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, David L. Baty
Name of the Holding Company Director and Official

Director / President
Title of the Holding Company Director and Official

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

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

DBaty Pres
Signature of Holding Company Director and Official

03/29/2016
Date of Signature

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

- ☐ is included with the FR Y-6 report
- ☒ will be sent under separate cover
- ☐ is not prepared

For Federal Reserve Bank Use Only

RSSD ID 4215745
C.I.

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

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

Reporter's Name, Street, and Mailing Address
TXRB Holdings, Inc
Legal Title of Holding Company

2595 Preston Rd, Suite 100
(Mailing Address of the Holding Company) Street / P.O. Box

Frisco	TX	75034
City	State	Zip Code

Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Larry T. Bowman	CFO
Name	Title

972 334 0700
Area Code / Phone Number / Extension

9723340114
Area Code / FAX Number

lbowman@texasrepublicbank.com
E-mail Address

none TEXAS REPUBLIC BANK.COM
Address (URL) for the Holding Company's web page

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

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

☐ In accordance with the instructions on pages GEN-2 and 3, a letter justifying the request is being provided.

☐ The information for which confidential treatment is sought is being submitted separately labeled "Confidential."

☒ No

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.

For Use By Tiered Holding Companies

Top-tiered holding companies must list the names, mailing address, and physical locations of each of their subsidiary holding companies below.

NONE
Legal Title of Subsidiary Holding Company

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

City State Zip Code

Physical Location (if different from mailing address)

NONE
Legal Title of Subsidiary Holding Company

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

City State Zip Code

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City State Zip Code

Physical Location (if different from mailing address)

AMENDED
OCT 20 2016

Form FR Y-6

TXRB Holdings, Inc
Frisco, Texas
Fiscal Year Ending December 31, 2015

Report Item

1 The bank holding company prepares an annual report for its securities holders
The report is not complete - Two copies will be mailed when complete.

2 Organizational Chart

TXRB Holdings, Inc
Frisco, Texas
Incorporated in Texas

100%

Texas Republic Bank, National Association

Frisco, Texas
Incorporated in Texas

None of the above entities have a LEI number

Results: A list of branches for your depository institution: TEXAS REPUBLIC BANK, NATIONAL ASSOCIATION (ID_RSSD: 735067).
This depository institution is held by TXRB HOLDINGS, INC. (4215745) of FRISCO, 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)	735067	TEXAS REPUBLIC BANK, NATIONAL ASSOCIATION	2595 PRESTON ROAD, BUILDING 100	FRISCO	TX	75034	COLLIN	UNITED STATES	2214	0	TEXAS REPUBLIC BANK, NATIONAL ASSOCIATION	735067	
OK		Full Service	3730988	QUANAH BRANCH	211 SOUTH MAIN STREET	QUANAH	TX	79252	HARDEMAN	UNITED STATES	442425	1	TEXAS REPUBLIC BANK, NATIONAL ASSOCIATION	735067	
OK		Full Service	4844293	RICHARDSON BRANCH	690 WEST CAMPBELL ROAD, SUITE 100	RICHARDSON	TX	75080	DALLAS	UNITED STATES	Not Required	Not Required	TEXAS REPUBLIC BANK, NATIONAL ASSOCIATION	735067	

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OCT 28 2016

Form FR Y-6
TXRB Holding, Inc.
Fiscal Year Ending December 31,2015

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

Current securities holders with ownership, control or holdings of 5% or more with power to vote as of fiscal year ending *12/31/2011*

(1)(a) Name City, State, Country	(1)(b) Country of Citizenship or Incorporation	(1) (c) Number and percentage of Each Class of Voting Securities
David Baty Richardson, TX, USA	USA	92,785 5% Common Stock
Timothy Cantrell Dallas, TX, USA	USA	99,346 5% Common Stock

Securities holders not listed in 3(1)(a) throught 3(1)('c) that had ownership, control or holdings of 5% or more with power to vote during the fiscal year ending *12/31/2011*

(2)(a) Name City, State, Country	(2)(b) Country of Citizenship or Incorporation	(2)© Number and percentage of Each Class of Voting Securities
N/A		
N/A		
N/A		
N/A		

AMENDED OCT 20 2016

Form FR Y-6
TXRB Holdings, Inc
Fiscal Year Ending December 31, 2015

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

(1) Name, City, State, Country	(2) Principal Occupation if other than with Bank Holding Company	(3)(a) Title & Position with Bank Holding Company	(3)(b) Title & Position with Subsidiaries (include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (include names of other businesses)	(4)(a) Percentage of Voting Shares in Bank Holding Company	(4)(b) Percentage of Voting Shares in Subsidiaries (include names of subsidiaries)	(4)(c) List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
David L. Baty Richardson, Tx USA	Banker Texas Republic Bank	Director & President	Director & President (Texas Republic Bank)	None	5%	None	N/A
Charles Rolfe McKinney, Tx USA	Retired	Director & Chairman	Director & Chairman (Texas Republic Bank)	None	1%	None	N/A
Steve Pirkey, DVM Wylie, Tx USA	Veterinarian	Director	Director (Texas Republic Bank)	President Veterinary Services P.C.	4%	None	Veterinary Services P.C. 100%
				President Pirkey Management LLC			Pirkey Management LLC 49%
Scott Anderson Richardson, Tx USA	Attorney Anderson Tobin, PLLC	Director	Director (Texas Republic Bank)	Managing Member Anderson Tobin, PLLC	1%	None	Anderson Tobin, PLLC 42%
Barry Pryor Dallas, Tx USA	Retired	Director	Director (Texas Republic Bank)	None	3%	None	N/A
				Member Real Estate Investment			2595 Preston, LLC 26%

AMENDED OCT 20 2016

Form FR Y-6
TXRB Holdings, Inc
Fiscal Year Ending December 31, 2015

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

(1) Name, City, State, Country	(2) Principal Occupation if other than with Bank Holding Company	(3)(a) Title & Position with Bank Holding Company	(3)(b) Title & Position with Subsidiaries (include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (include names of other businesses)	(4)(a) Percentage of Voting Shares in Bank Holding Company	(4)(b) Percentage of Voting Shares in Subsidiaries (include names of subsidiaries)	(4)(c) List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
Timothy Cantrell Dallas, Tx USA	Real Estate Investor	Director & Vice Chairman	Director & Vice Chairman (Texas Republic Bank)	President Cantrell Investment Corp	5%	None	Cantrell Investment Corp 100%
				Treasurer Cantrell McCulloch			Cantrell McCulloch 33%
				President Fidelity Realty Advisors, Inc			Fidelity Realty Advisors, Inc 100%
				President Fidelity Bldg & Const, Ltd			Fidelity Bldg & Const, Ltd 100%
				President Monticello Asset Mgt, Inc			Monticello Asset Mgt, Inc 100%
				Vice President The Cantrell Company, Inc			The Cantrell Company, Inc 50%
				President Apartment Inspection Services			Apartment Inspection Services 100%

AMENDED OCT 20 2016

Form FR Y-6
TXRB Holdings, Inc
Fiscal Year Ending December 31, 2015

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

(1) Name, City, State, Country	(2) Principal Occupation if other than with Bank Holding Company	(3)(a) Title & Position with Bank Holding Company	(3)(b) Title & Position with Subsidiaries (include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (include names of other businesses)	(4)(a) Percentage of Voting Shares in Bank Holding Company	(4)(b) Percentage of Voting Shares in Subsidiaries (include names of subsidiaries)	(4)(c) List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
Timothy Cantrell Dallas, Tx USA	*Continued*			Director Annunity Transfers, Ltd			Annunity Transfers, Ltd 50%
				Owner/Investor Real Estate Investment			P R Assoc. III, Ltd. 15% Limited Partner 13% General Partner
				Owner/Investor Real Estate Investment			P R Assoc, IV, Ltd. 16% Limited Partner 13% General Partner
				Owner/Investor Real Estate Investment			Buffalo Run, Ltd. 99%
				Owner/Investor Real Estate Investment			PRW Apartments, Ltd. 25%
				Owner/Investor Real Estate Investment			Mesquite-CV Apts., Ltd. 99%
				Owner/Investor Real Estate Investment			Lakeview on Shady Oaks, LLC 99%
				Managing Member Real Estate Investment			2595 Preston, LLC 33%

2015 ANNUAL REPORT

TXRB
HOLDINGS, INC.

The Holding Company for

TEXAS
REPUBLIC
BANK Est. 1891

Banking like it oughta be!

TXRB HOLDINGS, INC.

Banking like it oughta be!

April 14, 2016

Dear Fellow Shareholders:

Five *short* years ago our holding company acquired **Texas Republic Bank, N.A.**, and as previously chronicled, much progress has been made since April 27, 2011. Our bank has enjoyed remarkable achievements in terms of growth in size as well as profitability and overall performance. This success has resulted from the overall strength of our local economy, but even more importantly from the dedicated work of our staff and board of directors, and from the loyal support of our shareholders.

Enclosed herein is our company's ***fifth annual report***. Our first report back in 2011 reminded you that the first year was one of "turning things around" at the bank, as we had purchased a "troubled bank". The second annual report informed you we had quickly "turned the corner", and reported the bank had achieved the highest profit in its 122 year history (to that point). Our third report communicated the bank continued its trend of record earnings, and that we were ready to enter into a period of growth and expansion. The 2014 Annual Report cited several significant recognitions and accomplishments for the bank, including continued record earnings, and noted important management and facility additions to set the foundation for further growth. We are pleased to tell you that 2015 was another year of new milestones, including continued record earnings. Some of the more notable accomplishments and recognitions for 2015 are:

- inclusion on a list of *"Best Places to Work"* published by the *Dallas Business Journal* in May 2015
- recognition for the second consecutive year by *Living Magazine/Reader's Choice* as the "Best Bank" in Plano/Frisco
- being named in July as one of the ***top 200*** "Healthiest Banks in the U.S." by *DepositAccounts.com* and continue to receive an ***A+*** health rating
- attaining a pre-tax return on total shareholder investment of 13.7%

Included with this letter is some graphical information together with the annual report by our outside auditors, Payne & Smith. The graphs highlight several facts on the bank covered in more detail in the auditor's report. Some of those we consider most noteworthy are:

- Total Assets: $154 million at year end, for an annual increase of 11%
- Total Loans: $135 million at year end, for an annual increase of 16%
- Total Deposits: $132 million at year end, for an annual increase of 8%
- Net Income: continued record profits, with net after tax profit of $1,444,000
- Net Interest Margin: continued its high level and was 115 basis points greater than the average of banks in our peer group
- Credit Quality: continued improvement through strong underwriting standards and diligence in managing the loan portfolio. Significantly, the bank ended 2015, for the *second year in a row*, with ***zero*** loans over 30 days past due. Also, our reserve for loan loss continues to grow, and sits at a healthy $1.8 million, or 1.3% of loans.

As we enter 2016, ***our 125th birthday*** (the bank was chartered in 1891), the bank continues to be well-positioned for success as the *only bank headquartered in Frisco* (literally in the shadows of Frisco's *$5 Billion Mile*), and the oldest bank charter headquartered in Collin County, one of the fastest growing counties in the U.S.. A number of you were able to attend our ribbon cutting, earlier this year, for our Suite 300 expansion in our Frisco location, which includes roughly 4,500 square feet of additional office and operations space, including a mezzanine area. This expansion provided much needed "back office" space, but also provides us additional offices for additions to staff in the future. If you have not yet seen these new offices, we invite you to stop by some time and let us show you around – we're proud and thankful for these new facilities.

In summary, much has been accomplished and we have much to be thankful for, but we are far from being satisfied. We are humbled, yet greatly encouraged by the achievements in these first five years, and look forward to continued growth on a firm foundation. Blessed with a staff of 40 hard-working banking professionals, a dedicated board of directors, and a loyal family of fellow shareholders, we feel most fortunate that we get to come to work every day and deliver ***"Banking like it oughta be!"***. We sincerely hope to see all of you at the annual shareholders meeting on May 3rd.

Sincerely,

David Baty
President/CEO

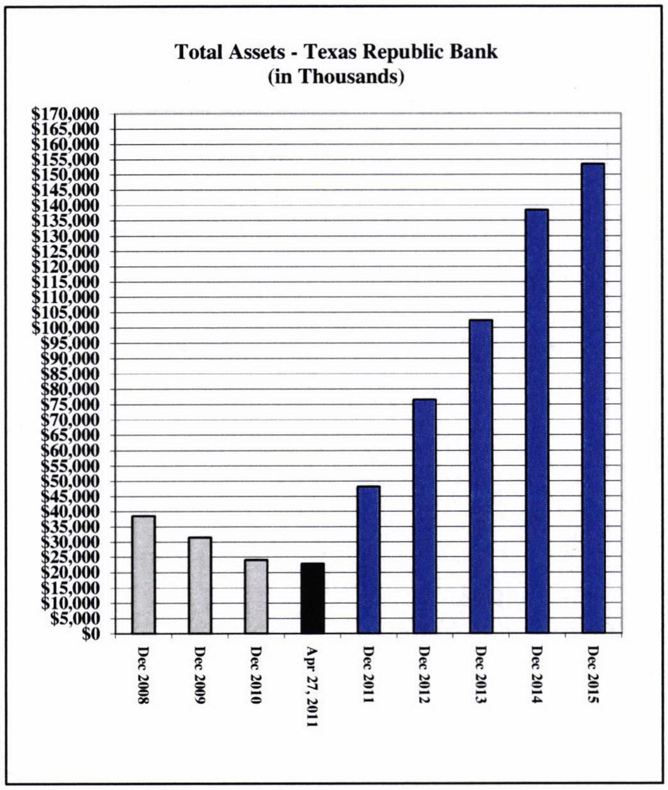
Charles O. Rolfe, Jr.
Chairman of the Board

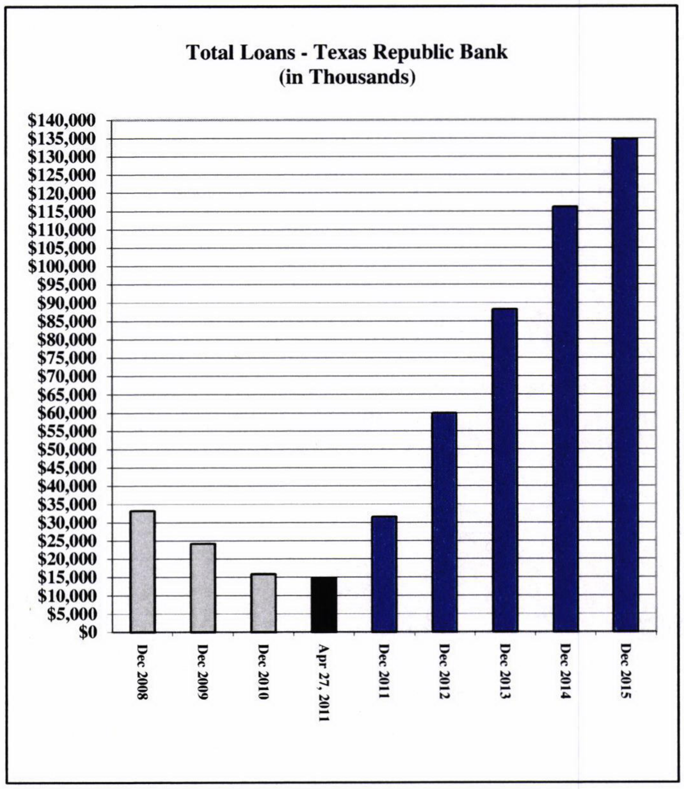
TXRB Holdings, Inc.

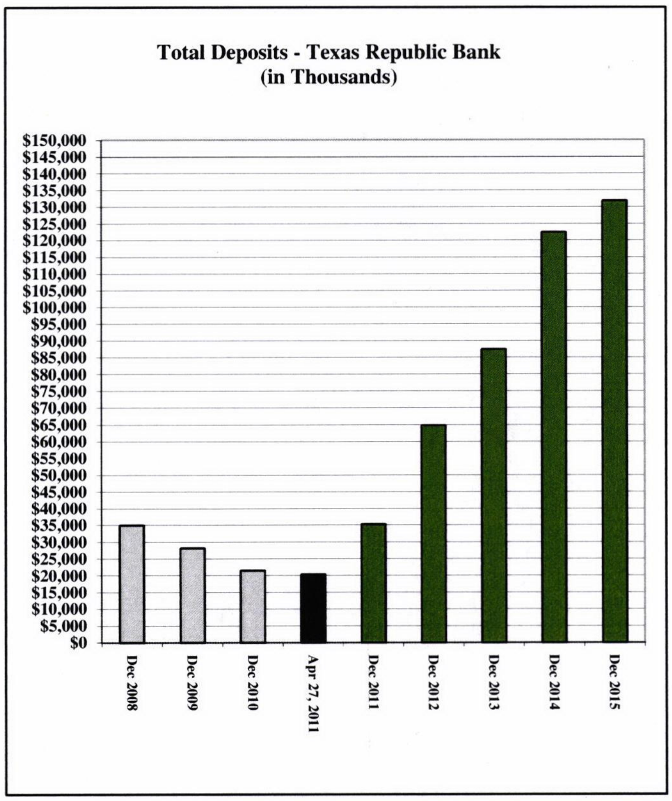
TXRB Holdings, Inc.
is a one-bank holding company with assets of $153.8 million as of December 31, 2015. The company has offices in three banking markets – Frisco/Collin County, Richardson/Dallas County, and Quanah/Hardeman County.

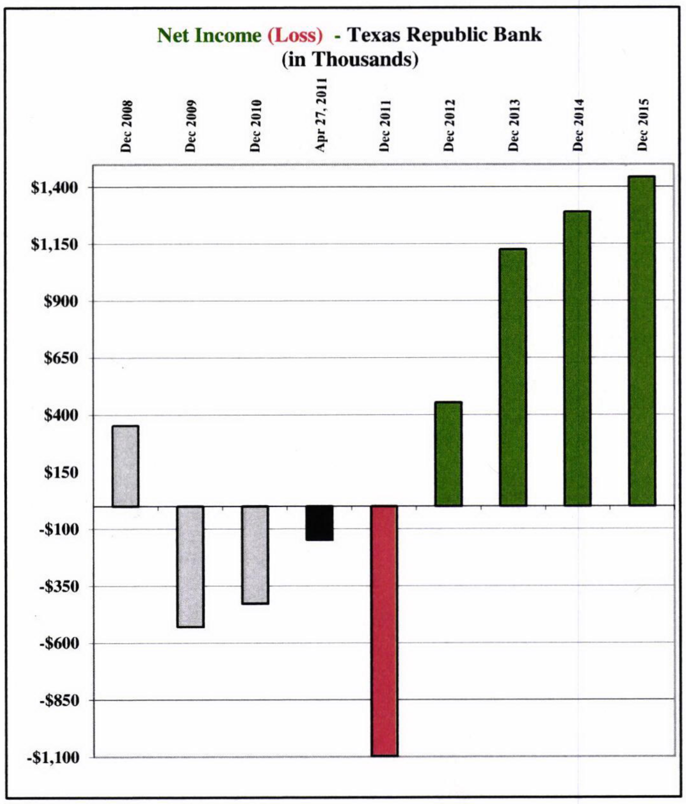
The Annual Meeting of Shareholders
is scheduled for May 3, 2016 at 6:00 p.m. at Bent Tree Country Club located at 5201 Westgrove Drive, Dallas, TX 75248.

The Corporate Headquarters
is located at 2595 Preston Road, Suite 100 Frisco, Texas 75034 and the telephone number is 972-334-0700. The President/CEO's e-mail address is banker@texasrepublicbank.com.

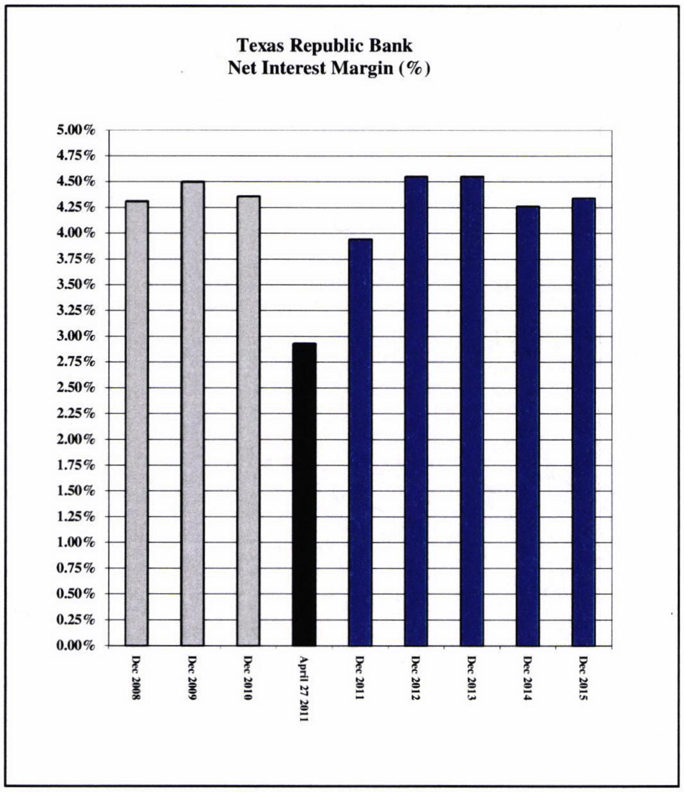


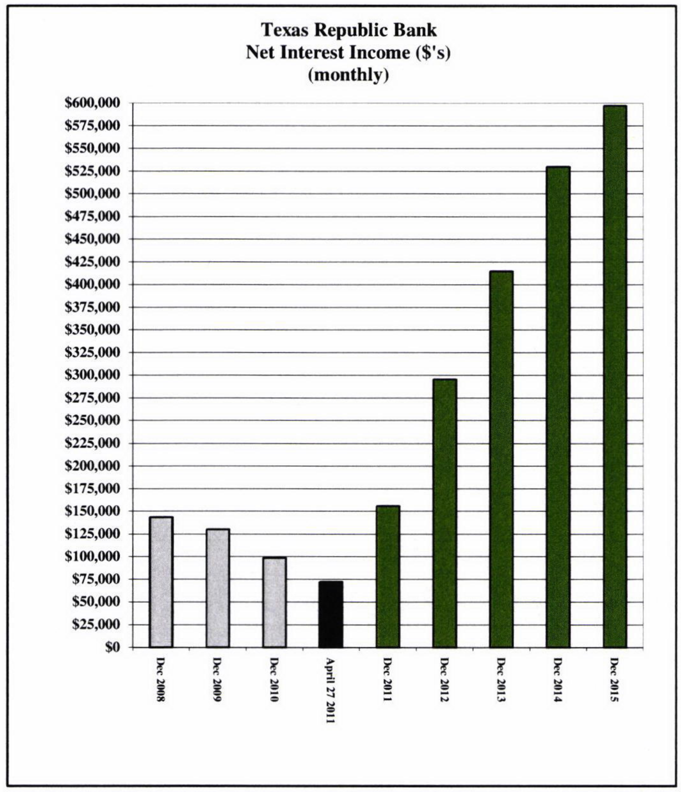


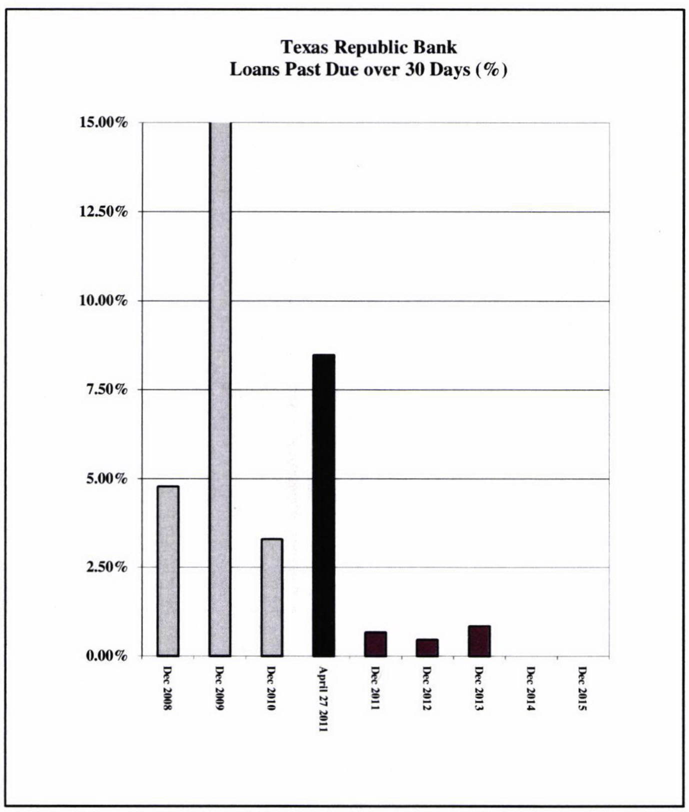


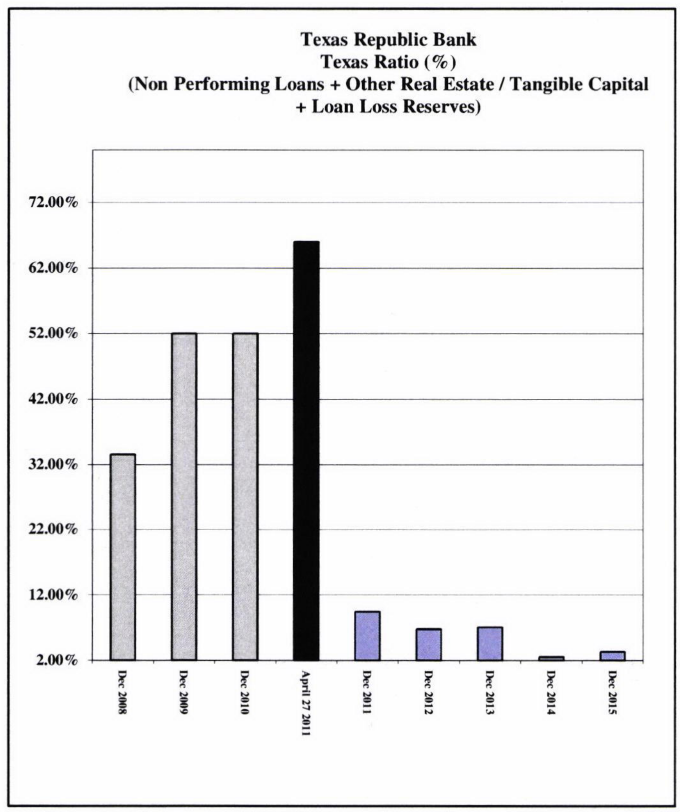


Note: The Black lines in each graph represent the information at the time the bank was purchased. Grey lines represent information before the bank purchase and the Colored lines represent information after the bank was purchased.









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TEXAS REPUBLIC BANK
Est. 1891

Banking like it oughta be!

RECOGNITION AWARDS

BPtW

2015 BEST PLACES TO WORK
DALLAS BUSINESS JOURNAL

FRISCO CHAMBER OF COMMERCE

MEDIUM BUSINESS AWARD 2015

WINNER! BEST 2014 LIVING BEST OF READER'S CHOICE 2014 WINNER LIVING MAGAZINE READER'S CHOICE

BEST OF PLANO AND FRISCO BANK
2014 & 2015

friscoSTYLE BEST of BUSINESS

2014

SNL TOP 100 COMMUNITY BANKS 2013

Dallas Business Journal

SNL TOP 100 COMMUNITY BANKS 2014

Dallas Business Journal & ACG Dallas/Fort Worth present M&A AWARDS

2012

DALLAS 100™

#60 FASTEST GROWING
PRIVATE COMPANIES 2014

DepositAccounts.com TOP 200 Healthiest Banks 2015

TXRB Holdings, Inc.

Stockholders
151 shareholders own 1,641,716 shares of TXRB Holdings, Inc.

TXRB Holdings, Inc. Owns 12,500 shares (100%) of common stock of Texas Republic Bank, N.A

TXRB Holdings, Inc. Board of Directors
6 Members

Texas Republic Bank., N.A. Board of Directors
6 Members

TEXAS REPUBLIC BANK
Banking like it oughta be!

SECURITY Bank
Banking like it oughta be!

40 Full-time Bankers

TXRB Holdings, Inc.

History and Significant Dates

May 1891
Bank Chartered as Quanah National Bank in Quanah, Hardeman County, TX

December 1910
Bank was succeeded by The Citizens National Bank of Quanah

August 1917
Bank went into voluntary liquidation and was succeeded by Security State Bank of Quanah

January 1923
Bank converted from state to national charter and name changed from Security State Bank to Security National Bank of Quanah

January 1934
With formation of the FDIC, bank becomes FDIC insured

October 1958
Bank moved to new location at 211 Main, Quanah, TX (we still operate a branch from this location)

1980
Weldon "Butch" Tabor, longtime Quanah farmer/rancher, buys controlling interest in Security National Bank of Quanah

2001
Weldon "Butch" Tabor sells controlling interest in Security National Bank to TRB Bancorp

November 2002
Frisco branch opens at 2595 Preston Rd, Frisco, TX under the name Texas Republic Bank

January 2003
Bank name formally changed to Texas Republic Bank, N.A. and Quanah location re-named Security Bank, an office of Texas Republic Bank, N.A.

March 2005
Bank headquarters moved from Quanah to Frisco

December 2009
TXRB Holdings, Inc. formed by David Baty and Tim Cantrell with intent to acquire a community bank

June, 2010
TXRB Holdings, Inc. Founder group is finalized

Late 2010 – Early 2011
TXRB Holdings, Inc. Founder group leads successful capital raise effort to provide funds for bank acquisition, and ultimately raises $16.4 million

April 2011
TXRB Holdings, Inc. buys 100% of Texas Republic Bank, including Security Bank in Quanah

May 2014
Richardson branch opens at 690 W. Campbell Rd., Suite 100 Richardson, TX

TXRB Holdings, Inc.
Board of Directors

R. Scott Anderson
Attorney

David L. Baty
President/CEO
Banker

Charles O. "Buz" Rolfe
Chairman
Retired Banking Executive

Barry Pryor
Retired Executive

Tim L. Cantrell
Vice Chairman
Real Estate Investments

Steve Pirkey, DVM
Veterinarian

Texas Republic Bank, N.A.
Board of Directors

R. Scott Anderson
Attorney

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Banker

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Chairman
Retired Banking Executive

Barry Pryor
Retired Executive

Tim L. Cantrell
Vice Chairman
Real Estate Investments

Steve Pirkey, DVM
Veterinarian

Texas Republic Bank, N. A.
Officers

David L. Baty (F)
President/CEO

Sergio L. San Pedro (F)
Executive Vice President

Maureen McGuire (F)
Executive Vice President
Senior Operations Manager

Larry Bowman (F)
Chief Financial Officer

Tammy Martinez (Q)
Senior Vice President

Ron Corcoran (F)
Senior Vice President

Pamela Folkman (F)
Vice President

Stephanie Wallace (R)
Vice President

Kelly McBrayer (R)
Vice President

Jerry Song (F)
Vice President

Jerrica Anderson (F)
Vice President

John Henderson (F)
Vice President

Carly Hollaway (F)
Assistant Vice President

Michael Sweet (F)
Assistant Vice President

Kathy Selvidge (F)
Assistant Vice President

Kim Sale
Assistant Vice President

F-Frisco
R-Richardson
Q-Quanah

TXRB HOLDINGS, INC.
AND SUBSIDIARY

Consolidated Financial Statements
and Additional Information

December 31, 2015 and 2014

(With Independent Auditor's Report Thereon)

Independent Auditor's Report

The Board of Directors
TXRB Holdings, Inc. and Subsidiary
Frisco, Texas

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based upon our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

Payne & Smith, LLC

April 18, 2016

TXRB HOLDINGS, INC. AND SUBSIDIARY

Consolidated Balance Sheets

December 31, 2015 and 2014

(In thousands of dollars)

	2015	2014
ASSETS		
Cash and cash equivalents	$ 13,944	$ 18,222
Interest bearing deposits in other banks	1,559	1,543
Loans, net	133,419	115,344
Bank premises and equipment, net	1,288	1,117
Other real estate owned	384	105
Core deposit intangible	154	180
Goodwill	1,092	1,092
Other assets	2,034	1,724
	$ 153,874	$ 139,327
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Noninterest bearing	$ 31,392	$ 27,605
Interest bearing	100,363	94,096
Total deposits	131,755	121,701
Other borrowings	2,896	-
Other liabilities	606	511
Commitments and contingencies	-	-
Stockholders' equity:		
Common stock	1,641	1,641
Capital surplus	14,912	14,859
Retained earnings	2,064	615
Total stockholders' equity	18,617	17,115
	$ 153,874	$ 139,327

See accompanying notes to consolidated financial statements.

TXRB HOLDINGS, INC. AND SUBSIDIARY

Consolidated Statements of Income

For the Years Ended December 31, 2015 and 2014

(In thousands of dollars)

	2015	2014
Interest income:		
Interest and fees on loans	$ 7,987	$ 6,521
Interest on deposits in other banks	118	122
Other	29	27
Total interest income	8,134	6,670
Interest on deposit accounts	792	640
Net interest income	7,342	6,030
Provision for loan losses	400	364
Net interest income after provision for loan losses	6,942	5,666
Noninterest income:		
Service charges on deposit accounts	238	262
Gain on sale of other real estate owned	24	121
Other	197	135
Total noninterest income	459	518
Noninterest expense:		
Salaries and employee benefits	3,102	2,389
Stock compensation expense	53	47
Occupancy expense	532	432
Writedowns of other real estate owned	15	20
Other	1,465	1,286
Total noninterest expense	5,167	4,174
Income before income tax expense	2,234	2,010
Income tax expense	785	596
Net income	$ 1,449	$ 1,414

See accompanying notes to consolidated financial statements.

TXRB HOLDINGS, INC. AND SUBSIDIARY

Consolidated Statements of Comprehensive Income

For the Years Ended December 31, 2015 and 2014

(In thousands of dollars)

	2015	2014
Net income	$ 1,449	$ 1,414
Other comprehensive income, net of tax	-	-
Total comprehensive income	$ 1,449	$ 1,414

See accompanying notes to consolidated financial statements.

TXRB HOLDINGS, INC. AND SUBSIDIARY

Consolidated Statements of Changes in Stockholders' Equity

For the Years Ended December 31, 2015 and 2014

(In thousands of dollars, except share amounts)

	Common Stock $1 par value, 10,000,000 shares authorized Shares	Amount	Capital Surplus	(Accumulated Deficit) Retained Earnings	Total
Balance January 1, 2014	1,641,716	$ 1,641	$ 14,812	$ (799)	$ 15,654
Net income	-	-	-	1,414	1,414
Stock compensation expense related to stock options	-	-	47	-	47
Balance December 31, 2014	1,641,716	1,641	14,859	615	17,115
Net income	-	-	-	1,449	1,449
Stock compensation expense related to stock options	-	-	53	-	53
Balance December 31, 2015	1,641,716	$ 1,641	$ 14,912	$ 2,064	$ 18,617

See accompanying notes to consolidated financial statements.

TXRB HOLDINGS, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2015 and 2014

(In thousands of dollars)

	2015	2014
Cash flows from operating activities:		
Net income	$ 1,449	$ 1,414
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	174	147
Amortization	26	26
Provision for loan losses	400	364
Stock compensation expense	53	47
Writedown of other real estate owned	15	20
Net gain on sales of other real estate owned	(24)	(121)
Deferred tax benefit	(125)	(205)
Increase in other assets	(185)	(91)
Increase (decrease) in other liabilities	95	(67)
Net cash provided by operating activities	1,878	1,534
Cash flows from investing activities:		
Increase in interest bearing deposits in other banks	(16)	(19)
Purchases of securities available for sale	(62,000)	(69,000)
Proceeds from sales, maturities and principal reductions of securities available for sale	62,000	69,000
Net originations of loans	(18,784)	(27,967)
Net additions to bank premises and equipment	(345)	(504)
Net proceeds from sales of other real estate owned	39	473
Net cash used in investing activities	(19,106)	(28,017)
Cash flows from financing activities:		
Net increase in demand deposits, NOW and savings deposits	17,284	31,741
Net (decrease) increase in certificates of deposits	(7,230)	3,161
Proceeds from other borrowings	2,896	-
Net cash provided by financing activities	12,950	34,902
Net (decrease) increase in cash and cash equivalents	(4,278)	8,419
Cash and cash equivalents at beginning of year	18,222	9,803
Cash and cash equivalents at end of year	$ 13,944	$ 18,222

See accompanying notes to consolidated financial statements.

1. Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies used by TXRB Holdings, Inc. and Subsidiary (referred to collectively as the Company), in the preparation of its consolidated financial statements. These accounting policies conform to generally accepted accounting principles and practices generally followed within the banking industry. A description of the more significant of these policies follows.

Basis of Presentation

The accompanying consolidated financial statements include the accounts of TXRB Holdings, Inc. (TXRB) and its wholly owned subsidiary, Texas Republic Bank, N.A. (Bank). All significant inter-company transactions and balances have been eliminated in consolidation.

Business

TXRB acquired 100% of the common stock of Texas Republic Bank, N.A. (Bank) on April 27, 2011. The Bank, a national bank located in Frisco, Texas, with a branches in Richardson and Quanah, Texas, began operations in 1891. The Bank provides a full range of banking services to individual and corporate customers and is subject to competition from other local, regional, and national financial institutions. The Bank is subject to the regulations of certain federal agencies and undergoes periodic examinations by those regulatory authorities.

The summary of the significant accounting policies of the Company is presented to assist in understanding the Company's consolidated financial statements. The consolidated financial statements and notes are the representation of the Company's management, who are responsible for their integrity and objectivity.

Use of Estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles 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 reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change in the near-term relate to the determination of the allowance for loan losses and valuation of other real estate owned. While management uses available information to recognize losses on loans and other real estate owned, future provisions may be necessary based on changes in local economic conditions. In addition, banking regulators, as an integral part of their examination process, periodically review the Company's allowance for loan and other real estate losses. They may require the Company to record additional provisions for losses based on their judgment about information available to them at the time of their examination.

A significant portion of the Company's loans are secured by real estate and related assets located in local markets. Accordingly, the ultimate collectability of this portion of the Company's loan portfolio is susceptible to changes in local market conditions.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts due from banks, other short-term investments and federal funds sold. All highly liquid investments with an initial maturity of less than ninety days are considered to be cash equivalents.

Interest Bearing Deposits in Other Banks

Investments in certificates of deposit are carried at cost and generally mature within three years of purchase.

Federal Reserve Bank (FRB) Stock

The bank is a member of its regional Federal Reserve Bank (FRB). FRB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income. FRB stock is included in other assets in the accompanying balance sheets.

Federal Home Loan Bank (FHLB) Stock

The bank is a member of the Federal Home Loan Bank (FHLB). Members are required to own a certain amount of stock based on the level of its borrowings and also may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income. FHLB stock is included in other assets in the accompanying balance sheets.

Loans

The Company grants commercial, real estate, agricultural, and consumer loans to customers. The ability of the Company's debtors to honor their contracts is dependent upon the real estate and general economic conditions in this area.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off generally are reported at their outstanding unpaid principal balances adjusted for charge offs, the allowance for loan losses, and any deferred fees or costs on originated loans. Interest income is accrued on the unpaid principal balance. Fees and costs associated with originating loans with maturities greater than one year are deferred and recognized over the life of the loan as an adjustment of yield.

Loans are considered past due if the required principal and interest payments have not been received as of the date such payments were due. Loans are placed on nonaccrual status when, in management's opinion, the borrower may be unable to meet payment obligations as they become due, as well as when required by regulatory provisions. In determining whether or not a borrower may be unable to meet payment obligations for each class of loans, the Company considers the borrower's debt service capacity through the analysis of current financial information, if available, and/or current information with regards to the Company's collateral position. Regulatory provisions typically require the placement of a loan on nonaccrual status if (i) principal or interest has been in default for a period of 90 days or more unless the loan is both well secured and in the process of collection or (ii) full payment of principal and interest is not expected. Loans may be placed on nonaccrual status regardless of whether or not such loans are considered past due. When interest accrual is discontinued, all unpaid accrued interest is reversed against interest income. Interest on nonaccrual loans is accounted for on the cash basis or cost recovery method until qualifying for return to accrual status. A loan may be returned to accrual status when all the principal and interest amounts contractually due are brought current and future principal and interest amounts contractually due are reasonably assured, which is typically evidenced by a sustained period (at least six months) of repayment performance by the borrower.

Impaired Loans

Loans are considered impaired when, based on current information and events, it is probable the Company will be unable to collect all amounts due in accordance with the original contractual terms of the loan agreement, including scheduled principal and interest payments. Impairment is evaluated in total for smaller balance loans of a similar nature and on an individual loan basis for other loans. If a loan is impaired, a specific valuation allowance is allocated, if necessary, so that the loan is reported net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral. Large groups of smaller balance homogeneous loans are collectively evaluated for impairment based on historical loss experience, current economic conditions, and performance trends.

Interest payments on impaired loans are typically applied to principal unless collectibility of the principal amount is reasonably assured, in which case interest is recognized on a cash basis. Impaired loans, or portions thereof, are charged off when deemed uncollectible.

Troubled Debt Restructured (TDR) Loans

A TDR loan is a loan which the Company, for reasons related to a borrower's financial difficulties, grants a concession to the borrower that the Company would not otherwise consider. The loan terms, which have been modified or restructured due to a borrower's financial difficulty, include, but are not limited to, a reduction in the stated interest rate; an extension of the maturity at an interest rate below current market; a reduction in the face amount of the debt; a reduction in the accrued interest; or re-aging, extensions, deferrals, renewals, and rewrites. A TDR loan would generally be considered impaired in the year of modification and will be assessed periodically for further impairment.

Allowance for Loan Losses

The allowance for loan losses is established through a provision for loan losses charged to expense, which represents management's best estimate of probable losses that have been incurred within the existing portfolio of loans. The allowance, in the judgment of management, is necessary to provide for estimated loan losses inherent in the loan portfolio. The allowance for possible loan losses includes allowance allocations calculated in accordance with Accounting Standards Codification (ASC) Topic 310, *Receivables* and allowance allocations calculated in accordance with ASC Topic 450, *Contingencies*. The level of the allowance reflects management's continuing evaluation of industry concentrations, specific credit risks, loan loss experience, current loan portfolio quality, present economic, political and regulatory conditions and unidentified losses inherent in the current loan portfolio, as well as trends in the foregoing. Portions of the allowance may be allocated for specific credits; however, the entire allowance is available for any credit that, in management's judgment, should be charged off. While management utilizes its best judgment and information available, the ultimate adequacy of the allowance is dependent upon a variety of factors beyond the Company's control, including the performance of the Company's loan portfolio, the economy, changes in interest rates and the view of the regulatory authorities toward loan classifications.

The allowance consists of specific and general allocations. The specific allocation relates to loans that are impaired. For such loans, 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 allocation is calculated using loss rates delineated by risk rating and product type. Factors considered when assessing loss rates include the value of the underlying collateral, the industry of the obligor, the obligor's liquidity, and other financial and qualitative factors. These statistical models are updated regularly for changes in economic and business conditions. Included in the analysis of these loan portfolios are reserves, which are maintained to cover uncertainties that affect the Company's estimate of probable losses including economic uncertainty and large single defaults.

Off-Balance Sheet Credit Related Financial Instruments

In the ordinary course of business, the Company has entered into commitments to extend credit, including commercial letters of credit and standby letters of credit. Such financial instruments are recorded when they are funded.

Bank Premises and Equipment

Land is carried at cost. Premises, furniture and equipment, and leasehold improvements are carried at cost, less accumulated depreciation and amortization computed principally by the straight-line method over the estimated useful lives of the related property.

Foreclosed Assets

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

Intangible 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 Company's intangible assets relate to core deposits acquired in the purchase of the Bank. Intangible assets with definite useful lives are amortized over their estimated life.

Goodwill

Goodwill represents the excess of the cost of businesses acquired over the fair value of the net assets acquired. At least annually or more frequently if circumstances dictate, management assesses qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not that goodwill is impaired. If, after assessing the totality of events and circumstances, management concludes that it is not more likely than not that goodwill is impaired, then no further action is taken. If, however, management concludes otherwise, then the fair value of goodwill is determined and tested for impairment by comparing the fair value with the carrying amount in accordance with ASC Topic 350, *Intangibles-Goodwill and Other*.

Income Taxes

The Company files a consolidated income tax return with its Subsidiary. Federal income tax expense or benefit has been allocated on a separate return basis.

Deferred tax assets and liabilities are reflected at currently enacted income tax rates applicable to the period in which the deferred tax assets and 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. A valuation allowance, if needed, reduces deferred tax assets to the expected amount most likely to be realized. Realization of deferred tax assets is dependent upon the generation of a sufficient level of future taxable income and recoverable taxes paid in prior years.

Accounting principles generally accepted in the United States of America require Company management to evaluate tax positions taken by the Company. Management evaluated the Company's tax positions and concluded that the Company had taken no uncertain tax positions that require recognition or disclosure in the consolidated financial statements. Therefore, no liability for tax penalties has been included in the consolidated financial statements. With few exceptions, the Company is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for years before 2012.

Stock Compensation Plans

Compensation expense for stock options and warrants is based on the fair value of the award on the measurement date, which, for the Company, is the date of the grant and is recognized ratably over the service period of the award. The fair value of stock options and warrants is estimated using the Black-Scholes option-pricing model. The fair value on non-vested stock awards is generally the market price of the Company's stock on the date of grant.

Advertising

Advertising consists of the Company's advertising in its local market area. Advertising is expensed as incurred. Advertising expense was approximately $102,000 and $71,000 for the years ended December 31, 2015 and 2014, respectively.

Comprehensive Income (Loss)

Comprehensive income (loss) includes both net income and other comprehensive income (loss), which includes the change in unrealized gains and losses on securities available for sale.

Fair Values of Financial Instruments

ASC Topic 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and requires certain disclosures about fair value measurements. In general, fair values of financial instruments are 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 Company's creditworthiness, among other things, as well as unobservable parameters. Any such valuation adjustments are applied consistently over time.

Subsequent Events

The Company has evaluated events and transactions for potential recognition or disclosure through April 18, 2016, the date the consolidated financial statements were available to be issued.

Reclassification

Certain amounts previously reported have been reclassified to conform to the current format. The reclassifications have no impact on the consolidated financial statements.

2. Recent Accounting Pronouncements

In January 2015, the FASB issued Accounting Standards Update 2015-1, *Income Statement-Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items.* The update eliminates from GAAP the concept of extraordinary items. Although the amendments will eliminate the requirements for companies to consider whether an underlying event or transaction is extraordinary, the presentation and disclosure guidance for items that are unusual in nature or occur infrequently will be retained and will be expanded to include items that are both unusual in nature and infrequently occurring. The amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. This statement is not expected to have a material impact on the Company's consolidated financial statements.

In February 2015, the FASB issued Accounting Standards Update 2015-2, *Consolidation (Topic 810): Amendments to the Consolidation Analysis.* The update implements changes to both the variable interest consolidation model and the voting interest consolidation model. ASU 2015-02 (i) eliminates certain criteria that must be met when determining when fees paid to a decision maker or service provider do not represent a variable interest, (ii) amends the criteria for determining whether a limited partnership is a variable interest entity and (iii) eliminates the presumption that a general partner controls a limited partnership in the voting model. The amendments in this Update are effective for fiscal years beginning after December 15, 2016, and for interim periods within fiscal years beginning after December 15, 2017. Early adoption is permitted. This statement is not expected to have a material impact on the Company's consolidated financial statements.

In April 2015, the FASB issued Accounting Standards Update 2015-3, *Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs.* The amendments in this Update require 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 that debt liability, consistent with debt discounts. The amendments in this Update are effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within fiscal years beginning after December 15, 2016. Early adoption is permitted for financial statements that have not been previously issued. This statement is not expected to have a material impact on the Company's consolidated financial statements.

In April 2015, the FASB issued Accounting Standards Update 2015-4, *Compensation-Retirement Benefits (Topic 715): Practical Expedient for the Measurement Date of an Employer's Defined Benefit Obligation and Plan Assets.* For an entity with a fiscal year-end that does not coincide with a month-end, the amendments in this Update provide a practical expedient that permits the entity to measure defined benefit plan assets and obligations using the month-end that is closest to the entity's fiscal year-end and apply that practical expedient consistently from year to year. The amendments in this Update are effective for financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. Earlier application is permitted. This statement is not expected to have a material impact on the Company's consolidated financial statements.

In April 2015, the FASB issued Accounting Standards Update 2015-5, *Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement.* The update addresses accounting for fees paid by a customer in cloud computing arrangements such as (i) software as a service, (ii) platform as a service, (iii) infrastructure as a service and (iv) other similar hosting arrangements. ASU 2015-05 provides guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The amendments will be effective for annual periods beginning after December 15, 2015, and interim periods in annual periods beginning after December 15, 2016. Earlier application is permitted. This statement is not expected to have a material impact on the Company's consolidated financial statements.

In September 2015, the FASB amended existing guidance Accounting Standards Update 2015-16, *Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments.* The amendments require that an acquirer recognize adjustments to estimated amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The amendments require that the acquirer record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the estimated amounts, calculated as if the accounting had been completed at the acquisition date. The amendments also require an entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the estimated amounts had been recognized as of the acquisition date. The amendments will be effective for fiscal years beginning after December 15, 2016 and interim periods within fiscal years beginning after December 15, 2017. Earlier application is permitted. This statement is not expected to have a material impact on the Company's consolidated financial statements.

3. Statement of Cash Flows

The Company reports on a net basis its cash receipts and cash payments for time deposits accepted and repayments of those deposits, loans made to customers and principal collections on those loans.

The Company uses the indirect method to present cash flows from operating activities. Other supplemental cash flow information for the years ended December 31, 2015 and 2014 is presented as follows (in thousands):

	2015	2014
Cash transactions:		
Interest expense paid	$ 792	$ 631
Federal income taxes paid	$ 925	$ 795
Noncash transactions:		
Acquisition of other real estate owned	$ 309	$ 20

4. Loans and Allowance for Loan Losses

Loans at December 31, 2015 and 2014 consisted of the following (in thousands):

	2015	2014
Real estate:		
Construction, land development, land	$ 20,929	$ 18,266
Farmland	4,222	2,736
1-4 family residential properties	65,436	52,322
Multi-family residential	2,622	2,808
Nonfarm nonresidential owner occupied	12,479	14,313
Nonfarm nonresidential other	9,819	5,373
Total real estate	115,507	95,818
Commercial	16,393	17,026
Agricultural	820	712
Consumer	2,134	2,852
Other	336	392
	135,190	116,800
Allowance for loan losses	(1,771)	(1,456)
	$ 133,419	$ 115,344

At December 31, 2015 and 2014, the Company had total commercial real estate loans of $45,849,000 and $40,760,000, respectively. Included in these amounts, the Company had construction, land development, and other land loans representing 114% and 117%, respectively, of total risk based capital at December 31, 2015 and 2014. The Company had non-owner occupied commercial real estate loans representing 181% and 170%, respectively, of total risk based capital at December 31, 2015 and 2014. Sound risk management practices and appropriate levels of capital are essential elements of a sound commercial real estate lending program (CRE). Concentrations of CRE exposures add a dimension of risk that compounds the risk inherent in individual loans. Interagency guidance on CRE concentrations describe sound risk management practices which include board and management oversight, portfolio management, management information systems, market analysis, portfolio stress testing and sensitivity analysis, credit underwriting standards, and credit risk review functions. Management believes it has implemented these practices in order to monitor its CRE. An institution which has reported loans for construction, land development, and other land loans representing 100% or more of total risk-based capital, or total non-owner occupied commercial real estate loans representing 300% or more of the institution's total risk-based capital and the outstanding balance of commercial real estate loan portfolio has increased by 50% or more during the prior 36 months, may be identified for further supervisory analysis by regulators to assess the nature and risk posed by the concentration.

The Company extends commercial and consumer credit primarily to customers in the state of Texas. At December 31, 2015 and 2014, the majority of the Company's loans were collateralized with real estate. The real estate collateral provides an alternate source of repayment in the event of default by the borrower, and may deteriorate in value during the time the credit is extended. The weakening of real estate markets may have an adverse effect on the Company's profitability, and asset quality. If the Company were required to liquidate the collateral securing a loan to satisfy the debt during a period of reduced real estate values, earnings and capital could be adversely affected. Additionally, the Company has loans secured by inventory, accounts receivable, equipment, marketable securities, or other assets. The debtors' ability to honor their contracts on all loans is substantially dependent upon the general economic conditions of the region.

Allowance for Loan Losses

An analysis of the allowance for loan losses for the years ended December 31, 2015 and 2014 is as follows (in thousands):

	Beginning Balance	Provision	Charge offs	Recoveries	Ending Balance
December 31, 2015:					
Real estate:					
Construction, land development, land	$ 225	$ 44	$ -	$ -	$ 269
Farmland	34	20	-	-	54
1-4 family residential properties	648	197	-	-	845
Multi-family residential	35	(1)	-	-	34
Nonfarm nonresidential owner occupied	176	(15)	-	-	161
Nonfarm nonresidential other	66	60	-	-	126
Total real estate	1,184	305	-	-	1,489
Commercial	212	115	(96)	7	238
Agricultural	9	2	-	-	11
Consumer	50	(22)	(1)	5	32
Other	1	-	-	-	1
	$ 1,456	$ 400	$ (97)	$ 12	$ 1,771
December 31, 2014:					
Real estate:					
Construction, land development, land	$ 93	$ 132	$ -	$ -	$ 225
Farmland	40	(6)	-	-	34
1-4 family residential properties	498	156	(6)	-	648
Multi-family residential	42	(7)	-	-	35
Nonfarm nonresidential owner occupied	133	43	-	-	176
Nonfarm nonresidential other	69	(3)	-	-	66
Total real estate	875	315	(6)	-	1,184
Commercial	160	46	-	6	212
Agricultural	6	3	-	-	9
Consumer	47	1	(1)	3	50
Other	2	(1)	-	-	1
	$ 1,090	$ 364	$ (7)	$ 9	$ 1,456

The Company's individual ALLL allocations are established for probable losses on specific loans. The Company's general ALLL allocations are established based upon historical loss experience for similar loans with similar characteristics. The Company's unallocated portion of the ALLL is determined based on economic conditions and other qualitative risk factors both internal and external to the Company. Further information pertaining to the allowance for loan losses (ALLL) at December 31, 2015 and 2014 is as follows (in thousands):

	Loan Evaluation			ALLL Allocations			
					General		
	Individually	General	Total loans	Individually	Historical	Other	Total ALLL
December 31, 2015:							
Real estate:							
Construction, land development, land	$ -	$ 20,929	$ 20,929	$ -	$ -	$ 269	$ 269
Farmland	-	4,222	4,222	-	-	54	54
1-4 family residential properties	-	65,436	65,436	-	2	843	845
Multi-family residential	-	2,622	2,622	-	-	34	34
Nonfarm nonresidential owner occupied	-	12,479	12,479	-	-	161	161
Nonfarm nonresidential other	-	9,819	9,819	-	-	126	126
Total real estate	-	115,507	115,507	-	2	1,487	1,489
Commercial	-	16,393	16,393	-	27	211	238
Agricultural	-	820	820	-	-	11	11
Consumer	-	2,134	2,134	-	5	27	32
Other	240	96	336	-	-	1	1
	$ 240	$ 134,950	$ 135,190	$ -	$ 34	$ 1,737	$ 1,771
December 31, 2014:							
Real estate:							
Construction, land development, land	$ -	$ 18,266	$ 18,266	$ -	$ -	$ 225	$ 225
Farmland	-	2,736	2,736	-	-	34	34
1-4 family residential properties	-	52,322	52,322	-	3	645	648
Multi-family residential	-	2,808	2,808	-	-	35	35
Nonfarm nonresidential owner occupied	-	14,313	14,313	-	-	176	176
Nonfarm nonresidential other	-	5,373	5,373	-	-	66	66
Total real estate	-	95,818	95,818	-	3	1,181	1,184
Commercial	-	17,026	17,026	-	2	210	212
Agricultural	-	712	712	-	-	9	9
Consumer	-	2,852	2,852	-	15	35	50
Other	297	95	392	-	-	1	1
	$ 297	$ 116,503	$ 116,800	$ -	$ 20	$ 1,436	$ 1,456

Impaired Loans

Average impaired loans during 2015 and 2014 were approximately $286,000 and $398,000 respectively. No significant interest income was recognized on impaired loans during 2015 and 2014. Approximately $17,000 and $23,000, respectively of additional interest would have been recognized if the loans had been on accrual status during 2015 and 2014, respectively. The following is a summary of information pertaining to impaired loans at December 31, 2015 and 2014 (in thousands):

	Unpaid Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Recorded Investment Total	Related Allowance
December 31, 2015:					
Real estate:					
Construction, land development, land	$ -	$ -	$ -	$ -	$ -
Farmland	-	-	-	-	-
1-4 family residential properties	-	-	-	-	-
Multi-family residential	-	-	-	-	-
Nonfarm nonresidential owner occupied	-	-	-	-	-
Nonfarm nonresidential other	-	-	-	-	-
Total real estate	-	-	-	-	-
Commercial	-	-	-	-	-
Agricultural	-	-	-	-	-
Consumer	-	-	-	-	-
Other	240	240	-	240	-
	$ 240	$ 240	$ -	$ 240	$ -
December 31, 2014:					
Real estate:					
Construction, land development, land	$ -	$ -	$ -	$ -	$ -
Farmland	-	-	-	-	-
1-4 family residential properties	-	-	-	-	-
Multi-family residential	-	-	-	-	-
Nonfarm nonresidential owner occupied	-	-	-	-	-
Nonfarm nonresidential other	-	-	-	-	-
Total real estate	-	-	-	-	-
Commercial	-	-	-	-	-
Agricultural	-	-	-	-	-
Consumer	-	-	-	-	-
Other	297	297	-	297	-
	$ 297	$ 297	$ -	$ 297	$ -

Past Due Loans

The following is a summary of past due and nonaccrual loans at December 31, 2015 and 2014 (in thousands):

	30-89 Days Past Due	Past Due 90 Days or More Still Accruing	Nonaccrual	Total Past Due
December 31, 2015:				
Real estate:				
Construction, land development, land	$ -	$ -	$ -	$ -
Farmland	-	-	-	-
1-4 family residential properties	-	-	-	-
Multi-family residential	-	-	-	-
Nonfarm nonresidential owner occupied	-	-	-	-
Nonfarm nonresidential other	-	-	-	-
Total real estate	-	-	-	-
Commercial	-	-	-	-
Agricultural	-	-	-	-
Consumer	-	-	-	-
Other	-	-	240	240
	$ -	$ -	$ 240	$ 240
December 31, 2014:				
Real estate:				
Construction, land development, land	$ -	$ -	$ -	$ -
Farmland	-	-	-	-
1-4 family residential properties	-	-	-	-
Multi-family residential	-	-	-	-
Nonfarm nonresidential owner occupied	-	-	-	-
Nonfarm nonresidential other	-	-	-	-
Total real estate	-	-	-	-
Commercial	-	-	-	-
Agricultural	-	-	-	-
Consumer	-	-	-	-
Other	-	-	297	297
	$ -	$ -	$ 297	$ 297

Troubled Debt Restructurings

The restructuring of a loan is considered a troubled debt restructuring (TDR) if both the borrower is experiencing financial difficulties and the creditor has granted a concession. Concessions may include interest rate reductions or below market interest rates, principal forgiveness, restructuring amortization schedules and other actions intended to minimize potential losses. The Company did not have any TDR's during the years ended December 31, 2015 and 2014. The Company is not committed to lend additional funds to debtors whose loans have been modified.

Credit Quality Information

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt, including: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company analyzes loans individually by classifying the loans as to credit risk. The Company uses the following definitions for risk ratings:

Pass

Loans classified as pass are loans with low to average risk.

Special Mention

Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the Company's credit position at some future date.

Substandard

Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.

Doubtful

Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

As of December 31, 2015 and 2014, based on the most recent analysis performed, the risk category of loans by class of loans is as follows (in thousands):

	Pass	Special Mention	Substandard	Doubtful	Total
December 31, 2015:					
Real estate:					
Construction, land development, land	$ 20,929	$ -	$ -	$ -	$ 20,929
Farmland	4,222	-	-	-	4,222
1-4 family residential properties	65,143	51	242	-	65,436
Multi-family residential	2,622	-	-	-	2,622
Nonfarm nonresidential owner occupied	12,479	-	-	-	12,479
Nonfarm nonresidential other	9,819	-	-	-	9,819
Total real estate	115,214	51	242	-	115,507
Commercial	16,153	-	240	-	16,393
Agricultural	820	-	-	-	820
Consumer	2,134	-	-	-	2,134
Other	336	-	-	-	336
	$ 134,657	$ 51	$ 482	$ -	$ 135,190
December 31, 2014:					
Real estate:					
Construction, land development, land	$ 18,266	$ -	$ -	$ -	$ 18,266
Farmland	2,736	-	-	-	2,736
1-4 family residential properties	51,771	53	498	-	52,322
Multi-family residential	2,796	-	12	-	2,808
Nonfarm nonresidential owner occupied	13,275	1,038	-	-	14,313
Nonfarm nonresidential other	5,373	-	-	-	5,373
Total real estate	94,217	1,091	510	-	95,818
Commercial	16,507	177	342	-	17,026
Agricultural	712	-	-	-	712
Consumer	2,852	-	-	-	2,852
Other	95	-	297	-	392
	$ 114,383	$ 1,268	$ 1,149	$ -	$ 116,800

5. Bank Premises and Equipment

Bank premises and equipment at December 31, 2015 and 2014 consisted of the following (in thousands):

	2015	2014
Bank building	$ 954	$ 952
Furniture and equipment	519	492
Automobiles	36	36
Construction in process	316	-
	1,825	1,480
Accumulated depreciation	(537)	(363)
	$ 1,288	$ 1,117

The Company leases a portion of its bank premises under non-cancelable operating leases. Rental expense totaled approximately $277,000 and $206,000 for the years ended December 31, 2015 and 2014, respectively. Pursuant to the terms of the lease agreements in effect at December 31, 2015, pertaining to banking premises, future minimum rent commitments are as follows (in thousands):

Year	Amount
2016	$ 227
2017	121
2018	50
2019	21
2020	-
Thereafter	-
	$ 419

6. Goodwill

Goodwill of approximately $1,092,000 resulting from the acquisition of the Bank is included in the accompanying consolidated financial statements at December 31, 2015 and 2014. As provided by ASC Topic 350, *Intangibles – Goodwill and Other*, the Company performs an annual impairment test for goodwill if it is determined that it is not more likely than not that the asset is impaired. At December 31, 2015 and 2014, management has determined that there is no impairment of goodwill.

7. Core Deposit Intangible

Core deposit intangibles resulting from the acquisition of the Bank during 2011, are being amortized using the straight-line method over a period of 10 years. Assigned costs and accumulated amortization at December 31, 2015 and 2014 consisted of the following (in thousands):

	2015	2014
Gross amount	$ 273	$ 273
Accumulated amortization	(119)	(93)
	$ 154	$ 180

Changes in the carrying amount of the core deposit intangible for the years ended December 31, 2015 and 2014 are summarized as follows (in thousands):

	2015	2014
Net core deposit intangible asset at the beginning of the year	$ 180	$ 206
Additions during the year	-	-
Amortization during the year	(26)	(26)
Net core deposit intangible asset at the end of the year	$ 154	$ 180

8. Deposits

Deposits at December 31, 2015 and 2014 are summarized as follows (in thousands):

	2015			2014		
		Amount	Percent		Amount	Percent
Noninterest bearing demand accounts	$	31,392	23.8	$	27,605	22.7
Interest bearing demand accounts		51,318	39.0		42,397	34.9
Savings accounts		13,990	10.6		9,414	7.7
Certificates of deposit, $100,000 or less		6,695	5.1		7,466	6.1
Certificates of deposit, greater than $100,000		28,360	21.5		34,819	28.6
	$	131,755	100.0	$	121,701	100.0

The Company had no brokered deposits at December 31, 2015 and 2014.

At December 31, 2015, scheduled maturities of certificates of deposit are as follows (in thousands):

Year		Amount
Less than one year	$	28,343
One to three years		6,712
Over three years		-
	$	35,055

9. Other Borrowings

Federal Home Loan Bank

At December 31, 2015, the Company had an advance from the Federal Home Loan Bank (FHLB) in the amount of approximately $2,896,000. Advances from the FHLB are collateralized by a security agreement, which requires the borrowing bank to maintain a certain level of qualified first mortgage collateral in relation to the amount of outstanding debt. The advance bears interest at the rate of 1.55%. At December 31, 2015 scheduled maturities are as follows (in thousands):

Year		Amount
2016	$	181
2017		183
2018		186
2019		189
2020		2,156
Thereafter		-
	$	2,895

At December 31, 2015 the Company has additional unused borrowing capacity with the FHLB of approximately $55,041,000.

At December 31, 2014, the Company had no outstanding advances from the FHLB.

Other

The Company had unused federal fund lines available from commercial banks of approximately $9,189,000 at December 31, 2015.

10. Income Taxes

The provision for income tax for the years ended December 31, 2015 and 2014 consisted of the following (in thousands):

	2015	2014
Income tax expense (benefit):		
Current	$ 910	$ 801
Deferred	(125)	(205)
Income tax expense	$ 785	$ 596

The Company's effective tax rate is different than what would be expected if the federal statutory rate were applied to income before income tax expense primarily because of changes in the valuation allowance.

Deferred income taxes reflect the net tax effects of temporary differences between the recorded amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax return purposes. Significant components of the Company's deferred tax assets and liabilities as of December 31, 2015 and 2014 are as follows (in thousands):

	2015	2014
Deferred tax assets:		
Allowance for loan losses for book in excess tax	$ 602	$ 495
Organizational expenses	55	60
Stock compensation expense	81	63
Other real estate owned	19	24
Other	66	40
Total deferred tax assets	823	682
Deferred tax liabilities:		
Depreciation	46	72
Goodwill	103	82
Total deferred tax liabilities	149	154
Net deferred tax asset	674	528
Valuation allowance	(125)	(104)
Net deferred tax asset less valuation allowance	$ 549	$ 424

The Company's ability to realize the net deferred tax asset involves certain risks and uncertainties. The asset is based, in part, on estimates that are particularly sensitive to change in the near term. At December 31, 2015 and 2014, management believed the above indicated valuation allowance was necessary to comply with the provisions of ASC Topic 740, *Income Taxes*.

At December 31, 2015 and 2014, the Company had an income tax receivable of approximately $97,000 and $72,000, respectively, included in other assets in the accompanying consolidated balance sheets.

11. Commitments and Contingencies

The Company is involved in legal actions arising from normal business activities. Management believes that these actions are without merit or that the ultimate liability, if any, resulting from them will not materially affect the financial position or results of operations of the Company.

The Company does not anticipate any material losses as a result of commitments and contingent liabilities.

12. Employee Benefits

The Company maintains a contributory 401(k) employee benefit plan (Plan) covering substantially all employees whereby the Company may contribute, 100% of the first 3% compensation contributed and 50% of an additional 2% of compensation contributed by the eligible employees. During 2015 and 2014, the Company contributed approximately $65,000 and $37,000, respectively, to the Plan.

13. Financial Instruments

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

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

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

	2015	2014
Financial instruments whose contract amounts represent credit risk:		
Commitments to extend credit	$ 20,526	$ 10,762
Standby letters of credit	88	28
	$ 20,614	$ 10,790

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Management evaluates each customer's credit-worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the counterparty.

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

Although the maximum exposure to loss is the amount of such commitments, management currently anticipates no material losses from such activities.

14. Significant Group Concentrations of Credit Risk

Most of the Company's business activity is with customers located within Texas. Such customers are normally also depositors of the Company.

The distribution of commitments to extend credit approximates the distribution of loans outstanding. Commercial and standby letters of credit were granted primarily to commercial borrowers.

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 default, and the value of any existing collateral become worthless.

The nature of the Company's business requires that it maintain amounts due from banks which, at times, may exceed federally insured limits. The Company has not experienced any losses from such accounts.

15. Related Party Transactions

In the ordinary course of business, the Company may have transactions, including borrowings, with its officers, directors and their affiliates. In the opinion of management, such transactions are on the same terms, including interest rates and collateral requirements, as those prevailing at the time for comparable transactions with unaffiliated persons. At December 31, 2015 and 2014, there were no significant related party transactions.

16. Fair Value Disclosures

The fair value of an asset or liability is the price that would be received to sell that asset or paid to transfer that liability in an orderly transaction occurring in the principal market (or most advantageous market in the absence of a principal market) for such asset or liability. In estimating fair value, the Company utilizes valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. Such valuation techniques are consistently applied. Inputs to valuation techniques include the assumptions that market participants would use in pricing an asset or liability. ASC Topic 820, *Fair Value Measurements and Disclosures,* 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.

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 Company's creditworthiness, among other things, as well as unobservable parameters. Any such valuation adjustments are applied consistently over time. The Company'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 Company'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. Furthermore, the reported fair value amounts have not been comprehensively revalued since the presentation dates, and therefore, estimates of fair value after the balance sheet date may differ significantly from the amounts presented herein.

At December 31, 2015 and 2014, the Company had no assets or liabilities recorded at fair value on a recurring basis.

Certain financial and non-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). The following table summarizes financial assets and non-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 fair value:

	Level 1	Level 2	Level 3	Total Fair Value
December 31, 2015:				
Financial assets - impaired loans	$ -	$ -	$ 240	$ 240
Other real estate owned	-	384	-	384
December 31, 2014:				
Financial assets - impaired loans	$ -	$ -	$ 297	$ 297
Other real estate owned	-	105	-	105

During the years ended December 31, 2015 and 2014, the Company had no impaired loans which were remeasured and reported at fair value through a specific valuation allowance allocation of the allowance for possible loan losses based upon the fair value of the underlying collateral. At December 31, 2015 and 2014, impaired loans had a reported value of approximately $240,000 and $297,000, respectively, based on collateral valuations utilizing Level 3 valuation inputs.

Foreclosed assets are valued at the time the loan is foreclosed upon and the asset is transferred to other real estate owned. The value is based primarily on third-party appraisals, less estimated costs to sell. Appraisals based upon comparable sales result in a Level 2 classification while appraisals based upon expected cash flows of the property result in a Level 3 classification. The appraisals are generally discounted based on management's historical knowledge, changes in market conditions from the time of valuation, and/or management's expertise and knowledge of the customer and customer's business. Other real estate owned is reviewed and evaluated on at least an annual basis for additional impairment and adjusted accordingly, based on the same factors identified above.

Following is a table that summarizes the fair values of all financial instruments of the Company at December 31, 2015 and 2014, followed by methods and assumptions that were used by the Company in estimating the fair value of the classes of financial instruments not covered by FASB ASC Topic 820. The estimated fair value amounts of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, considerable judgment is required to interpret data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

A summary of the carrying amounts and estimated fair values of financial instruments at December 31, 2015 and 2014 is as follows (in thousands):

	2015		2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash and cash equivalents	$ 13,944	$ 13,944	$ 18,222	$ 18,222
Interest bearing time deposits in other banks	1,559	1,551	1,543	1,535
Loans	133,419	131,295	115,344	114,551
Accrued interest receivable	380	380	357	357
FHLB and FRB Stock	629	N/A	469	N/A
Financial liabilities:				
Deposits	131,755	131,296	121,701	122,190
Accrued interest payable	39	39	39	39
Off balance sheet financial instruments:				
Commitments to extend credit	-	-	-	-
Standby letters of credit and financial guarantees	-	-	-	-

The following methods and assumptions were used in estimating fair value disclosures for financial instruments:

Cash and Cash Equivalents

The carrying amounts reported in the consolidated statement of financial condition for cash and cash equivalents approximate the fair values of those assets.

Loans and Accrued Interest Receivable

Fair values for mortgage loans are based upon the yields for each type of mortgage when sold into the most efficient market available. Fair values for 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 carrying amount of accrued interest approximates its fair value.

FHLB and FRB Stock

It is not practical to determine the fair value of FHLB and FRB stock due to the restrictions placed on its transferability.

Deposits and Accrued Interest Payable

Fair values for passbook, checking and money market accounts, variable rate certificates of deposit, and noninterest bearing deposits are equal to their carrying amounts. Fair values for fixed rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered for deposits of similar remaining maturities. The carrying amount of accrued interest approximates its fair value.

Other borrowings

Fair values for variable rate advances from the Federal Home Loan Bank are equal to their carrying amounts. Fair values for fixed rate advances are estimated using a discounted cash flow calculation that applies interest rates currently being offered for advances of similar remaining maturities.

Off-balance sheet financial instruments

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

17. Stock Options

The Company has established a non-qualified stock option plan (Option Plan) which allows for issuance of up to 130,000 shares of the Company's common stock. Under the Option Plan, options are to be granted to certain key employees of the Company. The Option Plan is administered by the Board of Directors. The stock options (options) become exercisable on a pro rata annual basis over a four-year period and expire ten years from the date of the grant. The Company granted 11,250 options of its common stock for the option price of $12.19 per share during the year ended December 31, 2015. There were no options granted during 2014. The Company recognized approximately $53,000 and $47,000 of compensation expense related to the granting of these awards during 2015 and 2014. At December 31, 2015, the Company had 56,400 options available for grant under the Option Plan.

A summary of option activity under the Option Plan as of December 31, 2015 and 2014 and changes during the years then ended are as follows:

	2015		2014	
	Option Price Per Share	Shares Under Option	Option Price Per Share	Shares Under Option
Outstanding at beginning of year	$ 10.00	62,350	$ 10.00	62,350
Granted during the year	12.19	11,250	-	-
Exercised during the year	-	-	-	-
Forefeited during the year	-	-	-	-
Outstanding at the end of year	$ 10.00	73,600	$ 10.00	62,350
Exercisable at end of year		62,725		59,933
Weighted average remaining contractual life		6.10		6.50

A summary of the status of the Company's nonvested shares at December 31, 2015 and 2014 and the changes during the years then ended are as follows:

	2015		2014	
	Shares	Weighted Average Grant Fair Value	Shares	Weighted Average Grant Fair Value
Nonvested at January 1	2,417	$ 2.11	18,004	$ 2.98
Granted during the year	11,250	2.57	-	-
Vested during the year	(2,792)	2.26	(15,587)	3.12
Forefeited during the year	-	-	-	-
Nonvested at December 31	10,875	$ 2.55	2,417	$ 2.11

Stock compensation cost is to be measured using the fair value of an award on the grant date and recognized over the service (vesting) period. The fair value of each option grant during 2015 was estimated using the Black-Scholes option-pricing model with the following assumptions:

Dividend yield	0.00%
Expected life	10 years
Expected volatility	5.36% to 5.53%
Risk-free interest rate	2.20% to 2.35%

The expected volatility is based upon historical volatility of commercially insured banks in the state of Texas. The risk-free interest rates for periods within the contractual life of the awards are based on the U.S. Treasury yield in effect at the date of the grant. The expected life is based on historical exercise experience. The dividend yield assumption is based on comparable banks in the State of Texas.

18. Stockholders' Equity and Regulatory Matters

The Bank is subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Failure to meet capital requirements can initiate regulatory action. The final rules implementing Basel Committee on Banking Supervision's capital guidelines for U.S. banks (Basel III rules) became effective for the Bank on January 1, 2015 with full compliance with all of the requirements being phased in over a multi-year schedule, and fully phased in by January 1, 2019. The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital. Management believes as of December 31, 2015, the Bank meets all capital adequacy requirements to which it is subject.

Prompt corrective action regulations for banking institutions provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At December 31, 2015, the most recent regulatory notifications categorized the Bank as well-capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Bank's category.

Actual and required capital amounts and ratios at December 31, 2015 are presented below (in thousands):

	Actual		Minimum Required for Capital Adequacy Purposes		Minimum to be Well Capitalized under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2015:						
Total capital to risk weighted assets	$ 18,392	17.17%	$ 8,568	8.00%	$ 10,710	10.00%
Tier 1 (core) capital to risk weighted assets	17,048	15.92%	6,426	6.00%	8,568	8.00%
Common Tier 1 (CET1)	17,048	15.92%	4,820	4.50%	6,962	6.50%
Tier 1 (core) capital to average assets	17,048	10.36%	6,583	4.00%	8,229	5.00%

Actual and required capital amounts and ratios at December 31, 2014 (prior to the implementation of the Basel III Capital Rules) are presented below (in thousands):

	Actual		Minimum Required for Capital Adequacy Purposes		Minimum to be Well Capitalized under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2014:						
Total capital to risk weighted assets	$ 15,595	16.82%	$ 7,418	8.00%	$ 9,273	10.00%
Tier 1 capital to risk weighted assets	14,433	15.56%	3,709	4.00%	5,564	6.00%
Tier 1 capital to average assets	14,433	10.33%	5,590	4.00%	6,988	5.00%

Payne & Smith, LLC
Certified Public Accountants

Independent Auditor's Report

On Additional Information

The Board of Directors
TXRB Holdings, Inc. and Subsidiary
Frisco, Texas

We have audited the consolidated financial statements of TXRB Holdings, Inc. and Subsidiary as of and for the year ended December 31, 2015, and have issued our report thereon dated April 18, 2016, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 33 and 34 is presented for the purpose of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Payne & Smith, LLC

April 18, 2016

5952 Royal Lane • Suite 158 • Dallas, TX 75230 •214 / 363-9927• Fax 214 / 363-9980

TXRB HOLDINGS, INC. AND SUBSIDIARY

Consolidating Balance Sheet

December 31, 2015

(In thousands of dollars)

	TXRB Holdings, Inc.	Texas Republic Bank	Eliminations		Consolidated
ASSETS					
Cash and cash equivalents	$ 67	$ 13,944	$ (67)	(1)	$ 13,944
Interest bearing deposits in other banks	-	1,559	-		1,559
Investment in subsidiary	18,202	-	(18,202)	(2)	-
Loans, net	348	133,071	-		133,419
Bank premises and equipment, net	-	1,288	-		1,288
Other real estate owned	-	384	-		384
Core deposit intangible	-	154	-		154
Goodwill	-	1,092	-		1,092
Other assets	-	2,034	-		2,034
	$ 18,617	$ 153,526	$ (18,269)		$ 153,874
LIABILITIES AND STOCKHOLDERS' EQUITY					
Deposits:					
Noninterest bearing	$ -	$ 31,459	$ (67)	(1)	$ 31,392
Interest bearing	-	100,363	-		100,363
Total deposits	-	131,822	(67)		131,755
Other borrowings	-	2,896	-		2,896
Other liabilities	-	606	-		606
Commitments and contigencies	-	-	-		-
Stockholders' equity:					
Common stock	1,641	125	(125)	(2)	1,641
Capital surplus	14,912	14,919	(14,919)	(2)	14,912
Retained earnings	2,064	3,158	(3,158)	(2)	2,064
Total stockholders' equity	18,617	18,202	(18,202)		18,617
	$ 18,617	$ 153,526	$ (18,269)		$ 153,874

See description of consolidating entries on page 35 and accompanying independent auditor's report on additional information

TXRB HOLDINGS, INC. AND SUBSIDIARY

Consolidating Statement of Operations and Comprehensive Income

For the Year ended December 31, 2015

(In thousands of dollars)

	TXRB Holdings, Inc.	Texas Republic Bank	Eliminations	Consolidated
Interest income:				
Interest and fees on loans	$ 11	$ 7,976	$ -	$ 7,987
Interest on deposits in other banks	-	118	-	118
Other	-	29	-	29
Total interest income	11	8,123	-	8,134
Interest on deposit accounts	-	792	-	792
Net interest income	11	7,331	-	7,342
Provision for loan losses	-	400	-	400
Net interest income after provision for loan losses	11	6,931	-	6,942
Noninterest income:				
Service charges on deposit accounts	-	238	-	238
Net income from subsidiary	1,444	-	(1,444) (3)	-
Gain on sale of other real estate owned	-	24	-	24
Other	-	197	-	197
Total noninterest income	1,444	459	(1,444)	459
Noninterest expense:				
Salaries and employee benefits	1	3,101	-	3,102
Stock compensation expense	-	53	-	53
Occupancy expense	-	532	-	532
Writedowns of other real estate owned	-	15	-	15
Other	5	1,460	-	1,465
Total noninterest expense	6	5,161	-	5,167
Income before income tax expense	1,449	2,229	(1,444)	2,234
Income tax (benefit) expense	-	785	-	785
Net income	1,449	1,444	(1,444)	1,449
Other comprehensive income	-	-	-	-
Total comprehensive income	$ 1,449	$ 1,444	$ (1,444)	$ 1,449

See description of consolidating entries on page 35 and accompanying independent auditor's report on additional information

TXRB HOLDINGS, INC. AND SUBSIDIARY

Description of Consolidating Entries

For the Year Ended December 31, 2015

(1) To eliminate intercompany cash and deposits.

(2) To eliminate the Company's investment account against the stockholder's equity accounts of the subsidiary.

(3) To eliminate the net income of the subsidiary.

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