000,000 shares authorized; 2,028,378 shares issued and outstanding	2,028,378	2,028,378
Additional paid-in capital	35,795,237	35,759,546
Retained earnings	5,343,166	2,724,542
Accumulated other comprehensive income, net of tax	195,967	352,379
Total Shareholders' Equity	43,362,748	47,560,845
Total Liabilities and Shareholders' Equity	$ 421,357,114	$ 379,591,078

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

LIBERTY BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
Interest income		
Interest and fees on loans	$ 15,047,580	$ 14,493,697
Interest on investment securities:		
Taxable	939,663	1,016,931
Exempt from federal income tax	205,509	187,810
Interest on federal funds sold and interest-bearing deposits with financial institutions	65,492	22,063
Total interest income	16,258,244	15,720,501
Interest expense		
On deposits	1,660,736	1,437,532
On borrowings	225,147	13,023
Total interest expense	1,885,883	1,450,555
Net interest income	14,372,361	14,269,946
Provision for loan losses - Note 5	-	413,895
Net interest income after provision for loan losses	14,372,361	13,856,051
Non-interest income		
Service charges on deposit accounts	914,365	925,573
Other real estate rental income	386,846	482,802
Net gain on sales of other real estate	5,864	1,917
Earnings on bank-owned life insurance	29,885	30,002
Other	64,970	110,182
Total non-interest income	1,401,930	1,550,476
Non-interest expense		
Salaries and employee benefits	6,374,797	6,350,112
Occupancy	974,919	949,748
Furniture and equipment	581,008	629,856
FDIC insurance	240,938	251,743
Amortization of core deposit intangibles	521,552	521,552
Data processing	642,798	725,187
Professional fees	308,946	268,686
ATM fees	139,508	137,167
Writedowns of other real estate	157,000	-
Other real estate expenses	440,309	435,260
Other	1,376,431	1,249,951
Total non-interest expense	11,758,206	11,519,262
Income before federal income tax	4,016,085	3,887,265
Federal income tax - Note 8	1,341,306	1,309,507
Net Income	$ 2,674,779	$ 2,577,758

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

LIBERTY BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
Net Income	$ 2,674,779	$ 2,577,758
Other comprehensive income (loss), net of tax		
Securities available-for-sale:		
Change in net unrealized gain (loss) during the year, net of tax	(156,412)	756,165
Reclassification adjustment for gains included in net income, net of tax	-	-
Other comprehensive income (loss), net of tax	(156,412)	756,165
Comprehensive Income	$ 2,518,367	$ 3,333,923

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

LIBERTY BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Preferred Stock Series A	Preferred Stock Series B	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at January 1, 2014	$ 6,460,800	$ 196,000	$ 2,028,378	$ 35,703,687	$ 528,624	$ (403,786)	$ 44,513,703
Preferred stock dividends					(342,640)		(342,640)
Discount accretion on Series A	39,200				(39,200)		-
Stock-based compensation				55,859			55,859
Comprehensive income for the year ended December 31, 2014					2,577,758	756,165	3,333,923
Balance at December 31, 2014	6,500,000	196,000	2,028,378	35,759,546	2,724,542	352,379	47,560,845
Preferred stock dividends					(56,155)		(56,155)
Repurchase of preferred stock	(6,500,000)	(196,000)					(6,696,000)
Stock-based compensation				35,691			35,691
Comprehensive income (loss) for the year ended December 31, 2015					2,674,779	(156,412)	2,518,367
Balance at December 31, 2015	$ -	$ -	$ 2,028,378	$ 35,795,237	$ 5,343,166	$ 195,967	$ 43,362,748

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

LIBERTY BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 2,674,779	$ 2,577,758
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	-	413,895
Depreciation and amortization	443,694	498,351
Net premium amortization on investment securities	304,314	229,868
Amortization of core deposit intangible	521,552	521,552
Stock-based compensation	35,691	55,859
Deferred tax expense	112,749	198,207
Net gain on sales of other real estate	(5,864)	(1,917)
Writedowns on other real estate	157,000	-
Earnings on bank-owned life insurance	(29,885)	(30,002)
Increase in accrued interest receivable	(109,957)	(50,381)
(Increase) decrease in prepaid and other assets	(453,771)	351,393
Increase in accrued interest payable	41,919	23,968
Increase (decrease) in accrued expenses and other liabilities	78,470	(604,457)
Total adjustments	1,095,912	1,606,336
Net Cash Provided by Operating Activities	3,770,691	4,184,094
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investment securities available-for-sale	(196,117,328)	(199,999,940)
Principal payments on investment securities available-for-sale	7,691,595	5,786,883
Maturities and calls of investment securities available-for-sale	182,310,000	201,000,000
Redemptions (purchases) of FHLB and FRB stock	(53,100)	173,630
Increase in loans made to customers, net of principal collections	(18,643,901)	(24,601,949)
Purchases of premises and equipment	(94,566)	(143,587)
Cash proceeds from sales of other real estate	576,666	462,386
Net Cash Used by Investing Activities	(24,330,634)	(17,322,577)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in demand deposits, interest-bearing transaction accounts and savings	23,293,565	22,482,627
Net increase in certificates of deposit	16,596,653	17,706,311
Proceeds from note payable	6,500,000	-
Repayments of principal on note payable	(575,000)	-
Repurchase of preferred stock	(6,696,000)	-
Net decrease in other borrowings	-	(3,492,605)
Net decrease in federal funds purchased	-	(1,000,000)
Dividends paid on Preferred Stock Series A and B	(56,155)	(342,640)
Net Cash Provided by Financing Activities	39,063,063	35,353,693
Net increase in cash and cash equivalents	18,503,120	22,215,210
Cash and cash equivalents at beginning of year	30,863,596	8,648,386
Cash and cash equivalents at end of year	$ 49,366,716	$ 30,863,596
SUPPLEMENTAL DISCLOSURES		
Interest paid	$ 1,843,964	$ 1,426,587
Federal income taxes paid	1,193,000	1,837,817
Acquisition of foreclosed properties	1,577,216	-
Bank financed sales of foreclosed properties	-	1,500,000

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

Note 1 History and Nature of Operations

History

Texas American Acquisition Group, Inc., a Texas Corporation ("TAAG"), was formed September 11, 2007, for the purpose of acquiring all of the stock of Liberty Bank of Hurst, Texas. On August 15, 2008, the name of the Corporation was changed to Liberty Bancshares, Inc. at which time it completed the acquisition of 100% of the outstanding stock of Liberty Bank.

Nature of Operations

The Corporation provides a full range of banking services to individual and corporate customers primarily in Tarrant County. The Corporation has five locations in the Metroplex. As a state member bank, the Bank is regulated by the State of Texas Banking Department and the Federal Reserve Bank. The Corporation is also subject to regulation by the Federal Reserve Bank.

Note 2 Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated balance sheets include the accounts of Liberty Bancshares, Inc. (Corporation) and its wholly owned subsidiary, Liberty Bank (Bank). These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and practices within the banking industry. All significant intercompany transactions and balances have been eliminated upon consolidation.

Use of Estimates

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

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

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

Note 2 Summary of Significant Accounting Policies, continued

Use of Estimates, continued

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

Cash Equivalents and Cash Flows

For the purpose of reporting in the Statements of Cash Flows, cash and cash equivalents include cash on hand, amounts due from banks, interest-bearing deposits with initial maturity less than 90 days and federal funds sold. The Corporation reports net cash flows from customer loan and deposit transactions.

Securities Available-for-Sale

The Corporation accounts for investment securities according to authoritative guidance issued by the Financial Accounting Standards Board (FASB). Available-for-sale securities consist of bonds, notes and debentures not classified as trading securities nor as held-to-maturity securities. The Corporation intends to hold securities classified as available-for-sale for an indefinite period of time, but not necessarily to maturity. Any decision to sell a security classified as available-for-sale would be based on various factors, including movement in interest rates, changes in the maturity or re-pricing mix of the Corporation's assets and liabilities, liquidity needs, regulatory capital considerations and other similar factors.

Securities available-for-sale are carried at fair value with unrealized holding gains and losses reported as a separate component of other comprehensive income. Realized gains and losses are included in other income or expense on the trade date, and when applicable, are reported as a reclassification adjustment in other comprehensive income. Gains and losses on the sales of available-for-sale securities are determined using the specific identification method. Premiums and discounts are recognized in interest income using the interest method over the period to maturity or the call date.

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

Note 2 Summary of Significant Accounting Policies, continued

Federal Home Loan Bank (FHLB) Stock

At December 31, 2015 and 2014, the Corporation had $193,100 and $140,500, respectively, recorded as investment in Federal Home Loan Bank (FHLB) stock. The Corporation, as a member of the FHLB system, is required to maintain an investment in capital stock of FHLB in an amount equal to: 3.5% of advances outstanding plus the greater of 5% of the outstanding balance of loans sold to FHLB or .5% of mortgage loans as of prior year end. The recorded amount of FHLB stock equals its fair value because the shares can only be redeemed by FHLB at $100 per share par value. The stock is classified as a restricted investment carried at cost and evaluated annually for impairment. No impairment loss was recorded for the years ended December 31, 2015 or 2014.

Federal Reserve Bank (FRB) Stock

The Corporation became a member of the Federal Reserve System during 2013 and is required to maintain an investment in capital stock of the FRB. The Corporation's investment in FRB stock was $1,305,000 at December 31, 2015 and $1,303,900 at December 31, 2014. The stock is classified as a restricted investment carried at cost and evaluated annually for impairment. No impairment loss was recorded for the years ended December 31, 2015 or 2014.

Loans

Loans are stated at the principal amount outstanding less unearned discount, deferred loan fees and the allowance for loan losses. Unearned discounts on installment loans are recognized as income over the term of the loan using a method that approximates the interest method. Interest income on all other loans is recognized based upon the 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 earned, but uncollected on such loans, is reversed from income. All payments collected on such loans are applied to reduce the principal balance. Interest is not recorded as income until the principal is paid in full or until such time as the loan is returned to an accrual status. Past due status is determined based on contractual terms.

Allowance for Loan Losses

The allowance for loan losses is comprised of amounts charged against income in the form of the provision for loan losses, less charged-off loans, net of recoveries. Loans are charged against the allowance for loan losses when management believes that collection of the principal is unlikely. Subsequent recoveries, if any, are credited to the allowance for loan losses.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

Note 2 Summary of Significant Accounting Policies, continued

Allowance for Loan Losses, continued

The allowance consists of specific, general and unallocated components. The specific component relates to loans that are classified as doubtful, substandard or special mention. For such loans that are also classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers non-impaired loans and is based on historical loss experience adjusted for qualitative factors. An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

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

A provision for loan losses is charged against income and is added to the allowance for loan losses based on regular assessments of the loan portfolio. The allowance for loan losses is allocated to certain loan categories based on the relative risk characteristics, asset classifications and actual loss experience of the loan portfolio. While management has allocated the allowance for loan losses to various loan portfolio segments, the allowance is general in nature and is available for the loan portfolio in its entirety.

The ultimate recovery of all loans is susceptible to future market factors beyond the Corporation's control. These factors may result in losses or recoveries differing significantly from those provided in the consolidated financial statements. In addition, periodically, regulatory agencies review the Corporation's allowance for loan losses as an integral part of their examination process, and may require the Corporation to make additions to the allowance based on their judgment about information available to them at the time of their examination.

Fees and Costs Associated with Originating Loans

Generally fee income associated with originating loans is deferred over the term of the loan while origination costs are recognized as expense in the period in which the costs were incurred. Under generally accepted accounting principles such fees and costs generally are deferred and recognized over the life of the loan as an adjustment of yield. For the years ended December 31, 2015 and 2014, management believes that not deferring such costs and amortizing them over the life of the related loans does not materially affect the financial position or results of operations of the Corporation.

Note 2 Summary of Significant Accounting Policies, continued

Accounting for Mortgage Servicing Rights

Loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balances of loans serviced for others were $368,224 and $816,201 at December 31, 2015 and 2014, respectively. Servicing loans for others generally consists of collecting payments, maintaining escrow accounts, disbursing payments to investors and foreclosure processing.

The FASB has issued authoritative guidance which requires the Corporation to recognize the financial and servicing assets it controls and the liabilities it has incurred, and to derecognize financial assets when control has been surrendered and liabilities when extinguished. It further requires that servicing assets and other retained interests in the transferred assets be measured by allocating the previous carrying amount between the assets sold and the retained interests based on their relative fair values at the date of transfer. During 2015 and 2014, the fees and costs associated with originated mortgage servicing rights were recorded to income and charged to expense, respectively, as collected and incurred. Management believes the Corporation's retained servicing rights generally provides for a normal profit margin, and therefore the effect of not recording a servicing right asset and related liability would not be material to the Corporation's financial statements.

Bank Premises and Equipment

Bank premises, furniture and equipment, and leasehold improvements are carried at cost, less accumulated depreciation and amortization computed using the straight-line method. Maintenance and repairs are charged to operating expenses. Renewals and betterments are added to the asset accounts and depreciated over the periods benefited. Depreciable assets sold or retired are removed from the asset and related accumulated depreciation accounts and any gain or loss is reflected in the income and expense accounts. These assets are reviewed for impairment when events indicate their carrying value may not be recoverable. If management determines impairment exists, the asset is reduced with an offsetting charge to expense.

Other Real Estate

Other real estate is foreclosed property held pending disposition and is initially recorded at fair value less estimated selling costs when acquired, establishing a new cost basis. At foreclosure, if the fair value of the real estate acquired less estimated selling costs is less than the Corporation's recorded investment in the related loan, a writedown is recognized through a charge to the allowance for loan losses. Costs of significant property improvements are capitalized, whereas costs relating to holding property are expensed. Valuations are periodically performed by management, and any subsequent writedowns are recorded as a charge to income, if necessary, to reduce the carrying value of the property to its fair value less estimated selling costs. Sales of other real estate are accounted for according to authoritative guidance issued by the FASB.

Income Taxes

Income taxes are provided for the tax effects of the transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the tax and financial reporting of goodwill and core deposit intangibles, the allowance for loan losses, deferred compensation, and depreciation.

Note 2 Summary of Significant Accounting Policies, continued

Income Taxes, continued

The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. The deferred tax provision represents the difference between the net deferred tax asset/liability at the beginning and end of the year. Deferred tax assets and liabilities are reflected at income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

The Corporation and the Bank join in filing consolidated federal and state income tax returns. Taxes are paid by the Bank to the Corporation based on the separate taxable income of the Bank. The Companies maintain their records on the accrual basis of accounting for financial reporting and for income tax reporting.

In accordance with authoritative guidance issued by the FASB, the Corporation performed an evaluation to determine if there were any uncertain tax positions that would have an impact on the consolidated financial statements. No uncertain tax positions were identified. The December 31, 2012 through December 31, 2015 tax years remain subject to examination by the Internal Revenue Service. The Corporation does not believe that any reasonably possible changes will occur within the next 12 months which will have a material impact on the consolidated financial statements. The Corporation records incurred penalties and interest in other non-interest expense. There were no penalties and interest assessed by taxing authorities during 2015 and 2014.

Stock-Based Compensation

The Corporation has a stock-based compensation plan described more fully in Note 21. The Corporation adopted authoritative guidance issued by the FASB regarding stock-based compensation. As permitted by this guidance, the Corporation accounts for stock option awards using the calculated value method.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets acquired in business combinations under the purchase method of accounting. The Corporation has adopted authoritative guidance issued by the FASB which eliminates amortization of goodwill associated with business combinations completed after September 30, 2001. Goodwill is periodically assessed for impairment when events or circumstances indicate that the carrying value of the asset may not be recoverable. The Corporation bases its evaluation on such impairment factors as the nature of the assets, the future economic benefit of the assets, any historical or future profitability measurements, as well as other external market conditions or factors that may be present. See Note 7 – Goodwill and Other Intangible Assets.

Note 2 Summary of Significant Accounting Policies, continued

Intangibles and Other Long-Lived Assets

Intangible assets are acquired assets that lack physical substance but can be distinguished from goodwill because of contractual or other legal rights or because the asset is capable of being sold or exchanged either on its own or in combination with a related contract, asset or liability. The Corporation's intangible assets relate to core deposits. Intangible assets with definite useful lives are amortized on an accelerated basis over their estimated life. Intangible assets with indefinite useful lives are not amortized until their lives are determined to be definite. Intangible assets, premises and equipment and other long-lived assets are tested for impairment whenever events or changes in circumstances indicate the carrying amount of the assets may not be recoverable from future undiscounted cash flows. If impaired, the assets are recorded at fair value. See Note 7 – Goodwill and Other Intangible Assets.

Transfers of Financial Assets

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

Financial Instruments

The Corporation has not acquired or issued any derivative financial instruments.

In the ordinary course of business the Corporation has entered into certain off-balance-sheet financial instruments consisting of commitments to extend credit, commercial letters of credit and standby letters of credit. Such financial instruments are recorded in the financial statements when they are funded or related fees are incurred or received.

Comprehensive Income

The Corporation has adopted authoritative guidance issued by the FASB which establishes standards for reporting and display of comprehensive income and its components. The Corporation reports comprehensive income in the Statement of Comprehensive Income.

Advertising Costs

Advertising costs are expensed as incurred.

Note 2 Summary of Significant Accounting Policies, continued

Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet date but before the consolidated financial statements are available to be issued. The Corporation recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the consolidated financial statements. The Corporation's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before the consolidated financial statements are available to be issued. The Corporation has evaluated subsequent events from December 31, 2015 through February 23, 2016, the date the financial statements were available to be issued.

Reclassifications

Certain accounts have been reclassified in the 2014 consolidated financial statements to conform to the 2015 presentation.

New Accounting Standards

In January 2014, the FASB issued Accounting Standards Update (ASU) 2014-02, *Intangibles-Goodwill and Other (Topic 350) – Accounting for Goodwill, a consensus of the Private Company Council.* The amendments in this update allow non-public entities an accounting alternative for the subsequent measurement of goodwill. Non-public entities may elect to amortize goodwill on a straight-line basis over 10 years, or less than 10 years if the entity demonstrates that another useful life is more appropriate. An entity that elects the accounting alternative is further required to make an accounting policy election to test goodwill for impairment at either the entity level or the reporting unit level. Goodwill should be tested for impairment when a triggering event occurs that indicates that the fair value of an entity (or reporting unit) may be below its carrying amount. The accounting alternative, if elected, should be applied prospectively to goodwill existing as of the beginning of the period of adoption and new goodwill recognized in annual periods beginning after December 15, 2014. After evaluation, management has decided not to adopt this alternative for goodwill.

In January 2014, the FASB issued ASU 2014-04. *Receivables – Troubled Debt Restructurings by Creditors (Subtopic 310-40),* which amended its authoritative guidance related to residential real estate to clarify that an in substance repossession or foreclosure occurs, and a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon either (1) the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure or (2) the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. Additionally, the amendment requires interim and annual disclosure of both (1) the amount of foreclosed residential real estate property held by the creditor and (2) the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure according to local requirements of the applicable jurisdiction. This amendment became effective in 2015 and did not have a significant impact on the Corporation's consolidated financial statements.

Note 2 Summary of Significant Accounting Policies, continued

New Accounting Standards, continued

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This guidance is a comprehensive new revenue recognition standard that will supersede substantially all existing revenue recognition guidance. The new standard's core principle is that a corporation will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the corporation expects to be entitled in exchange for those goods or services. In doing so, corporations will need to use more judgement and make more estimates than under existing guidance. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. On July 9, 2015, the FASB agreed to delay the effective date of the standard by one year. Therefore, the new standard will be effective for annual reporting periods beginning after December 31, 2018. Implementation of this standard is not expected to have a significant impact on the Corporation's consolidated financial statements.

In August 2014, the FASB issued ASU 2014-14, *Receivables – Troubled Debt Restructurings by Creditors (Subtopic 310-40): Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure*. This guidance amended its authoritative guidance related to foreclosed home loans with government backed guarantees. The amendment requires lenders to measure the unpaid principal and interest they expect to recover through the loan guarantee. The loan should be removed from the lender's asset total and added to the balance sheet as a new receivable. The amendment became effective during 2015 and did not have a significant impact on the Corporation's consolidated financial statements.

In April 2015, FASB issued ASU 2015-03, *Interest – Imputation of Interest (Subtopic 835-30),* which amended its authoritative guidance related to debt issuance costs. The amendment requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the debt liability. However, the recognition and measurement guidance related to debt issuance costs is not affected by this amendment. The amendment is effective for annual and interim reporting periods beginning after December 15, 2015 and is to be applied on a retrospective basis. Early adoption is permitted. Implementation of this standard is not expected to have a significant impact on the Corporation's consolidated financial statement.

Note 3 Restriction on Cash and Due From Banks

Federal Reserve Board regulations require that the Corporation maintain reserve funds in cash or on deposit with the Federal Reserve Bank, based on a percentage of certain deposits. The required reserve at December 31, 2015 and 2014 was approximately $3,702,000 and $5,129,000, respectively.

Note 4 Investment Securities

Debt securities have been classified in the balance sheets according to management's intent. The amortized cost of investment securities and their approximate fair values at December 31, 2015 are as follows:

	December 31, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-Sale:				
US Government agencies	$ 2,000,000	$ 20	$ (1,780)	$ 1,998,240
Municipal bonds	9,992,421	190,450	(22,595)	10,160,276
Mortgage-backed securities	33,579,861	460,431	(338,252)	33,702,040
Collateralized mortgage obligations	489,812	13,290	(76)	503,026
Totals	$ 46,062,094	$ 664,191	$ (362,703)	$ 46,363,582

The balance sheet at December 31, 2015 reflects the fair value of available-for-sale securities. A net unrealized gain of $301,488 is included in the available-for-sale securities balance. The unrealized gain, net of tax, is included in shareholders' equity.

Debt securities have been classified in the balance sheets according to management's intent. The amortized cost of investment securities and their approximate fair values at December 31, 2014 are as follows:

	December 31, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-Sale:				
US Government agencies	$ 2,000,000	$ -	$ (22,473)	$ 1,977,527
Municipal bonds	7,964,029	141,723	(25,179)	8,080,573
Mortgage-backed securities	29,198,750	654,177	(243,084)	29,609,843
Collateralized mortgage obligations	1,087,896	36,958	-	1,124,854
Totals	$ 40,250,675	$ 832,858	$ (290,736)	$ 40,792,797

The balance sheet at December 31, 2014 reflects the fair value of available-for-sale securities. A net unrealized gain of $542,122 is included in the available-for-sale securities balance. The unrealized gain, net of tax, is included in shareholders' equity.

Note 4 Investment Securities, continued

The amortized cost and estimated fair value of debt securities at December 31, 2015, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Mortgage-backed securities and collateralized mortgage obligations are shown separately, since they are not due at a single maturity date.

	Available-for-Sale	
	Amortized Cost	Fair Value
Amounts Maturing:		
After one year to five years	$ 4,669,777	$ 4,664,790
After five years to ten years	5,360,556	5,473,301
After ten years	1,962,088	2,020,425
	11,992,421	12,158,516
Mortgage-backed securities	33,579,861	33,702,040
Collateralized mortgage obligations	489,812	503,026
Totals	$ 46,062,094	$ 46,363,582

There were no sales of securities during 2015 or 2014.

Investment securities with carrying values of approximately $5,538,000 and $1,745,000 at December 31, 2015 and 2014, respectively, were pledged to secure public deposits and for other purposes as required or permitted by law.

Unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, as of December 31, 2015 and 2014 are summarized as follows:

	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
December 31, 2015:						
Municipal bonds	$ 2,592,778	$ (12,981)	$ 560,667	$ (9,614)	$ 3,153,445	$ (22,595)
Federal agencies	14,368,483	(257,135)	4,674,098	(82,973)	19,042,581	(340,108)
Total	$ 16,961,261	$ (270,116)	$ 5,234,765	$ (92,587)	$ 22,196,026	$ (362,703)
December 31, 2014:						
Municipal bonds	$ 552,672	$ (1,090)	$ 551,492	$ (24,089)	$ 1,104,164	$ (25,179)
Federal agencies	-	-	12,963,190	(265,557)	12,963,190	(265,557)
Total	$ 552,672	$ (1,090)	$ 13,514,682	$ (289,646)	$ 14,067,354	$ (290,736)

Note 4 Investment Securities, continued

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Corporation to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

At December 31, 2015, the 24 debt securities with unrealized losses have depreciated 1.61% from their amortized cost basis. Most of these securities are guaranteed by the U.S. Government, a U.S. Government sponsored agency, or a state or political subdivision. These unrealized losses relate principally to current interest rates for similar types of securities. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition. As management has the ability to hold these debt securities until maturity or for the foreseeable future, no declines are deemed to be other-than-temporary.

Note 5 Loans and Allowance for Loan Losses

An analysis of loan categories at December 31, 2015 and 2014 is as follows:

	2015	2014
Commercial and agricultural loans	$ 59,379,094	$ 59,927,575
Real estate (RE) loans:		
Construction, land and land development	69,018,708	58,515,032
Residential 1-4 family	71,476,088	66,739,622
Commercial RE	98,103,912	95,467,067
Consumer and other loans	4,851,615	5,017,077
	302,829,417	285,666,373
Less: Unearned discount	(234)	(1,158)
Deferred loan fees	(216,223)	(208,684)
Total loans before allowance for loan losses	302,612,960	285,456,531
Allowance for loan losses	(3,770,421)	(3,680,677)
Loans, net	$298,842,539	$281,775,854

Included in consumer and other loans above are overdrawn deposit accounts totaling $44,488 and $280,988 at December 31, 2015 and 2014, respectively.

Note 5 Loans and Allowance for Loan Losses, continued

Transactions in the allowance for loan losses during 2015 are summarized as follows:

	Commercial and Agricultural	Construction, Land and Land Development	Residential Real Estate	Commercial Real Estate	Consumer and Other	Unallocated	2015 Total
Allowance for Loan Losses:							
Balance, beginning of year	$ 519,294	$ 460,359	$ 700,129	$ 782,191	$ 31,747	$ 1,186,957	$ 3,680,677
Provisions, charged or (credited) to income	(138,028)	9,791	(93,528)	(33,677)	4,988	250,454	-
	381,266	470,150	606,601	748,514	36,735	1,437,411	3,680,677
Loans charged-off	(114,675)	-	-	-	(1,954)	-	(116,629)
Recoveries of loans previously charged-off	194,620	-	10,476	-	1,277	-	206,373
Net (charge-offs) recoveries	79,945	-	10,476	-	(677)	-	89,744
Balance, end of year	$ 461,211	$ 470,150	$ 617,077	$ 748,514	$ 36,058	$ 1,437,411	$ 3,770,421
Ending balance: Individually evaluated for impairment	$ 37,278	$ -	$ 82,371	$ 39,066	$ 5,278	$ -	$ 163,993
Ending balance: Collectively evaluated for impairment	423,933	470,150	534,706	709,448	30,780	1,437,411	3,606,428
Balance, end of year	$ 461,211	$ 470,150	$ 617,077	$ 748,514	$ 36,058	$ 1,437,411	$ 3,770,421
Loans:							
Ending balance: Individually evaluated for impairment	$ 746,149	$ -	$ 599,996	$ 196,314	$ 26,455		$ 1,568,914
Ending balance: Collectively evaluated for impairment	58,632,945	69,018,708	70,876,092	97,907,598	4,825,160		301,260,503
Ending balance total loans	$ 59,379,094	$ 69,018,708	$ 71,476,088	$ 98,103,912	$ 4,851,615		$ 302,829,417

Note 5 Loans and Allowance for Loan Losses, continued

Transactions in the allowance for loan losses during 2014 are summarized as follows:

	Commercial and Agricultural	Construction, Land and Land Development	Residential Real Estate	Commercial Real Estate	Consumer and Other	Unallocated	2014 Total
Allowance for Loan Losses:							
Balance, beginning of year	$ 424,493	$ 309,240	$ 643,950	$ 758,160	$ 25,581	$ 1,463,625	$ 3,625,049
Provisions, charged or (credited) to income	418,297	151,119	66,656	44,928	9,563	(276,668)	413,895
	842,790	460,359	710,606	803,088	35,144	1,186,957	4,038,944
Loans charged-off	(331,664)	-	(10,477)	(20,897)	(3,447)	-	(366,485)
Recoveries of loans previously charged-off	8,168	-	-	-	50	-	8,218
Net charge-offs	(323,496)	-	(10,477)	(20,897)	(3,397)	-	(358,267)
Balance, end of year	$ 519,294	$ 460,359	$ 700,129	$ 782,191	$ 31,747	$ 1,186,957	$ 3,680,677
Ending balance: Individually evaluated for impairment	$ 101,321	$ -	$ 97,646	$ 65,792	$ -	$ -	$ 264,759
Ending balance: Collectively evaluated for impairment	417,973	460,359	602,483	716,399	31,747	1,186,957	3,415,918
Balance, end of year	$ 519,294	$ 460,359	$ 700,129	$ 782,191	$ 31,747	$ 1,186,957	$ 3,680,677
Loans:							
Ending balance: Individually evaluated for impairment	$ 787,601	$ -	$ 312,911	$ 1,750,061	$ 8,161		$ 2,858,734
Ending balance: Collectively evaluated for impairment	59,139,974	58,515,032	66,426,711	93,717,006	5,008,916		282,807,639
Ending balance total loans	$ 59,927,575	$ 58,515,032	$ 66,739,622	$ 95,467,067	$ 5,017,077		$ 285,666,373

Federal regulations require that the Corporation periodically evaluate the risks inherent in its loan portfolio. In addition, the Corporation's regulatory agencies have authority to identify problem loans and, if appropriate, require them to be reclassified. There are three classifications for problem loans: Substandard, Doubtful and Loss. Substandard loans have one or more defined weaknesses and are characterized by the distinct possibility that the Corporation will sustain some loss if the deficiencies are not corrected. Doubtful loans have the weaknesses of loans classified as "Substandard," with additional characteristics that suggest the weaknesses make collection or recovery in full after liquidation of collateral questionable on the basis of currently existing facts, conditions and values. There is a high possibility of loss in loans classified as "Doubtful." A loan classified as "Loss" is considered uncollectible and of such little value that continued classification of the credit as a loan is not warranted. If a loan or a portion thereof is classified as "Loss," it must be charged-off, meaning the amount of the loss is charged against the allowance for loan losses, thereby reducing that reserve. The Corporation also classifies some loans as "Watch" or "Other Assets Especially Mentioned" ("OAEM"). Loans classified as Watch are performing assets and classified as pass credits but have elements of risk that require more monitoring than other performing loans. Loans classified as OAEM are assets that continue to perform but have shown deterioration in credit quality and require close monitoring.

Note 5 Loans and Allowance for Loan Losses, continued

Loans by credit quality risk rating at December 31, 2015 and 2014 are as follows:

December 31, 2015:	Pass	Other Assets Especially Mentioned	Sub-Standard	Doubtful	Total
Commercial and agricultural loans	$ 58,607,944	$ 184,174	$ 586,976	$ -	$ 59,379,094
Real estate (RE) loans:					
Construction, land and land development	69,018,708	-	-	-	69,018,708
Residential 1-4 family	70,253,774	622,318	599,996	-	71,476,088
Commercial RE	97,181,526	63,165	859,221	-	98,103,912
Consumer and other loans	4,807,621	-	43,994	-	4,851,615
Subtotal	$299,869,573	$ 869,657	$ 2,090,187	$ -	302,829,417
Less: Unearned discount					(234)
Deferred loan fees					(216,223)
Total loans					$ 302,612,960
December 31, 2014:					
Commercial and agricultural loans	$ 58,295,002	$ -	$ 1,632,573	$ -	$ 59,927,575
Real estate (RE) loans:					
Construction, land and land development	58,186,559	-	328,473	-	58,515,032
Residential 1-4 family	65,618,420	437,350	683,852	-	66,739,622
Commercial RE	92,964,094	76,714	2,426,259	-	95,467,067
Consumer and other loans	5,008,048	-	9,029	-	5,017,077
Subtotal	$280,072,123	$ 514,064	$ 5,080,186	$ -	285,666,373
Less: Unearned discount					(1,158)
Deferred loan fees					(208,684)
Total loans					$ 285,456,531

The substandard loans at December 31, 2015 and 2014 have guarantees by the Small Business Administration (SBA) of $933,885 and $2,602,312, respectively.

Note 5 Loans and Allowance for Loan Losses, continued

An analysis of nonaccrual loans by category at December 31, 2015 and 2014 is as follows:

	2015	2014
Commercial and agricultural loans	$ 460,327	$ 544,885
Real estate (RE) loans:		
Residential 1-4 family	599,996	312,911
Commercial RE	-	1,541,941
Consumer	-	8,161
Total nonaccrual loans	$ 1,060,323	$ 2,407,898

At December 31, 2015 and 2014, a summary of information pertaining to impaired loans is as follows:

	Unpaid Contractual Principal Balance	Recorded Investment with No Allowance	Recorded Investment with Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment	Interest Income Recognized
December 31, 2015:							
Commercial and agricultural loans	$ 756,141	$ 436,705	$ 309,444	$ 746,149	$ 37,278	$ 766,875	$ 29,221
Real estate (RE) loans:							
Residential 1-4 family	629,291	374,597	225,399	599,996	82,371	456,454	8,804
Commercial RE	196,314	-	196,314	196,314	39,066	973,187	-
Consumer and other loans	26,455	-	26,455	26,455	5,278	17,308	-
Total	$ 1,608,201	$ 811,302	$ 757,612	$ 1,568,914	$ 163,993	$ 2,213,824	$ 38,025
December 31, 2014:							
Commercial and agricultural loans	$ 798,248	$ 135,100	$ 652,501	$ 787,601	$ 101,321	$ 1,056,721	$ 23,545
Real estate (RE) loans:							
Residential 1-4 family	325,000	-	312,911	312,911	97,646	561,235	-
Commercial RE	1,750,061	-	1,750,061	1,750,061	65,792	1,181,803	14,928
Consumer and other loans	8,468	8,161	-	8,161	-	8,392	-
Total	$ 2,881,777	$ 143,261	$ 2,715,473	$ 2,858,734	$ 264,759	$ 2,808,151	$ 38,473

At December 31, 2015, the Corporation is not committed to lend additional funds to borrowers whose loans are classified as impaired.

Note 5 Loans and Allowance for Loan Losses, continued

The restructuring of a loan is considered a "troubled debt restructuring" if both (i) the borrower is experiencing financial difficulties and (ii) the creditor has granted a concession. Concessions included on the contracts below are: (1) reworking multiple loans into one; (2) restructuring amortization schedules to reduce monthly payments; (3) extending amortization period; and (4) other actions intended to minimize potential losses. Troubled debt restructurings during 2015 and 2014 are set forth in the following tables. One commercial loan restructured in a prior year is on nonaccrual and is not in compliance with the restructured terms as of December 31, 2015 and 2014.

December 31, 2015:	Number of Contracts	Balance at Restructuring Date	Balance at December 31, 2015
Commercial	1	$ 159,173	$ 159,173
Consumer	1	26,532	26,455
		$ 185,705	$ 185,628

December 31, 2014:	Number of Contracts	Balance at Restructuring Date	Balance at December 31, 2014
Commercial	1	$ 74,076	$ 28,045
		$ 74,076	$ 28,045

The following table illustrates an age analysis of past due loans as of December 31, 2015:

	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	Recorded Investment 90 Days or More and Still Accruing
Commercial and agricultural loans	$ 83,612	$ 460,327	$ 543,939	$ 58,835,155	$ 59,379,094	$ -
Real estate (RE) loans:						
Construction, land and land development	-	-	-	69,018,708	69,018,708	-
Residential 1-4 family	66,706	374,597	441,303	71,034,785	71,476,088	-
Commercial RE	662,907	-	662,907	97,441,005	98,103,912	-
Consumer and other loans	165,409	-	165,409	4,686,206	4,851,615	-
Subtotal	$ 978,634	$ 834,924	$ 1,813,558	$ 301,015,859	302,829,417	$ -
Less: Unearned discount					(234)	
Deferred loan fees					(216,223)	
Total					$ 302,612,960	

Note 5 Loans and Allowance for Loan Losses, continued

The following table illustrates an age analysis of past due loans as of December 31, 2014:

	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	Recorded Investment 90 Days or More and Still Accruing
Commercial and agricultural loans	$ 52,307	$ 499,583	$ 551,890	$ 59,375,685	$ 59,927,575	$ -
Real estate (RE) loans:						
Construction, land and land development	755,000	-	755,000	57,760,032	58,515,032	-
Residential 1-4 family	427,937	60,585	488,522	66,251,100	66,739,622	-
Commercial RE	676,198	1,541,941	2,218,139	93,248,928	95,467,067	-
Consumer and other loans	22,999	8,161	31,160	4,985,917	5,017,077	-
Subtotal	$ 1,934,441	$ 2,110,270	$ 4,044,711	$ 281,621,662	285,666,373	$ -
Less: Unearned discount					(1,158)	
Deferred loan fees					(208,684)	
Total					$ 285,456,531	

Note 6 Bank Premises and Equipment

The investments in bank premises and equipment at December 31, 2015 and 2014 are as follows:

	2015	2014
Land	$ 2,191,217	$ 2,191,217
Buildings and improvements	3,686,931	3,678,575
Leasehold improvements	1,133,521	1,126,923
Furniture, fixtures, and equipment	2,042,762	1,994,712
Construction in process	9,584	3,427
	9,064,015	8,994,854
Less accumulated depreciation and amortization	(2,623,576)	(2,205,705)
Bank premises and equipment, net	$ 6,440,439	$ 6,789,149

Depreciation and amortization on bank premises and equipment totaled $443,694 and $498,351 for the years ended December 31, 2015 and 2014, respectively.

Note 7 Goodwill and Core Deposit Intangibles

A premium of $17,028,338 was paid by the Corporation in connection with the acquisition of Liberty Bank in August 2008, of which $4,128,951 was identified as core deposit intangibles. The remaining $12,899,387 was recorded as goodwill, which was subsequently increased to $12,917,734. In accordance with authoritative guidance issued by the FASB, the goodwill will not be amortized and will be evaluated for impairment annually. The core deposit intangibles acquired in this transaction will be amortized for financial reporting purposes over a period of approximately 8 years. Amortization of $521,552 was expensed by the Corporation for the years ending December 31, 2015 and 2014. The acquisition was treated as a taxable purchase; therefore, goodwill and the core deposit intangible assets will be tax deductible and amortized over a fifteen year period in accordance with IRC Section 197. A summary of core deposit intangibles at December 31, 2015 and 2014 is as follows:

	2015	2014
Core deposit intangibles	$ 4,128,951	$ 4,128,951
Less accumulated amortization	(3,846,444)	(3,324,892)
Net	$ 282,507	$ 804,059

The remaining unamortized portion of $282,507 will be expensed during 2016.

Note 8 Federal Income Taxes

The components of the federal income tax provision for the years ended December 31, 2015 and 2014 are as follows:

	2015	2014
Current tax expense	$ 1,228,557	$ 1,111,300
Deferred tax expense	112,749	198,207
Total income tax expense	$ 1,341,306	$ 1,309,507

The principal factors causing a variation from the statutory tax rate are as follows:

	2015	2014
Income tax at statutory rate	$ 1,365,469	$ 1,321,670
Tax-exempt income	(80,034)	(74,056)
Nondeductible expenses	43,736	42,972
Stock-based compensation	12,135	18,992
Other	-	(71)
Federal income tax	$ 1,341,306	$ 1,309,507

Note 8 Federal Income Taxes, continued

The net deferred tax liability at December 31, 2015 and 2014 is comprised of the following temporary differences:

	2015	2014
Deferred Tax Asset:		
Allowance for loan losses	$ 1,137,948	$ 1,137,948
Core deposit intangibles	613,669	529,930
Deferred compensation	210,473	196,492
Interest on nonaccrual loans	17,480	30,723
Stock-based compensation	86,235	86,235
Organization costs – parent company	11,475	12,988
Basis differences on other real estate	53,380	2,890
Other	-	27,128
Total Deferred Tax Asset	2,130,660	2,024,334
Deferred Tax Liability:		
Basis differences on premises and equipment	(271,111)	(347,854)
Amortization of goodwill	(2,171,441)	(1,878,639)
Unrealized gain on available-for-sale securities	(105,521)	(189,743)
Other	(3,729)	(714)
Total Deferred Tax Liability	(2,551,802)	(2,416,950)
Net Deferred Tax Liability	$ (421,142)	$ (392,616)

Note 9 Deposits

The carrying amount of consolidated deposits at December 31, 2015 and 2014 are summarized as follows:

	2015	2014
Non interest-bearing demand accounts	$ 117,871,838	$ 102,233,555
Interest-bearing transaction accounts	79,143,605	71,046,568
Savings accounts	27,259,847	27,701,602
Certificates of deposit, less than $100,000	16,421,704	16,210,529
Certificates of deposit, $100,000 and greater	129,314,670	112,929,192
Total Deposits	$ 370,011,664	$ 330,121,446

As of December 31, 2015, maturities of certificates of deposits for each of the next five years are:

Year Ending December 31,	
2016	$ 120,555,075
2017	17,939,934
2018	6,310,273
2019	777,726
2020	153,366
Total	$ 145,736,374

Note 10 Note Payable

In January 2015, the Corporation borrowed $6,500,000 from a financial institution in order to repurchase the preferred shares from the US Treasury. This note is payable in quarterly principal payments of $162,500 plus interest and matures January 15, 2020. The note bears interest equal to the Wall Street Journal Prime plus 0.25%. The interest rate was 3.75% at December 31, 2015. The loan is secured by 100% of the issued and outstanding shares of common stock of Liberty Bank. The loan agreement includes various financial covenants which are measured on a quarterly basis, including minimum regulatory capital requirements, return on average assets, classified asset ratios and loans to assets ratio. At December 31, 2015, the Corporation was in compliance with all loan covenants. The balance on this loan at December 31, 2015 was $5,925,000. Maturities of this loan for each of the next five years are as follows:

Year Ending December 31,	
2016	$ 650,000
2017	650,000
2018	650,000
2019	650,000
2020	3,325,000
Total	$ 5,925,000

Note 11 Financial Instruments with Off-Balance Sheet Risk

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

The Corporation's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. The Corporation uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

At December 31 2015 and 2014, the approximate amounts of these financial instruments were as follows:

	2015	2014
Commitments to extend credit	$ 100,977,000	$ 83,317,000
Standby letters of credit	3,472,000	1,144,000
Total	$ 104,449,000	$ 84,461,000

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 Corporation evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Corporation upon extension of credit, is based on management's credit evaluation of the counterparty.

Standby letters of credit are conditional commitments issued by the Corporation 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 of 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 Corporation's policy for obtaining collateral, and the nature of such collateral, is essentially the same as that involved in making commitments to extend credit.

The contractual amounts of credit related financial instruments such as commitments to extend credit and letters of credit represent the amounts of potential accounting loss should the contract be fully drawn upon, the customer defaults, and the value of any existing collateral becomes worthless. Although the maximum exposure to loss is the amount of such commitments, management currently anticipates no material losses from such activities.

The Corporation has not been required to perform on any financial guarantees during the past two years. The Corporation has not incurred any losses on its commitments in either 2015 or 2014.

Note 12 Related Party Transactions

During 2015 and 2014, Liberty Bank had transactions made in the ordinary course of business with certain of its officers, directors and principal shareholders. All loans included in such transactions were made on substantially the same terms, including interest rate and collateral, as those prevailing at the time for comparable transactions with other persons, and did not, in the opinion of management, involve more than normal credit risk or present other unfavorable features.

A summary of these transactions follows:

	Balance Beginning of Year	Additions	Amounts Collected	Balance End of Year
For the year ended December 31, 2015	$ 4,966,583	$ 5,985,469	$ (6,088,569)	$ 4,863,483
For the year ended December 31, 2014	$ 4,537,501	$ 4,207,941	$ (3,778,859)	$ 4,966,583

Unfunded commitments to lend money to the Corporation's officers, directors and their affiliates at December 31, 2015 and 2014 were approximately $5,306,000 and $2,851,000, respectively. The Corporation held deposits of approximately $25,298,000 and $18,854,000 for related parties at December 31, 2015 and 2014, respectively.

Note 13 Commitments and Contingent Liabilities

Liberty Bancshares, Inc. and Liberty Bank are subject to claims and lawsuits which arise primarily in the ordinary course of business. Management believes that the outcome of such claims and lawsuits will not materially affect the financial position or results of operations of the Corporation.

The Corporation leases its Northeast, Hulen and Airport Freeway branch facilities under operating leases from five to seven years. These leases include renewal options and provide for rate adjustments based on changes in various economic indicators.

As of December 31, 2015, minimum future rental payments under these non-cancellable operating leases for each of the next five years are as follows:

Year Ending December 31,	
2016	$ 497,497
2017	420,093
2018	78,230
2019	-
2020	-
Total	$ 995,820

Rental expense for these leases totaled approximately $501,000 in 2015 and $496,000 in 2014, and is included in occupancy expense.

Note 14 Compensated Absences

Employees of the Corporation are entitled to paid vacation, paid sick days and personal days off, depending on job classification, length of service and other factors. It is impracticable to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. The Corporation's policy is to recognize the costs of compensated absences when actually paid to employees.

Note 15 Employee Benefits

The Corporation has a 401(k) profit sharing plan that covers employees over the age of twenty-one. The Plan was amended effective January 1, 2009 to provide immediate vesting in employer contributions and to allow entry into the Plan at the beginning of any quarter. The Plan provides for "before-tax" employee contributions through salary reductions under Section 401(k) of the Internal Revenue Code. The Plan provides for the Corporation to make 401(k) matching contributions up to 4% of eligible compensation. The Corporation made 401(k) contributions of approximately $178,000 and $170,000 for the years ended December 31, 2015 and 2014, respectively.

Note 16 Deferred Compensation

The Corporation has a deferred compensation and wage continuation agreement with one officer. The plan is partially funded with a life insurance policy owned by the Corporation. The cash surrender value of the policy is included in the accompanying balance sheets in other assets in the amounts of $765,085 and $741,888 at December 31, 2015 and 2014, respectively. Liability under the salary continuation agreement as of December 31, 2015 and 2014 was $619,038 and $577,919, respectively. Under the plan, payments are to begin upon the participant's termination, retirement or death. The liability for deferred compensation is included in accrued expenses and other liabilities on the accompanying balance sheets.

Note 17 Lines of Credit

The Corporation has established an unsecured line of credit totaling $17,000,000 for overnight purchase of federal funds. This line may be cancelled without any prior notification. The Corporation also has a line of credit with Federal Home Loan Bank of Dallas (FHLB) with available borrowings of $148,616,000 at December 31, 2015. The FHLB line is secured by a blanket lien on 1-4 family mortgages and eligible small business and farm loans totaling approximately $238,007,000. There were no borrowings on these lines at December 31, 2015 or 2014.

The Corporation also has a line of credit with the Federal Reserve Bank in Dallas which is secured by investment securities with a carrying amount of $4,471,593. Available borrowings on this line at December 31, 2015 is approximately $3,930,000. There were no borrowings on this line at December 31, 2015 or 2014.

Note 18 Concentrations of Credit Risk

The Corporation maintains its cash accounts with several correspondent banks. Generally, accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per bank. The Corporation had uninsured deposits at December 31, 2015 and 2014 of approximately $36,270,000 and $17,969,000, respectively, at one institution. Furthermore, federal funds sold are essentially uncollateralized loans to other financial institutions. Management regularly evaluates the credit risk associated with the counterparties to these transactions and believes that the Corporation is not exposed to any significant credit risks on cash and cash equivalents.

The Corporation grants agribusiness, commercial, consumer and real estate loans to customers within Tarrant County, Texas and the surrounding areas. A substantial portion of its debtors' ability to honor their contracts is dependent upon the commercial and real estate economic sectors in that geographic area. Concentrations of credit by loan type are set forth in Note 5.

Note 19 Dividend Restrictions

The Corporation is dependent upon dividends from Liberty Bank to provide funds for debt service and other cash requirements. Banking regulations may limit the amount of dividends that may be paid. Approval by regulatory authorities is required if the effect of the dividends declared would cause regulatory capital of the Bank to fall below specified minimum levels.

Note 20 Equity Transactions

Preferred Stock Issued to Department of Treasury

On December 9, 2009, the U.S. Treasury purchased $6,500,000 or 6,500 shares of the Corporation's Fixed Rate Cumulative Perpetual Preferred Stock, Series A, with liquidation preference of $1,000 per share and related 10-year warrants in the amount of 3% of the preferred stock investment. The warrants allow the U.S. Treasury to purchase up to 196 shares of the Corporation's Fixed Rate Cumulative Perpetual Preferred Stock, Series B, with liquidation preference of $1,000 per share. The warrants were exercised immediately upon issuance. The proceeds from issuance of the preferred stock were allocated to Series A and Series B based on their relative fair values, which resulted in a $196,000 discount to the Series A which will be accreted over five years through retained earnings as a preferred stock dividend. The Series A Preferred Stock pays cumulative dividends at the rate of 5% per year for the first five years, and thereafter at a rate of 9% per year. The Series B Preferred Stock pays cumulative dividends at the rate of 9% per year. Dividends are payable quarterly on both Series A and Series B preferred stock. The preferred stock may be redeemed after the third anniversary of the original issue date at par value plus accrued dividends. Preferred stock dividends paid during 2015 and 2014 totaled $56,155 and $342,640, respectively. The preferred stock was redeemed by the Corporation in January 2015 in the amount of $6,696,000.

The terms established by the Capital Purchase Program (CPP) include restrictions on the repurchase of common stock and restrictions on increases in common stock dividends. The preferred stock issued to the U.S. Treasury ranks senior to, or pari passu with, other preferred stock. The terms of the CPP also place certain restrictions on the Corporation's compensation, bonus, incentive and other benefit plans with respect to its senior executive officers.

Note 21 Stock Option Plan

In March 2009, the shareholders of the Corporation approved the adoption of the 2009 Stock Option Plan ("2009 Plan"), whereby, the Corporation may grant awards to employees and directors of shares of common stock such as Incentive and Non-Qualified Stock Options as determined by a committee of the board at the time of grant. The maximum number of shares of common stock that may be issued under the Plan is 200,000. The Plan does not stipulate any terms or conditions for the awards to be granted. The Corporation recognized stock compensation expense of $35,691 and $55,859 during 2015 and 2014, respectively, related to share-based compensation agreements. The Corporation has options for 69,000 shares remaining available to grant as of December 31, 2015.

The Corporation uses the Black-Scholes option pricing model to estimate the fair value of each option grant on the date of grant or modification. The Corporation amortizes the estimated fair value to stock compensation expense using the straight-line method over the vesting period of the option. Following is a description of the significant assumptions used in the option-pricing model:

Expected Term: The expected term is the period of time that granted options are expected to be outstanding. The Corporation estimates the expected term based on historical patterns of option exercises, as well as potential future events that may increase liquidity. These factors are believed to reflect future exercise behavior.

Expected Volatility: Because the Corporation's stock is not traded in an active market, the Corporation calculates volatility by using the historical stock prices of similar Corporations going back over the estimated life of the option and averaging the volatilities of these Corporations.

Risk-Free Interest Rate: The Corporation bases the risk-free interest rate used in the Black-Scholes option valuation model on the market yield in effect at the time of the option grant provided from the Federal Reserve Board's Statistical Releases and Historical publications from the Treasury constant maturities rates for the equivalent remaining terms.

Dividends: The Corporation does not have plans to pay cash dividends in the future. Therefore, the Corporation uses an expected dividend yield of zero in the Black-Scholes option valuation model.

There were no options granted during 2015. During 2014, the Corporation granted 25,000 options to certain key employees with an exercise price of $20.00 per share, which vest ratably over five years. The following assumptions were used to estimate the value of options granted during the year ended December 31, 2014:

	2014
Expected term	7.00 years
Expected stock price volatility	21.10%
Risk free interest rate	2.29%
Expected dividends	-0-

Note 21 Stock Option Plan, continued

Option activity under the Plan for the years ended December 31, 2015 and 2014 is summarized as follows:

Options	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term
Outstanding at January 1, 2014	106,000	$ 20.00	5.44
Granted	25,000	20.00	-
Exercised	-	-	-
Forfeited or expired	-	-	-
Outstanding at December 31, 2014	131,000	$ 20.00	5.33
Vested or expected to vest at December 31, 2014	131,000	$ 20.00	5.33
Exercisable at December 31, 2014	111,000	$ 20.00	4.65
Outstanding at January 1, 2015	131,000	$ 20.00	5.33
Granted	-	-	-
Exercised	-	-	-
Forfeited or expired	-	-	-
Outstanding at December 31, 2015	131,000	$ 20.00	4.33
Vested or expected to vest at December 31, 2015	131,000	$ 20.00	4.33
Exercisable at December 31, 2015	116,000	$ 20.00	3.84

There were no options granted during 2015. The weighted-average grant date fair value of options granted during 2014 was $5.7146. The total fair value of shares vested during 2015 and 2014 was $28,550 and $58,468, respectively. There were no options exercised during the years ended December 31, 2015 and 2014.

Note 21 Stock Option Plan, continued

A summary of the status of the Corporation's nonvested shares as of December 31, 2015, and changes during the year ended December 31, 2015, is presented below:

Nonvested Shares	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at January 1, 2015	20,000	$ 5.71
Granted	-	-
Vested	(5,000)	5.71
Forfeited	-	-
Nonvested at December 31, 2015	15,000	$ 5.71

As of December 31, 2015, there was $73,437 of total unrecognized compensation cost related to non-vested stock options granted under the Plan. Total unrecognized compensation costs will be adjusted for future changes in estimated forfeitures. The Corporation expects to recognize that cost over a period of approximately two years.

Note 22 Regulatory Matters

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

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table on the next page) of total Risk-Based capital, Tier 1 capital and Common Equity Tier 1 capital to risk-weighted assets (as defined in the regulations), and Leverage capital, which is Tier 1 capital to adjusted total assets (as defined). Disallowed for regulatory capital calculations are goodwill and other intangible assets totaling approximately $10,859,000 at December 31, 2015 and $13,722,000 at December 31, 2014. Management believes, as of December 31, 2015 and 2014, that the Bank meets all capital adequacy requirements to which it is subject.

The Bank's Tier 1 capital consists of shareholder's equity excluding unrealized gains and losses on securities available-for-sale, goodwill and other intangible assets.

Liberty Bank has been notified by its regulators that, as of its most recent regulatory examination, the Bank is regarded as well capitalized under the regulatory framework for prompt corrective action. Such determination has been made based on the Bank's Common Equity Tier 1, Tier 1, total capital and leverage ratios. There have been no conditions or events since this notification that management believes would change the Bank's categorization as well capitalized under the ratios listed on the next page.

Note 22 Regulatory Matters, continued

Beginning January 1, 2015, community banking organizations became subject to a new regulatory rule recently adopted by federal banking agencies (commonly referred to as Basel III). The new rule establishes a new regulatory capital framework that incorporates revisions to the Basel capital framework, strengthens the definition of regulatory capital, increases risk-based capital requirements, and amends the methodologies for determining risk-weighted assets. These changes are expected to increase the amount of capital required by community banking organizations. Basel III includes a multiyear transition period from January 1, 2015 through December 31, 2019.

Management believes that, as of December 31, 2015, the Bank would meet all capital adequacy requirements under the Basel III Capital rules on a fully phased-in basis as if such requirements were currently in effect; however, final rules are subject to regulatory discretion and could result in the need for additional capital levels in the future.

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

	Actual		Minimum Required for Capital Adequacy Purposes		Required to be Well Capitalized under the Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2015:						
Total Risk-based Capital (to Risk-weighted Assets)	$ 41,939	12.90%	$ 26,018	8.00%	$ 32,522	10.00%
Tier 1 Capital (to Risk-weighted Assets)	$ 38,169	11.74%	$ 13,009	4.00%	$ 19,514	6.00%
Common Equity Tier 1 Capital (to Risk-weighted Assets)	$ 38,169	11.74%	$ 14,635	4.50%	$ 21,140	6.50%
Leverage Capital (to Adjusted Total Assets)	$ 38,169	9.70%	$ 15,737	4.00%	$ 19,671	5.00%
As of December 31, 2014:						
Total Risk-based Capital (to Risk-weighted Assets)	$ 36,662	13.35%	$ 21,971	8.00%	$ 27,463	10.00%
Tier 1 Capital (to Risk-weighted Assets)	$ 33,226	12.10%	$ 10,985	4.00%	$ 16,478	6.00%
Tier 1 Capital (to Average Assets)	$ 33,226	9.07%	$ 14,658	4.00%	$ 18,322	5.00%

Note 23 Fair Value Measurements

The Corporation has adopted authoritative guidance issued by the FASB regarding fair value measurements for financial assets and financial liabilities. The authoritative guidance defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements.

The authoritative guidance issued by the FASB defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. The price in the principal (or most advantageous) market used to measure the fair value of the asset or liability shall not be adjusted for transaction costs. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets and liabilities; it is not a forced transaction. Market participants are buyers and sellers in the principal market that are (i) independent, (ii) knowledgeable, (iii) able to transact, and (iv) willing to transact.

The authoritative guidance issued by the FASB requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. The income approach uses valuation techniques to convert future amounts, such as cash flows or earnings, to a single present amount on a discounted basis. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (replacement cost). Valuation techniques should be consistently applied. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, the authoritative guidance establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

- ***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:*** Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These might include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (such as interest rates, volatilities, prepayment speeds, credit risks, etc.) or inputs that are derived principally from or corroborated by market data by correlation or other means.

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

Note 23 Fair Value Measurements, continued

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

In general, fair value is based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments may include amounts to reflect counterparty credit quality and the Corporation's creditworthiness, among other things, as well as unobservable parameters. Any such valuation adjustments are applied consistently over time. The Corporation's valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While management believes the Corporation's valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Securities Available-for-Sale: U.S. Treasury securities are reported at fair value utilizing Level 1 inputs. Other securities classified as available-for-sale are reported at fair value utilizing Level 2 inputs. For these securities, the Corporation obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the bond's terms and conditions, among other things.

Impaired Loans: Certain impaired loans are reported at the fair value of the underlying collateral if repayment is expected solely from the collateral. Collateral values are estimated using Level 2 inputs based on observable market data or Level 3 inputs based on customized discounting criteria.

Other Real Estate: Other real estate represents foreclosed assets that are reported at the fair value less estimated selling costs of the underlying property. The fair values are estimated using Level 2 inputs based on observable market data or Level 3 inputs based on information obtained from customized discounting criteria.

Note 23 Fair Value Measurements, continued

The following table summarizes financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2015 and 2014, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure the fair value:

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
December 31, 2015:				
Securities Available-for-Sale:				
U.S. Government agencies	$ -	$ 1,998,240	$ -	$ 1,998,240
Municipal bonds	-	10,160,276	-	10,160,276
Mortgage-backed securities	-	33,702,040	-	33,702,040
Collateralized mortgage	-	503,026	-	503,026
Totals	$ -	$ 46,363,582	$ -	$ 46,363,582
December 31, 2014:				
Securities Available-for-Sale:				
U.S. Government agencies	$ -	$ 1,977,527	$ -	$ 1,977,527
Municipal bonds	-	8,080,573	-	8,080,573
Mortgage-backed securities	-	29,609,843	-	29,609,843
Collateralized mortgage	-	1,124,854	-	1,124,854
Totals	$ -	$ 40,792,797	$ -	$ 40,792,797

Certain financial assets are measured at fair value on a non-recurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). Financial assets measured at fair value on a non-recurring basis include certain impaired loans reported at the fair value of the underlying collateral if repayment is expected solely from the collateral. Collateral values are estimated using Level 2 inputs based on observable market data or Level 3 inputs based on customized discounting criteria.

The following table summarizes financial assets measured at fair value on a non-recurring basis as of December 31, 2015 and 2014, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure the fair value:

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
December 31, 2015:				
Impaired loans	$ -	$ 1,568,914	$ -	$ 1,568,914
Less specific valuation allowance for possible loan losses	-	(163,993)	-	(163,993)
Impaired loans, net	$ -	$ 1,404,921	$ -	$ 1,404,921
December 31, 2014:				
Impaired loans	$ -	$ 2,858,734	$ -	$ 2,858,734
Less specific valuation allowance for possible loan losses	-	(264,759)	-	(264,759)
Impaired loans, net	$ -	$ 2,593,975	$ -	$ 2,593,975

Note 23 Fair Value Measurements, continued

Certain nonfinancial assets are measured at fair value on a non-recurring basis. Nonfinancial assets measured at fair value on a non-recurring basis include other real estate which, upon initial recognition, were remeasured and reported at fair value through a charge-off to the allowance for loan losses and certain other real estate, which, subsequent to their initial recognition, were remeasured at fair value through a writedown included in other non-interest expense. The fair value of other real estate is estimated using Level 2 inputs based on observable market data or Level 3 inputs based on customized discounting criteria. During the years ending December 31, 2015 and 2014, all fair value measurements for foreclosed assets utilized Level 2 inputs.

The following table presents foreclosed assets that were remeasured and reported at fair value:

	2015	2014
Foreclosed assets remeasured at initial recognition:		
Carrying value of foreclosed assets prior to remeasurement	$ 1,577,216	$ -
Charge-offs recognized in the allowance for loan losses	-	-
Fair Value	$ 1,577,216	$ -
Foreclosed assets remeasured subsequent to initial recognition:		
Carrying value of foreclosed assets prior to remeasurement	$ 2,797,564	$ -
Writedowns included in other non-interest expense	(157,000)	-
Fair Value	$ 2,640,564	$ -

Charge-offs recognized upon loan foreclosures are generally offset by general or specific allocations of the allowance for loan losses and generally do not significantly impact the Corporation's provision for loan losses. Regulatory guidelines require the Corporation to reevaluate the fair value of other real estate on at least an annual basis.

Note 24 Fair Values of Financial Instruments

The estimated fair values of financial instruments that are reported in the Corporation's consolidated balance sheets, at December 31, 2015 and 2014, were as follows (in thousands):

	2015		2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets:				
Cash and cash equivalents	$ 49,367	$ 49,367	$ 30,864	$ 30,864
Securities available-for-sale	46,364	46,364	40,793	40,793
Other investments	1,498	1,498	1,444	1,444
Loans, net	298,843	296,268	281,776	281,315
Bank-owned life insurance	765	765	742	742
Accrued interest receivable	1,155	1,155	1,045	1,045
Financial Liabilities:				
Deposits	370,012	370,375	330,121	330,571
Note payable	5,925	5,925	-	-
Accrued interest payable	152	152	110	110

The Corporation assumes interest rate risk (the risk that general interest rate levels will change) as a result of its normal operations. As a result, the fair values of the Corporation's financial instruments will change when interest rate levels change, and that change may be either favorable or unfavorable to the Corporation. Management attempts to match maturities of assets and liabilities to the extent believed necessary to minimize interest rate risk. However, borrowers with fixed rate obligations are less likely to prepay in a rising rate environment and more likely to prepay in a falling rate environment. Conversely, depositors who are receiving fixed rates are more likely to withdraw funds before maturity in a rising rate environment and less likely to do so in a falling rate environment. Management monitors rates and maturities of assets and liabilities, and attempts to minimize interest rate risk by adjusting terms of new loans and deposits and by investing in securities with terms that mitigate the Corporation's overall interest rate risk.

Fair Values for the Corporation's financial instruments was estimated under the methods and assumptions as described below:

***Cash and Cash Equivalents*:** The carrying amounts of cash, interest-bearing deposits at other financial institutions and federal funds sold approximate fair values.

Securities Available-for-Sale: The fair value of securities is based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

Note 24 Fair Values of Financial Instruments, continued

Other Investments: The carrying amounts reported in the balance sheet for Federal Home Loan Bank stock and Federal Reserve Bank stock approximate their fair value.

Loans: The fair value of variable rate loans that reprice frequently and have no significant change in credit risk is based on the carrying value. Fair value of fixed rate loans are estimated using discounted cash flow analyses using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. The fair value of impaired loans is estimated using discounted cash flow analyses or underlying collateral values, where applicable.

Bank-owned Life Insurance: The carrying amount of bank-owned life insurance approximates its fair value.

Deposits: The fair values disclosed for demand deposits are, by definition, equal to the amount payable on demand at the reporting dates (i.e., their carrying amounts). The carrying amounts of variable-rate, fixed-term money market accounts and certificates of deposit approximate their fair values. Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates of comparable maturities.

Borrowings: The carrying amount of borrowings is short-term and approximates their fair value.

Accrued Interest: The carrying amounts of accrued interest approximate its fair value.

Off-Balance Sheet Instruments: The fair value of commitments to extend credit and standby letters of credit was estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the customers. Since the majority of the Corporation's off-balance-sheet instruments consist of non-fee producing, variable-rate commitments, the Corporation has determined they do not have a distinguishable fair value.

OTHER FINANCIAL INFORMATION

LIBERTY BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2015

	LIBERTY BANCSHARES	LIBERTY BANK	ELIMINATIONS	CONSOLIDATED BALANCES
ASSETS				
Cash and due from banks	$ 127,620	$ 7,351,661	$ (127,620)	$ 7,351,661
Interest-bearing deposits with other banks	-	41,161,055	-	41,161,055
Federal funds sold	-	854,000	-	854,000
Total cash and cash equivalents	127,620	49,366,716	(127,620)	49,366,716
Securities available-for-sale	-	46,363,582	-	46,363,582
Other investments	-	1,498,100	-	1,498,100
Loans, net	-	298,842,539	-	298,842,539
Bank premises and equipment, net	-	6,440,439	-	6,440,439
Goodwill	-	12,917,734	-	12,917,734
Other intangible assets, net	-	282,507	-	282,507
Accrued interest receivable	-	1,154,990	-	1,154,990
Investment in subsidiary	49,224,237	-	(49,224,237)	-
Other real estate	-	2,640,564	-	2,640,564
Other assets	34,347	1,815,596	-	1,849,943
Total Assets	$ 49,386,204	$ 421,322,767	$ (49,351,857)	$ 421,357,114
LIABILITIES				
Deposits:				
Noninterest-bearing	$ -	$ 117,999,458	$ (127,620)	$ 117,871,838
Interest-bearing	-	252,139,826	-	252,139,826
Total deposits	-	370,139,284	(127,620)	370,011,664
Note payable	5,925,000	-	-	5,925,000
Federal income tax - deferred	(11,475)	432,617	-	421,142
Accrued interest payable	44,931	107,246	-	152,177
Accrued expenses and other liabilities	65,000	1,419,383	-	1,484,383
Total Liabilities	6,023,456	372,098,530	(127,620)	377,994,366
SHAREHOLDERS' EQUITY				
Common stock-voting, $1 par value; 15,000,000 shares authorized; issued and outstanding 2,028,378	2,028,378	1,500,000	(1,500,000)	2,028,378
Additional paid-in capital	35,795,237	42,008,875	(42,008,875)	35,795,237
Retained earnings	5,343,166	5,519,395	(5,519,395)	5,343,166
Accumulated other comprehensive income, net of tax	195,967	195,967	(195,967)	195,967
Total Shareholders' Equity	43,362,748	49,224,237	(49,224,237)	43,362,748
Total Liabilities and Shareholders' Equity	$ 49,386,204	$ 421,322,767	$ (49,351,857)	$ 421,357,114

See Independent Auditor's Report.

LIBERTY BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2015

	LIBERTY BANCSHARES	LIBERTY BANK	ELIMINATIONS	CONSOLIDATED BALANCES
Interest income				
Interest and fees on loans	$ -	$ 15,047,580	$ -	$ 15,047,580
Interest on investment securities:				
Taxable	-	939,663	-	939,663
Exempt from federal income tax	-	205,509	-	205,509
Interest on federal funds sold and interest-bearing deposits with financial institutions	-	65,492	-	65,492
Total interest income	-	16,258,244	-	16,258,244
Interest expense				
On deposits	-	1,660,736	-	1,660,736
On borrowings	225,030	117	-	225,147
Total interest expense	225,030	1,660,853	-	1,885,883
Net interest income	(225,030)	14,597,391	-	14,372,361
Provision for loan losses	-	-	-	-
Net interest income after provision	(225,030)	14,597,391	-	14,372,361
Non-interest income				
Undistributed income of subsidiary	2,044,427	-	(2,044,427)	-
Dividend income from subsidiary	895,000	-	(895,000)	-
Service charges on deposit accounts	-	914,365	-	914,365
Other real estate rental income	-	386,846	-	386,846
Net gain on sales of other real estate	-	5,864	-	5,864
Earnings on bank-owned life insurance	-	29,885	-	29,885
Other	-	64,970	-	64,970
Total non-interest income	2,939,427	1,401,930	(2,939,427)	1,401,930
Non-interest expense				
Salaries and employee benefits	-	6,374,797	-	6,374,797
Occupancy	-	974,919	-	974,919
Furniture and equipment	-	581,008	-	581,008
FDIC insurance	-	240,938	-	240,938
Amortization of core deposit intangibles	-	521,552	-	521,552
Data processing	-	642,798	-	642,798
Professional fees	85,911	223,035	-	308,946
ATM fees	-	139,508	-	139,508
Writedowns of other real estate	-	157,000	-	157,000
Other real estate expenses	-	440,309	-	440,309
Other	90,041	1,286,390	-	1,376,431
Total non-interest expense	175,952	11,582,254	-	11,758,206
Income before federal income taxes	2,538,445	4,417,067	(2,939,427)	4,016,085
Federal income tax (benefit)	(136,334)	1,477,640	-	1,341,306
Net Income	$ 2,674,779	$ 2,939,427	$ (2,939,427)	$ 2,674,779

See Independent Auditor's Report.