AMENDED
SEP 15 2016

Board of Governors of the Federal Reserve System

Annual Report of Holding Companies- FR Y-6

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

This Report is required by law: Section 5(c)(1)(A) of the Bank Holding Company Act (12 U.S.C. § 1844 (c){1)(A)); Section S(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, Jeffrey Wilkinson
Name of the Holding Company Director and Official

President & CEO
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 a sume, in the absence of a request for confidential treatment submittGtJ.._ in accordance with the Board's "Rules Regarding Availability of Inti rmation, " 12 C.F.R. Part 261, that the Reporter a individual nsent to public release of all details in the po c cerni t individual.

[signature]
Signature of Holding Company Director and Official

3/29/16
Date of Signature

For holding companies not registered with the SEC-
Indicate status of Annual Report to Shareholders:
[El is included with the FR Y-6 report
D will be sent under separate cover
D is not prepared

For Federal Reserve Bank Use Only
RSSD ID 4505606
C.I. ——————

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

5493007TYXJ94TXWM597
Reporter's Legal Entity Identifier (LEI) (20-Character LEI Code)

Reporter's Name, Street, and Mailing Address
Pioneer Bancshares, Inc.
Legal Title of Holding Company

100 Creek Road
(Mailing Address of the Holding Company) Street / P.O. Box

Dripping Springs	TX	78620
City	State	Zip Code

N/A
Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Elizabeth Blose	EVP-CFO
Name	Title

512-829-1903
Area Code / Phone Number / Extension

512-894-0176
Area Code / FAX Number

elizabeth@pioneerbanktexas.com
E-mail Address

Address (URL) for the Holding Company's web page

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

[El Yes Please identify the report items to which this request applies:
Report Item 4: Insiders 3(c) and (4)(c)

[El In accordance with the instructions on pages GEN-2 and 3, a letter justifying the request is being provided.
[El The information for which confidential treatment is sought is being submitted separately labeled "Confidential."

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

AMENDED SEP 15 2016

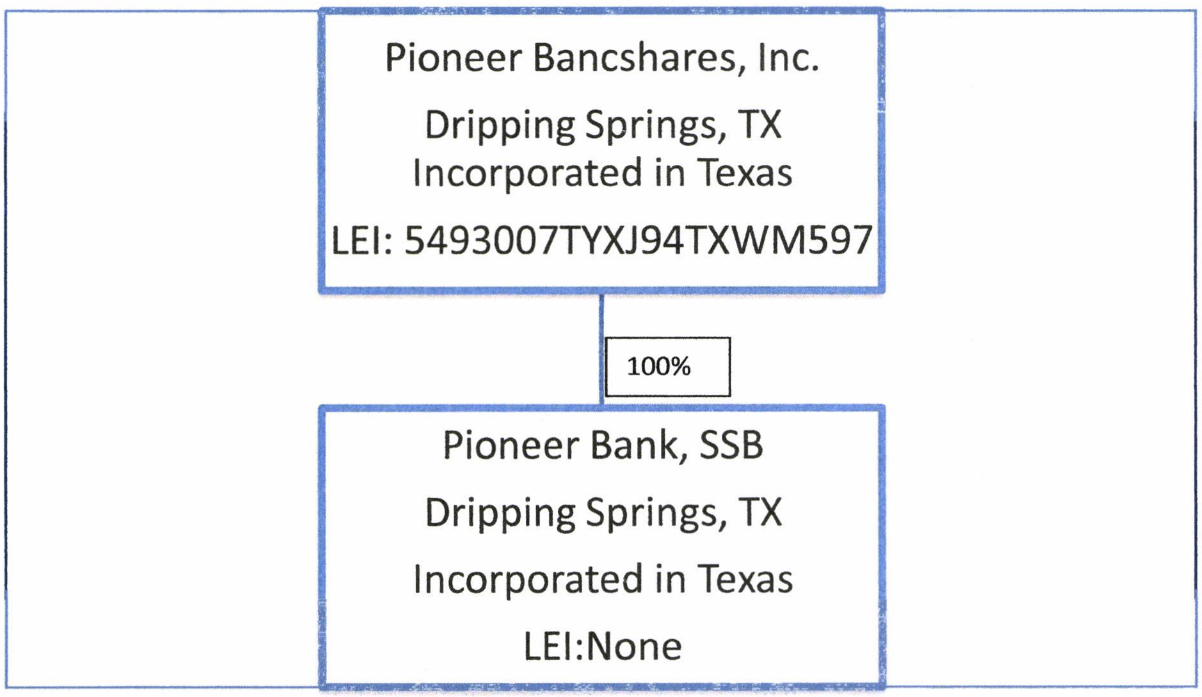
Form FR Y-6

Pioneer Bancshares, Inc.
Dripping Springs, Texas
Fiscal Year Ending December 31, 2015

Report Item

1: The bank holding company prepares an annual report for its securities holders and is not registered with the SEC. Annual report is included with this submission.

2: Organizational Chart



Results: A list of branches for your depository institution: PIONEER BANK, SSB (ID_RSSD: 3595637).
This depository institution is held by PIONEER BANCSHARES, INC. (4505606) of DRIPPING SPRINGS, TX.
The data are as of 12/31/2015. Data reflects information that was received and processed through 03/30/2016.

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)	3595637	PIONEER BANK, SSB	100 CREEK ROAD	DRIPPING SPRINGS	TX	78620	HAYS	UNITED STATES	457289	0	PIONEER BANK, SSB	3595637	
Ok		Full Service	4569028	AUSTIN BRANCH	3720 JEFFERSON STREET	AUSTIN	TX	78731	TRAVIS	UNITED STATES	Not Required	Not Required	PIONEER BANK, SSB	3595637	
Ok		Full Service	1009952	KERRVILLE BRANCH	600 MAIN STREET	KERRVILLE	TX	78028	KERR	UNITED STATES	Not Required	Not Required	PIONEER BANK, SSB	3595637	
Ok		Full Service	935858	LA GRANGE BRANCH	155 NORTH MAIN	LA GRANGE	TX	78945	FAYETTE	UNITED STATES	33043	2	PIONEER BANK, SSB	3595637	
Ok		Full Service	4569019	SAN MARCOS BRANCH	403 STAGECOACH TRAIL	SAN MARCOS	TX	78666	HAYS	UNITED STATES	Not Required	Not Required	PIONEER BANK, SSB	3595637	
Closed	8/21/2015	Full Service	2322498	WEIMAR BRANCH	107 EAST MAIN	WEIMAR	TX	78962	COLORADO	UNITED STATES	259405	3	PIONEER BANK, SSB	3595637	

Form FR Y-6

Pioneer Bancshares, Inc.
Dripping Springs, Texas
Fiscal Year Ending December 31, 2015

Report Item 3: Securities Holders

Current Securities Holders with ownership, control or holdings of 5% or more with power to vote as of fiscal year ending 12-31-2015			Securities Holders not listed in 3(1)(a) through (3)(1)(c) that had ownership, control or holdings of 5% or more with power to vote during the fiscal year ending 12-31-2015		
(1)(a) Name & Address (City, State, Country)	**(1)(b) Country of Citizenship or Incorporation**	**(1)(c) Number and Percentage of Each Class of Voting Securities**	**(2)(a) Name & Address (City, State, Country)**	**(2)(b) Country of Citizenship or Incorporation**	**(2)(c) Number and Percentage of Each Class of Voting Securities**
Whit H. Hanks Dripping Springs, TX USA	USA	Common 218,128 9.17%	N/A	N/A	N/A
PWH Trust - Andrew Musgrave, Trustee Dripping Springs, TX USA	USA	Common 165,357 6.95%	N/A	N/A	N/A
Secretary of the Treasury, Washington, D.C. USA	USA	Series A Preferred 3,004 100%	N/A	N/A	N/A

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Form FR Y-6

Pioneer Bancshares, Inc.
Dripping Springs, Texas
Fiscal Year Ending December 31, 2015

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

(1) Names & Address (City, State, Country)	(2) Principal Occupation if other than with holding company	(3)(a) Title & Position with holding company	(3)(b) Title & Position with Subsidiaries (include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (include names of other businesses)	(4)(a) Percentage of Voting Securities in holding company	(4)(b) Percentage of Voting Securities in Subsidiaries (include names of subsidiaries)	(4)(c) List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
Whit H. Hanks Dripping Springs, TX USA	Partner - Whim Hospitality, LLC Real Estate Developer	Chairman of Board of Directors, Pioneer Bancshares, Inc.	Chairman of Board of Directors, Pioneer Bank, SSB	Responsive Data Found In Confidential Volume	9.17% Pioneer Bancshares, Inc.	N/A	Responsive Data Found In Confidential Volume
Jack Seifrick Dallas, TX USA	President/CoFounder of Cast Estate Vineyards & Cellars Business Owner	Vice Chair of Board of Directors, Pioneer Bancshares, Inc.	Vice Chair of Board of Directors, Pioneer Bank, SSB	Responsive Data Found In Confidential Volume	1.11% Pioneer Bancshares, Inc.	N/A	Responsive Data Found In Confidential Volume
Jeff Wilkinson Austin, TX USA	President & CEO of Pioneer Bank, SSB Banker	Director, President & CEO of Pioneer Bancshares, Inc	Director, Pioneer Bank SSB	Responsive Data Found In Confidential Volume	0.84% Pioneer Bancshares, Inc.	N/A	Responsive Data Found In Confidential Volume
John Miller Henderson, NV USA	CoFounder of Cast Estate Vineyards & Cellars Business Owner	Director, Pioneer Bancshares, Inc.	Director, Pioneer Bank SSB	Responsive Data Found In Confidential Volume	1.07% Pioneer Bancshares, Inc.	N/A	Responsive Data Found In Confidential Volume
Isabella Cunningham Austin, TX USA	Chair of Advertising Dept. of University of Texas Professor	Director, Pioneer Bancshares, Inc.	Director, Pioneer Bank SSB	Responsive Data Found In Confidential Volume	1.38% Pioneer Bancshares, Inc.	N/A	Responsive Data Found In Confidential Volume
Craig Koenig Austin, TX USA	President & Owner of Prime Tempus Business Owner	Director, Pioneer Bancshares, Inc.	Director, Pioneer Bank SSB	Responsive Data Found In Confidential Volume	1.47% Pioneer Bancshares, Inc.	N/A	Responsive Data Found In Confidential Volume
Mike Figer Austin, TX USA	Owner of Figer and Co. Accountant/CPA	Director, Pioneer Bancshares, Inc.	Director, Pioneer Bank SSB	Responsive Data Found In Confidential Volume	0.79% Pioneer Bancshares, Inc.	N/A	Responsive Data Found In Confidential Volume
Gary Cooper Austin, TX USA	N/A	EVP CFO, Pioneer Bancshares, Inc.	EVP CFO, Pioneer Bank SSB	Responsive Data Found In Confidential Volume	0.17% Pioneer Bancshares, Inc.	N/A	Responsive Data Found In Confidential Volume

Pioneer Bancshares, Inc.
and Subsidiary

Annual Financial Report

December 31, 2015

Pioneer Bancshares, Inc. and Subsidiary

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PS&Co.

PS&Co.

Padgett Stratemann

Independent Auditor's Report

To the Board of Directors and Stockholders
Pioneer Bancshares, Inc.
Dripping Springs, Texas

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Pioneer Bancshares, Inc. and its subsidiary, 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 Consolidated 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 the 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 on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. These procedures selected depend on the auditor's judgment, including the assessment of the risk 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 Pioneer Bancshares, Inc. and its subsidiary as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Padgett, Stratemann & Co., L.L.P.

Austin, Texas
March 10, 2016

Pioneer Bancshares, Inc. and Subsidiary

Consolidated Balance Sheets

December 31, 2015 and 2014
(Dollars in Thousands, Except Share Data)

	2015	2014
Assets		
Cash and cash equivalents	$ 13,509	$ 11,877
Interest-bearing deposits in banks	35,561	43,319
Securities available for sale	23,389	25,900
Security to be held to maturity (fair value of $900 and and $950 at December 31, 2015 and 2014, respectively)	900	950
Restricted investment securities	210	167
Loans held for sale	1,321	576
Loans – net of unearned income and allowance for loan losses of $3,568 ($2,955 in 2014)	329,390	261,843
Premises and equipment – net	17,920	15,033
Other assets held for sale	837	-
Accrued interest receivable	1,183	889
Intangible assets	974	1,044
Prepaid expenses and other assets	2,762	2,055
Total assets	$ 427,956	$ 363,653
Liabilities		
Deposits:		
Noninterest-bearing	$ 64,061	$ 51,450
Interest-bearing	319,248	270,337
Total deposits	383,309	321,787
Accrued interest payable	513	409
Accrued expenses and other liabilities	328	491
Total liabilities	384,150	322,687
Commitments and contingencies (notes 6, 10, and 13)		
Stockholders' Equity		
Common stock – $1 par value; 10,000,000 shares authorized; 2,379,884 shares issued and outstanding	2,380	2,380
Preferred stock – Series A – $0 par value; $1,000 per share liquidation value; 3,004 shares authorized, issued, and outstanding	3,004	3,004
Surplus	29,470	29,409
Retained earnings	8,978	6,161
Accumulated other comprehensive income (loss)	(26)	12
Total stockholders' equity	43,806	40,966
Total liabilities and stockholders' equity	$ 427,956	$ 363,653

Notes to the consolidated financial statements form an integral part of these statements.

Pioneer Bancshares, Inc. and Subsidiary

Consolidated Statements of Income

Years Ended December 31, 2015 and 2014
(Dollars in Thousands)

	2015	2014
Interest income:		
Loans – including fees	$ 17,411	$ 13,941
Securities available for sale	542	565
Interest-bearing deposits in banks	244	162
Total interest income	18,197	14,668
Interest expense	2,718	2,282
Net interest income	15,479	12,386
Provision for loan losses	610	693
Net interest income after provision for loan losses	14,869	11,693
Noninterest income:		
Service charges and fees	915	618
Miscellaneous loss	-	(1)
Gain on sale of loans	596	1,013
Net loss on sale of other real estate owned	(2)	(1)
Net loss on sale of repossessed assets	-	(16)
Gain (loss) on sale of equipment	2	(14)
Total noninterest income	1,511	1,599
Noninterest expenses:		
Salaries and employee benefits	6,683	4,903
Occupancy and equipment expenses	1,283	1,083
Other operating expenses	3,297	2,816
Acquisition costs	611	402
Total noninterest expenses	11,874	9,204
Income before income taxes	4,506	4,088
Income tax expense	1,666	1,412
Net income	$ 2,840	$ 2,676

Notes to the consolidated financial statements form an integral part of these statements.

Pioneer Bancshares, Inc. and Subsidiary

Consolidated Statements of Comprehensive Income

Years Ended December 31, 2015 and 2014
(Dollars in Thousands)

	2015	2014
Net income	$ 2,840	$ 2,676
Other items of comprehensive income:		
Unrealized holding gain (loss) on securities available for sale	(58)	620
Comprehensive income before income tax expense (benefit)	2,782	3,296
Income tax expense (benefit) related to other items of comprehensive income	(20)	211
Comprehensive income after income tax expense (benefit)	$ 2,802	$ 3,085

Notes to the consolidated financial statements form an integral part of these statements.

Pioneer Bancshares, Inc. and Subsidiary

Consolidated Statements of Changes in Stockholders' Equity

Years Ended December 31, 2015 and 2014

(Dollars in Thousands)

	Common Stock	Preferred Stock	Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 2013	$ 1,714	$ 3,004	$ 18,202	$ 3,515	$ (397)	$ 26,038
Common stock issued	666	-	11,201	-	-	11,867
Stock-based compensation expense	-	-	6	-	-	6
Net income – year ended December 31, 2014	-	-	-	2,676	-	2,676
Change in other comprehensive income – net of income tax	-	-	-	-	409	409
Dividends paid – preferred stock	-	-	-	(30)	-	(30)
Balance at December 31, 2014	2,380	3,004	29,409	6,161	12	40,966
Stock-based compensation expense	-	-	61	-	-	61
Net income – year ended December 31, 2015	-	-	-	2,840	-	2,840
Change in other comprehensive income – net of income tax	-	-	-	-	(38)	(38)
Dividends paid – preferred stock	-	-	-	(23)	-	(23)
Balance at December 31, 2015	$ 2,380	$ 3,004	$ 29,470	$ 8,978	$ (26)	$ 43,806

Notes to the consolidated financial statements form an integral part of these statements.

Pioneer Bancshares, Inc. and Subsidiary

Consolidated Statements of Cash Flows

Years Ended December 31, 2015 and 2014
(Dollars in Thousands)
Increase (Decrease) in Cash and Cash Equivalents

	2015	2014
Cash Flows From Operating Activities		
Net income	$ 2,840	$ 2,676
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	610	693
Depreciation	643	524
Net amortization of investment securities	22	181
(Gain) loss on sale of other real estate owned and repossessed assets	(2)	17
(Gain) loss on sale of equipment	(2)	14
Stock-based compensation expense	61	6
Net change in:		
Loans held for sale	(745)	(364)
Prepaid expenses and other assets	(911)	(878)
Accrued interest payable and accrued expenses and other liabilities	(59)	61
Net cash provided by operating activities	2,457	2,930
Cash Flows From Investing Activities		
Net change in loans	(68,170)	(58,204)
Net change in interest-bearing deposits in banks	7,758	(6,217)
Proceeds from sales, paydowns, and calls of investment securities	4,527	43,149
Purchases of investment securities	(2,089)	(44,153)
Capital expenditures	(4,363)	(1,379)
Recoveries of loans previously charged off	12	15
Proceeds from sale of other assets owned	1	1
Net cash from purchase of Union State Bank	-	3,587
Net cash used in investing activities	(62,324)	(63,201)
Cash Flows From Financing Activities		
Net change in deposits	61,522	50,781
Dividends paid – preferred stock	(23)	(30)
Issuance of common stock	-	11,867
Net cash provided by financing activities	61,499	62,618
Net increase in cash and cash equivalents	1,632	2,347
Cash and cash equivalents at beginning of year	11,877	9,530
Cash and cash equivalents at end of year	$ 13,509	$ 11,877
Schedules of Other Cash Flow Information		
Interest paid	$ 2,614	$ 2,207

Notes to the consolidated financial statements form an integral part of these statements.

1. Summary of Significant Accounting Policies

Consolidation
The accompanying consolidated financial statements include the accounts of Pioneer Bancshares, Inc. and its wholly owned subsidiary, Pioneer Bank, SSB (the "Bank") (collectively, the "Company"). All significant intercompany balances and transactions have been eliminated in consolidation.

Nature of Operations
The Company provides a variety of financial services to individuals and small businesses through its main office in Dripping Springs and its branches in Austin, Kerrville, LaGrange, and San Marcos. Its primary deposit products are money market and term certificate accounts, and its primary lending products are consumer real estate, commercial real estate, and construction and land development loans.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, the valuation of deferred tax assets, and the valuation of other real estate owned.

New and Recently Issued Accounting Standards
Accounting Standards Update ("ASU") ASU No. 2014-09, Revenue From Contracts With Customers – ASU No. 2014-09 implements a common revenue standard that clarifies the principles for recognizing revenue. The core principle of ASU No. 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the entity satisfies a performance obligation. ASU No. 2014-09 will be effective for public business entities in 2018 and nonpublic business entities in 2019. The Company is still evaluating the potential impact of this new ASU on its consolidated financial statements.

ASU No. 2016-01, Financial Instruments – Recognition and Measurement of Financial Assets and Liabilities – ASU No. 2016-01 is designed to improve the recognition and measurement of financial instruments through targeted changes to existing accounting standards. The new standard will require equity investments (except those that are accounted for under the equity method of accounting or result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. It also will require separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the consolidated balance sheet or the accompanying notes to the consolidated financial statements. It also eliminates the requirement to disclose the fair value of financial instruments measured at amortized cost for organizations that are not public business entities. The provisions of ASU No. 2016-01 will be effective for public entities in 2018 and nonpublic entities in 2019; however, early adoption upon issuance of the update was allowed for the provision that exempts private companies from having to disclose fair value information about financial instruments measured at amortized cost. Accordingly, the Company has eliminated the footnote disclosure of fair values of financial instruments measured at cost for the year ended December 31, 2015. The Company does not anticipate the adoption of the remaining provisions of this standard will have a material impact on its consolidated financial statements in future years.

Significant Group Concentrations of Credit Risk
Most of the Company's activities are with customers located within Hays County, Texas, and the surrounding areas. Note 4 discusses the types of securities in which the Company invests. Note 5 discusses the types of lending in which the Company engages.

Commercial real estate, including construction and land development loans, represented 61% and 54% of the total portfolio at December 31, 2015 and 2014, respectfully.

Cash and Cash Equivalents
For purposes of the consolidated statements of cash flows, cash and cash equivalents include cash and balances due from banks.

Interest-Bearing Deposits in Banks
Interest-bearing deposits in banks are carried at cost.

Securities
Debt securities that management has the positive intent and ability to hold to maturity are classified as "held to maturity" and recorded at amortized cost. Securities not classified as held to maturity or trading, including equity securities with readily determinable fair values, are classified as "available for sale" and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income. During the years ended December 31, 2015 and 2014, the Company had no securities classified as trading securities.

Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Declines in the fair value of held-to-maturity and available-for-sale securities are evaluated to determine whether declines in fair value below their amortized cost are other than temporary. In estimating other-than-temporary impairment losses on debt securities, management considers a number of factors including, but not limited to (1) the length of time and the extent to which the fair value has been less than the amortized cost, (2) the financial condition and near-term prospects of the issuer, (3) the current market conditions, and (4) the intent and ability of the Company to not sell the security or whether it is more likely than not that the Company will be required to sell the security before its anticipated recovery.

Restricted Investment Securities

Restricted investment securities include Federal Home Loan Bank ("FHLB") stock, The Independent Bankers Bank stock, and Federal Agricultural Mortgage Corporation stock, which are carried at cost on the consolidated balance sheets. These equity securities are "restricted" in that they can only be sold back to the respective institution or another member institution at par. Therefore, they are less liquid than other marketable equity securities. The Company views its investment in restricted stock as a long-term investment. Accordingly, when evaluating for impairment, the value is determined based on the ultimate recovery of the par value, rather than recognizing temporary declines in value. No other-than-temporary write-downs have been recorded on these securities.

Loans Held for Sale

Certain commercial and residential mortgage loans are originated for sale in the secondary mortgage loan market. These loans are carried at the lower of cost or estimated fair value in the aggregate. Net unrealized losses are recognized through a valuation allowance by charges to income. No unrealized losses were recognized during 2015 or 2014. To mitigate interest rate risk, fixed rate commitments may be obtained at the time loans are originated or identified for sale.

Loans

The Company grants real estate, commercial, and consumer loans to customers. A substantial portion of the loan portfolio is represented by real estate loans, construction loans, and land development loans throughout Hays County, Texas and the surrounding areas. The ability of the Company's debtors to honor their contracts is dependent upon the real estate and general economic conditions in these areas.

The Company has lending policies and procedures in place to grant loans to borrowers only after a full evaluation of the credit history and repayment abilities of the borrower. Commercial and residential real estate loans are subject to underwriting standards that evaluate cash flow and fair value of the collateral. The collectibility of real estate loans may be adversely affected by conditions in the real estate markets or the general economy. Management monitors and evaluates real estate loans based on collateral, geography, and risk criteria.

Commercial loans are underwritten after evaluating and understanding the borrower's ability to operate profitably. Such evaluations involve reviews of historical and cash flow projections and valuations of collateral provided by the borrower. Most commercial loans are secured by the assets being financed or other available business assets and frequently include a personal guarantee by the principal owners; however, some commercial loans may be made on an unsecured basis. The repayment of commercial loans is substantially dependent on the ability of borrowers to operate their businesses profitably and collect amounts due from their customers.

Consumer loans are originated after evaluation of the credit history and repayment ability of the borrower based on current personal income. The repayment of consumer loans can be adversely affected by economic conditions and other factors that impact the borrower's income.

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

Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the related loan yield using the straight-line method, which approximates the interest method.

A loan is considered delinquent when principal and/or interest amounts are not current, in accordance with the contractual loan agreement.

The accrual of interest on real estate and commercial loans is discontinued at the time the loan is 90 days delinquent unless the credit is well secured and in the process of collection. Consumer loans are typically charged off no later than 120 days past due. In all cases, loans are placed on nonaccrual status or charged off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued, but not collected, for loans that are placed on nonaccrual status or charged off is reversed against interest income. The interest on these loans is accounted for on the cash basis or cost recovery method, until qualifying for return to accrual status. Loans are returned to accrual status when all principal and interest amounts contractually due are brought current and future payments are reasonably assured.

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

Impairment is measured on a loan-by-loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral, if the loan is collateral-dependent.

Loans are fully or partially charged down to the fair value of the collateral securing the loan when management determines the asset to be uncollectible, repayment is deemed to be delayed or doubtful beyond reasonable time frames, the borrower has declared bankruptcy, or the loan is past due for an unreasonable time period. Such charge-offs are charged against the allowance for loan losses. Recoveries of previous loan charge-offs are credited to the allowance for loan losses only when the Company receives cash or other collateral in repayment of the loan.

In situations related to a borrower's financial difficulties, the Company may grant a concession to the borrower for other than an insignificant period of time that would not otherwise be considered. In such instances, the loan will be classified as a troubled debt restructuring. These concessions may include interest rate reductions, payment forbearance, or other actions intended to minimize the economic loss and avoid foreclosure of the collateral. In cases where borrowers are granted new terms that provide for a reduction of either interest or principal, the Company measures an impairment loss on the restructuring, as noted above for impaired loans.

Allowance for Loan Losses
The Company maintains an allowance for loan losses as a reserve established through a provision for possible 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 opinion of management, is necessary to reserve for estimated loan losses and risks inherent in the loan portfolio. The Company's methodology for the allowance for loan losses includes allowance allocations calculated in accordance with Accounting Standards Codification ("ASC"), *Receivables*, and ASC, *Contingencies*. Accordingly, the methodology is based on historical loss experience by type of credit and internal risk grade, specific homogeneous risk pools, and specific loss allocations, with adjustments for current events and conditions.

The Company's process for determining the appropriate level of the allowance for loan losses is designed to account for credit deterioration as it occurs. Factors that influence the determination include quantifiable aspects, such as loan volume, loan concentrations, and loan quality trends, including trends in nonaccrual, past-due, and classified loans; current period loan charge-offs; and recoveries. The determination also includes qualitative aspects, such as changes in local, regional, or national economies or markets, and other factors. Such qualitative factors are highly judgmental and require constant refinement. The Company has an internal loan review function, the objective of which is to identify potential problem loans, properly classify loans by risk grade, and assist senior management in maintaining an adequate allowance for loan losses account by reviewing and refining the methodology, as needed, based on changing circumstances.

The Company's allowance for loan losses consists primarily of two elements: (1) a specific valuation allowance determined in accordance with ASC based on probable losses on specific individual loans and (2) a general valuation allowance determined in accordance with ASC based on historical loan loss experience for pools of similar loans, which is then adjusted to reflect the impact of current trends and conditions.

Premises and Equipment
Land is carried at cost. Premises and equipment are stated at cost, net of accumulated depreciation. Depreciation is recognized on the straight-line method over the estimated useful lives of the assets. The estimated useful lives range from 1 to 40 years.

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

Income Taxes
Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets, including tax loss and credit carryforwards, and liabilities are

measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred income tax expense represents the change during the period in the deferred tax assets and deferred tax liabilities. The components of the deferred tax assets and liabilities are individually classified as current and noncurrent based on their characteristics. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all the deferred tax assets will not be realized.

The Company is subject to the Texas gross margin tax.

Stock Incentive Plans

The Company accounts for its stock incentive plans in accordance with ASC, which requires the compensation cost relating to share-based payment transactions be recognized in financial statements, and also requires entities to measure the cost of employee services received in exchange for stock options based on the grant-date fair value of the award, and to recognize the cost over the period the employee is required to provide services for the award. The ASC guidance permits entities to use any option-pricing model that meets the fair value objective of ASC. As a result, compensation cost has been measured using the fair value of an award on the grant date and is recognized over the service period, which is usually the vesting period.

Off-Balance Sheet Credit-Related Financial Instruments

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

Comprehensive Income

Accounting principles generally require recognized revenue, expenses, gains, and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the equity section of the balance sheet, such items, along with net income, are components of comprehensive income.

Subsequent Events

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

Reclassification

Certain reclassifications have been made in the prior year's consolidated financial statements to conform to the current year's presentation.

2. Fair Value Measurements

The Company follows the provisions of the ASC, *Fair Value Measurements and Disclosures.* The disclosures required about fair value measurements include, among other things, (1) the amounts and reasons for certain significant transfers among the three hierarchy levels of inputs; (2) the gross, rather than net, basis for certain Level 3 rollforward information; (3) use of a "class" basis rather than a major category basis for assets and liabilities; and (4) valuation techniques and inputs used to estimate Level 2 and Level 3 fair value measurements. The ASC defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The ASC guidance establishes a fair value hierarchy for valuation inputs that prioritizes the inputs used in valuation methodologies into the following three levels:

- Level 1 – Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access as of the measurement date.

- Level 2 – Observable inputs other than Level 1, including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data.

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

The Company uses fair value to measure certain assets and liabilities on a recurring basis when fair value is the primary measure of accounting. This is done primarily for available-for-sale securities. Fair value is used on a nonrecurring basis to measure certain assets when applying lower of cost or market accounting or when adjusting carrying values, such as impaired loans and foreclosed assets. Fair value is also used when evaluating impairment on certain assets, including held-to-maturity and available-for-sale securities, goodwill, core deposits and other intangibles, long-lived assets, and for disclosures of certain financial instruments.

There were no transfers among the three hierarchy levels of inputs.

A description of the valuation methodologies used for instruments measured at fair value on a recurring basis, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth on the following page.

Securities Available for Sale – Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities would include actively-traded government bonds, such as certain United States Treasury and other United States government and agency securities and exchange-traded equities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. Level 2 securities generally include certain United States government and agency securities, corporate debt securities, and certain derivatives. In certain cases where there is limited activity or less transparency around inputs to the valuation, securities are classified within Level 3 of the valuation hierarchy.

The following table summarizes assets measured at fair value by class on a recurring basis as reported on the consolidated balance sheets as of December 31, 2015 and 2014, segregated by level within the fair value measurement hierarchy (dollars in thousands):

	Total Fair Value Measurement at December 31, 2015	Level 1	Level 2	Level 3
Assets:				
Mortgage-backed securities	$ **20,269**	$ -	$ **20,269**	$ -
United States government agency securities	**2,005**	-	**2,005**	-
State and municipal securities	**1,115**	-	**1,115**	-
	$ **23,389**	$ -	$ **23,389**	$ -

	Total Fair Value Measurement at December 31, 2014	Level 1	Level 2	Level 3
Assets:				
Mortgage-backed securities	$ 22,072	$ -	$ 22,072	$ -
United States government agency securities	2,499	-	2,499	-
State and municipal securities	1,329	-	1,329	-
	$ 25,900	$ -	$ 25,900	$ -

There were no assets or liabilities measured at fair value by class on a nonrecurring basis as of December 31, 2015 and 2014.

3. Restrictions on Cash and Amounts Due From Banks

The Company is required to maintain average balances on hand with the Federal Reserve Bank. At December 31, 2015 and 2014, these reserve balances amounted to $3.5 million and $1.8 million, respectively.

4. Investment Securities

The amortized cost and fair value of securities, with gross unrealized gains and losses, were as follows (dollars in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value
Securities Available for Sale at December 31, 2015				
United States government agency securities	**$ 1,999**	**$ 6**	**$ -**	**$ 2,005**
State and municipal securities	**1,096**	**19**	**-**	**1,115**
Mortgage-backed securities	**20,339**	**130**	**200**	**20,269**
	$ 23,434	**$ 155**	**$ 200**	**$ 23,389**
Security to be Held to Maturity at December 31, 2015				
Municipal security	**$ 900**	**$ -**	**$ -**	**$ 900**
Securities Available for Sale at December 31, 2014				
United States government agency securities	$ 2,504	$ -	$ 5	$ 2,499
State and municipal securities	1,314	23	8	1,329
Mortgage-backed securities	22,068	199	195	22,072
	$ 25,886	$ 222	$ 208	$ 25,900
Security to be Held to Maturity at December 31, 2014				
Municipal security	$ 950	$ -	$ -	$ 950

At December 31, 2015, the Company had investment securities carried at approximately $15.8 million pledged to secure public funds and for other purposes required or permitted by law ($13.5 million at December 31, 2014).

The fair value of available-for-sale securities by contractual maturity at December 31, 2015 was as follows (dollars in thousands):

	Amortized Cost	Fair Value
Securities available for sale:		
Within one year	$ 141	$ 142
After one year through five years	2,523	2,544
After five years through ten years	431	434
	3,095	3,120
Mortgage-backed securities	20,339	20,269
	$ 23,434	$ 23,389
Security held to maturity:		
Municipal security	$ 900	$ 900

For the years ended December 31, 2015 and 2014, there were no sales of securities available for sale.

Information pertaining to securities with gross unrealized losses at December 31, 2015 and 2014, aggregated by investment category and length of time that individual securities have been in a continuous loss position, are as follows (dollars in thousands):

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Unrealized Losses
Securities Available for Sale at December 31, 2015						
Mortgage-backed securities	**$ 5,266**	**$ 47**	**$ 7,917**	**$ 153**	**$ 13,183**	**$ 200**
Securities Available for Sale at December 31, 2014						
United States government agency securities	$ 2,003	$ 2	$ 496	$ 3	$ 2,499	$ 5
State and municipal securities	-	-	429	8	429	8
Mortgage-backed securities	552	1	11,290	194	11,842	195
	$ 2,555	$ 3	$ 12,215	$ 205	$ 14,770	$ 208

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than the amortized cost, (2) the financial condition and near-term prospects of the issuer, (3) the current market conditions, and (4) the intent and ability of the Company to not sell the security or whether it is more likely than not that the Company will be required to sell the security before its anticipated recovery. Declines in the fair value of available for sale securities below their amortized cost basis that are deemed to be other than temporary are carried at fair value. Any portion of a decline in value associated with credit loss is recognized in earnings as realized losses. As of December 31, 2015 and 2014, the Company did not have any securities with other-than-temporary impairment.

5. Loans and Allowance for Loan Losses

The components of loans in the consolidated balance sheets were as follows (dollars in thousands):

	December 31, 2015	December 31, 2014
Real estate:		
Commercial	**$ 144,781**	$ 92,573
Consumer	**80,147**	67,041
Agricultural	**12,595**	14,507
Construction and land development	**57,354**	50,884
Commercial	**32,830**	34,189
Consumer and other	**5,251**	5,604
	332,958	264,798
Unearned income	**(994)**	(918)
Allowance for loan losses	**(2,574)**	(2,037)
	$ 329,390	$ 261,843

During the years ended December 31, 2015 and 2014, the Company purchased loans from other nonrelated banks amounting to $4.6 million and $3.8 million, respectively, and sold loans to nonrelated banks amounting to $38.6 million and $28.7 million, respectively.

As part of its on-going monitoring of the credit quality of the Company's loan portfolio, management assigns risk grades to loans as follows:

- Pass – loans to borrowers with acceptable credit quality and risk.
- Watch list – loans to borrowers whose credit quality may have deteriorated since origination and are at risk of further decline unless measures are taken to correct the situation.
- Substandard – loans to borrowers with well-defined credit quality weaknesses, which make payment default or principal exposure possible, but not yet certain. Such loans are individually evaluated for a specific valuation allowance.
- Doubtful – loans to borrowers in which payment default or principal exposure is probable. Such loans are individually evaluated for a specific valuation allowance.

At December 31, 2015 and 2014, the Company's loan portfolio risk grades by loan segment were as follows (dollars in thousands):

	Pass	Watch List	Substandard	Doubtful	Total Loans
December 31, 2015					
Real estate:					
Commercial	$ 141,297	$ 617	$ 2,867	$ -	$ 144,781
Consumer	79,627	486	34	-	80,147
Agricultural	12,565	30	-	-	12,595
Construction and land development	57,354	-	-	-	57,354
Commercial	32,332	201	297	-	32,830
Consumer and other	5,194	5	52	-	5,251
	$ 328,369	$ 1,339	$ 3,250	$ -	$ 332,958
December 31, 2014					
Real estate:					
Commercial	$ 89,681	$ 1,576	$ 1,316	$ -	$ 92,573
Consumer	66,565	271	205	-	67,041
Agricultural	14,507	-	-	-	14,507
Construction and land development	50,852	32	-	-	50,884
Commercial	33,162	576	451	-	34,189
Consumer and other	5,078	-	526	-	5,604
	$ 259,845	$ 2,455	$ 2,498	$ -	$ 264,798

An aged analysis of past-due loans, segregated by class of loans, as of December 31, 2015 and 2014 was as follows (dollars in thousands):

	Loans 30-89 Days Past Due	Loans 90 or More Days Past Due	Total Past-Due Loans	Current Loans	Total Loans	Accruing Loans 90 Days or More Past Due
December 31, 2015						
Real estate:						
Commercial	$ 1,721	$ 1,581	$ 3,302	$ 141,479	$ 144,781	$ 768
Consumer	871	-	871	79,276	80,147	-
Agricultural	91	-	91	12,504	12,595	-
Construction and land development	77	-	77	57,277	57,354	-
Commercial	231	120	351	32,479	32,830	120
Consumer and other	6	-	6	5,245	5,251	-
	$ 2,997	$ 1,701	$ 4,698	$ 328,260	$ 332,958	$ 888
December 31, 2014						
Real estate:						
Commercial	$ -	$ 15	$ 15	$ 92,558	$ 92,573	$ 15
Consumer	208	-	208	66,833	67,041	-
Agricultural	-	-	-	14,507	14,507	-
Construction and land development	32	-	- 32	50,852	50,884	-
Commercial	-	-	-	34,189	34,189	-
Consumer and other	52	19	71	5,533	5,604	19
	$ 292	$ 34	$ 326	$ 264,472	$ 264,798	$ 34

Loans are considered impaired and placed on nonaccrual status 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. Loans may be placed on impaired and nonaccrual status regardless of whether or not such loans are considered past due. An analysis of impaired and nonaccrual loans, segregated by class of loans, as of December 31, 2015 and 2014 is as follows (dollars in thousands):

	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment and Unpaid Balance	Related Allowance	Average Recorded Investment
December 31, 2015					
Real estate:					
Commercial	**$ 813**	**$ -**	**$ 813**	**$ -**	**$ 407**
Consumer	**301**	**-**	**301**	**-**	**177**
Agricultural	**-**	**-**	**-**	**-**	**-**
Construction and land development	**-**	**-**	**-**	**-**	**120**
Commercial	**-**	**-**	**-**	**-**	**-**
Consumer and other	**-**	**-**	**-**	**-**	**2**
	$ 1,114	**$ -**	**$ 1,114**	**$ -**	**$ 706**
December 31, 2014					
Real estate:					
Commercial	$ -	$ -	$ -	$ -	$ -
Consumer	-	-	-	-	53
Agricultural	-	-	-	-	-
Construction and land development	-	103	103	15	239
Commercial	-	-	-	-	-
Consumer and other	-	-	-	-	3
	$ -	$ 103	$ 103	$ 15	$ 295

During the years ended December 31, 2015 and 2014, the Company did not recognize any significant interest income on impaired and nonaccrual loans.

Included in impaired and nonaccrual loans above are loans amounting to $250 thousand and none at December 31, 2015 and 2014, respectively, that have been modified in a troubled debt restructuring and consist entirely of commercial real estate loans. These loans are generally modified by allowing the borrower concessions that delay the payment of principal or interest beyond contractual requirements, but not the forgiveness of either principal or interest. The Company has evaluated any possible impairment loss on such loans consistent with its accounting for impaired loans and recognized such loss through a charge-off to the allowance for loan loss account. As of December 31, 2015 and 2014, no loans that had been modified within the previous year defaulted in the current year.

Changes in the allowance for loan losses, by portfolio segment, for the years ended December 31, 2015 and 2014 were as follows (dollars in thousands):

	Commercial Real Estate	Consumer Real Estate	Agricultural Real Estate	Construction and Land Development	Commercial	Consumer and Other	Total
Year Ended December 31, 2015							
Balance at beginning of year	**$ 574**	**$ 501**	**$ 35**	**$ 626**	**$ 283**	**$ 18**	**$ 2,037**
Provision (credit) for loan losses	**354**	**55**	**(1)**	**86**	**88**	**28**	**610**
Charge-offs	**-**	**-**	**-**	**(4)**	**(44)**	**(37)**	**(85)**
Recoveries	**-**	**-**	**-**	**-**	**7**	**5**	**12**
Net charge-offs	**-**	**-**	**-**	**(4)**	**(37)**	**(32)**	**(73)**
Balance at end of year	**$ 928**	**$ 556**	**$ 34**	**$ 708**	**$ 334**	**$ 14**	**$ 2,574**
Allocation:							
Individually evaluated for impairment	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Collectively evaluated for impairment	**928**	**556**	**34**	**708**	**334**	**14**	**2,574**
Year Ended December 31, 2014							
Balance at beginning of year	$ 375	$ 356	$ 29	$ 529	$ 216	$ 11	$ 1,516
Provision for loan losses	199	145	6	97	230	16	693
Charge-offs	-	-	-	-	(163)	(24)	(187)
Recoveries	-	-	-	-	-	15	15
Net charge-offs	-	-	-	-	(163)	(9)	(172)
Balance at end of year	$ 574	$ 501	$ 35	$ 626	$ 283	$ 18	$ 2,037
Allocation:							
Individually evaluated for impairment	$ -	$ 15	$ -	$ -	$ -	$ -	$ 15
Collectively evaluated for impairment	574	486	35	626	283	18	2,022

The Company's recorded investment in loans as of December 31, 2015 and 2014 related to each balance in the allowance for loan losses by portfolio segment and disaggregated on the basis of the Company's impairment methodology was as follows (dollars in thousands):

	Commercial Real Estate	Consumer Real Estate	Agricultural Real Estate	Construction and Land Development	Commercial	Consumer and Other	Total
Year Ended December 31, 2015							
Loans individually evaluated for impairment	$ 24	$ -	$ -	$ -	$ 2	$ -	$ 26
Loans collectively evaluated for impairment	144,757	80,147	12,595	57,354	32,828	5,251	332,932
Balance at end of year	$ 144,781	$ 80,147	$ 12,595	$ 57,354	$ 32,830	$ 5,251	$ 332,958
Year Ended December 31, 2014							
Loans individually evaluated for impairment	$ 1,316	$ 141	$ -	$ -	$ 422	$ -	$ 1,879
Loans collectively evaluated for impairment	91,257	66,900	14,507	50,884	33,767	5,604	262,919
Balance at end of year	$ 92,573	$ 67,041	$ 14,507	$ 50,884	$ 34,189	$ 5,604	$ 264,798

During the year ended December 31, 2015, the Company did not implement any significant changes to its allowance for loan loss methodology.

6. Premises and Equipment

Components of premises and equipment included in the consolidated balance sheets were as follows (dollars in thousands):

	December 31, 2015	December 31, 2014
Land	$ 5,235	$ 5,612
Land improvements	53	25
Buildings	7,826	8,294
Automobiles	43	78
Leasehold improvements	139	137
Equipment and furniture	2,686	2,399
Construction in progress	4,256	242
	20,238	16,787
Less accumulated depreciation	2,318	1,754
	$ 17,920	$ 15,033

Depreciation expense for the years ended December 31, 2015 and 2014 amounted to $643 thousand and $524 thousand, respectively.

The Company entered into agreements to purchase land and to design and construct a new office and branch facility. The total cost of the project, including the purchase of the land, architect/engineering fees, and construction of the building, is expected to be approximately $12.3 million. Cost incurred as of December 31, 2015 and 2014 was $ 4.2 million and $242 thousand, respectively.

7. Deposits

The aggregate amount of certificates of deposit ("CDs") in denominations of $250 thousand or more was approximately $36.6 million at December 31, 2015 ($32.7 million in 2014).

At December 31, 2015, the scheduled maturities of CDs are as follows (dollars in thousands):

Year ending December 31,	
2016	$ 107,451
2017	27,385
2018	526
2019	234
2020	311
	$ 135,907

8. Federal Income Taxes

The provision for federal income taxes consists of and represents the tax effect of the following (dollars in thousands):

	Years Ended December 31, 2015	2014
Currently paid or payable	**$ 1,900**	$ 1,614
Deferred federal income tax benefit	**(234)**	(202)
	$ 1,666	$ 1,412

The provision for federal income tax differs from the amount which would be provided by applying the statutory federal income tax rates as indicated in the following analysis (dollars in thousands):

	Years Ended December 31, 2015	2014
Computed at the expected statutory rate of 34%	**$ 1,532**	$ 1,390
Interest and other nondeductible expenses	**201**	21
Other	**(67)**	1
	$ 1,666	$ 1,412

The tax effects of temporary differences that give rise to the significant portions of deferred tax assets and deferred tax liabilities are presented below (dollars in thousands):

	December 31, 2015	2014
Deferred tax assets related to:		
Allowance for loan losses	**$ 835**	$ 649
Start-up and organization costs	**38**	43
Net deferred loan income	**338**	312
Nonaccrual interest income	**12**	14
Net unrealized depreciation on securities	**15**	-
Net operating loss carryforward	**497**	528
Other	**190**	72
Total deferred tax assets	**1,925**	1,618
Deferred tax liabilities related to:		
Depreciation	**(523)**	(476)
Net unrealized appreciation on securities	**-**	(4)
Prepaid expenses	**(75)**	(64)
Total deferred tax liabilities	**(598)**	(544)
Net deferred tax asset	**$ 1,327**	$ 1,074

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods, management has determined deferred tax assets will be realized in full as of December 31, 2015.

The Company has a net operating loss carryforward of approximately $1.8 million, which was acquired from its acquisition of La Grange Bancshares, Inc., and is available to offset future taxable income with certain limitations on annual amounts available.

The Company files a United States federal income tax return, as well as a state return in Texas. With few exceptions, the Company is no longer subject to United States federal or Texas state tax examinations by tax authorities for years before 2012.

9. Stock Incentive Plan

The Company's 2007 Stock Incentive Plan (the "Plan") provides for the issuance of options to provide up to 135,000 shares of the Company's common stock to selected directors, executive officers, and employees. Amendments to the Plan in 2009, 2012, and 2014 have increased the number of shares available by 219,533 shares for a total of 354,533 shares. The exercise price and the option term will be determined at the time the option is granted. An option's maximum term is ten years. The vesting periods range from three to five years from the date of grant. The option awards provide for accelerated vesting if there is a change in control, as defined in the Plan.

The fair value of each option award is estimated on the date of grant using the Black-Scholes valuation model that uses the assumptions noted in the following table. Expected volatilities are based on implied volatilities and other factors. The risk-free rate for periods within the contractual life of the option is based on the United States Treasury yield curve in effect at the time of grant.

The following valuation assumptions were used for options granted:

	December 31,	
	2015	2014
Expected volatility	10.00%	10.00%
Expected dividends	-	-
Expected term	3 to 5 years	3 to 5 years
Risk-free rate	1.57%	2.23%

A summary of option activity under the Plan as of December 31, 2015 and 2014, and changes during the years ended December 31, 2015 and 2014, is presented below:

	Shares
Outstanding at December 31, 2013	216,250
Granted	49,750
Exercised	-
Forfeited	(4,000)
Outstanding at December 31, 2014	262,000
Granted	41,750
Exercised	-
Forfeited	(3,000)
Outstanding at December 31, 2015	**300,750**
Exercisable at December 31, 2015	**241,436**

The weighted-average exercise price as of December 31, 2015 and 2014 was $9.73 and $10.19, respectively. The weighted-average remaining vesting period is 5.07 years.

For the years ended December 31, 2015 and 2014, the Company recognized $61 thousand and $6 thousand, respectively, in compensation expense for stock options, which is included in salaries and employee benefits. As of December 31, 2015 and 2014, unrecognized compensation costs related to nonvested share-based compensation arrangements granted under the Plan totaled $113 thousand and $82 thousand, respectively. That cost is expected to be recognized over a period of three to five years.

The Company's Organizer Warrant Agreement provides for the issuance of up to 45,000 shares of the Company's common stock to holders of the warrant certificates. The exercise price is $10 and the term for the exercise of the warrants expires ten years from the issue date. At December 31, 2015 and 2014, organizer warrants outstanding totaled 45,000 and no warrants were exercised.

The following valuation assumptions were used for the organizer warrants: the expected volatility is 10.0%; expected dividends are $0; expected term is 7.5 years; and the risk-free rate is 5.2%.

The Company's Shareholder Warrant Agreement provides for the issuance of up to 180,000 shares of the Company's common stock to holders of the warrant certificates with an exercise price of $12.50. During 2015 and 2014, there were no warrants outstanding.

10. Off-Balance Sheet Activities

Credit-Related Financial Instruments

The Company is a party to credit-related 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 unfunded commitments under lines of credit, standby letters of credit, and commercial letters of credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets.

The Company's exposure to credit loss is represented by the contractual amount of these commitments. The Company follows the same credit policies in making commitments as it does for on-balance sheet instruments.

The following financial instruments, whose contract amounts represent credit risk, were outstanding (dollars in thousands):

	Contract Amount	
	December 31,	
	2015	2014
Unfunded commitments under lines of credit	**$ 68,868**	$ 59,787
Commercial and standby letters of credit	**359**	243

Unfunded commitments under lines of credit include revolving credit lines, straight credit lines, and interim construction loans, which are commitments for possible future extensions of credit to existing customers. These lines of credit may not be drawn upon to the total extent to which the Company is committed.

To reduce credit risk related to the use of credit-related financial instruments, the Company might deem it necessary to obtain collateral. The amount and nature of the collateral obtained are based on the Company's credit evaluation of the customer. Collateral held varies but may include cash; securities; accounts receivable; inventory; property, plant, and equipment; and real estate.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those letters of credit are primarily issued to support public and private borrowing arrangements. Essentially all letters of credit issued have expiration dates within one year. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company generally holds collateral supporting those commitments, if deemed necessary.

11. Related Party Transactions

In the ordinary course of business, the Bank may grant loans to principal officers and directors and their affiliates. Annual activity, for the years ended December 31, 2015 and 2014, consisted of the following (dollars in thousands):

	2015	2014
Balance at beginning of year	**$ 3,411**	$ 1,883
New loans	**2,372**	1,815
Repayments	**(4,594)**	(287)
Balance at end of year	**$ 1,189**	$ 3,411

Deposits from related parties held by the Bank at December 31, 2015 and 2014 totaled $2.3 million and $5.0 million, respectively.

12. Employee Benefits

The Company has adopted a 401(k) retirement plan [the "401(k) Plan"] for the benefit of substantially all employees. The 401(k) Plan allows employees to defer a portion of their salary to the 401(k) Plan, not to exceed the maximum limits established by the Internal Revenue Service. The Company matches 100% of the deferral not over 3% of the employee's salary, plus 50% of the deferral contributions over 3% of the employee's salary, but not over 5%. The Company may also make discretionary contributions annually as approved by the Board of Directors. For the years ended December 31, 2015 and 2014, the Company's contributions under the 401(k) Plan totaled $109 thousand and $91 thousand, respectively.

13. Legal Contingencies

The Company may, from time to time, be involved in litigation and claims arising in the normal course of business. Management, after consultation with legal counsel, believes that the liabilities, if any, arising from such litigations and claims will not be material to the Company's financial position.

14. Capital and Regulatory Matters

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Capital adequacy and prompt corrective action regulations involve quantitative measures of assets, liabilities, and certain off-balance sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators about component classification, risk weighting, and other factors.

The Basel III capital rules became effective for the Bank on January 1, 2015, subject to a four-year phase-in period. Quantitative measures established by the Basel III capital rules to ensure capital adequacy require the maintenance of minimum amounts and ratios (set forth in the table below) of Common Equity Tier 1 Capital, Tier 1 Capital, and Total Capital to Risk-Weighted Assets, and of Tier 1 Capital to Average Assets. In connection with the adoption of the Basel III capital rules, the Bank elected to opt-out of the requirement to include most components of accumulated other comprehensive income in Common Equity Tier 1 Capital.

Management believes, as of December 31, 2015 and 2014, that the Bank met all capital adequacy requirements to which it is subject. As of December 31, 2015, the most recent notification from the regulators categorized the Bank as well capitalized under the regulatory framework for prompt corrective action.

The following table presents actual and required capital ratios as of December 31, 2015 for the Bank under the Basel III capital rules. The minimum required capital amounts present the minimum required levels as of December 31, 2015 based on the phase-in of the Basel III capital rules and the minimum required as of January 1, 2019 when the phase-in is complete. Capital levels to be considered well capitalized under prompt corrective action regulations are also presented.

	Actual		Minimum Required Basel III Current Phase-In		Minimum Required Basel III Full Phase-In		Minimum Required to be Well Capitalized Under Prompt Corrective Action Provisions	
(Dollars in Thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2015								
Common Equity Tier 1 Capital to Risk-Weighted Assets	**$41,898**	**12.1%**	**$15,576**	**4.5%**	**$2,229**	**7.0%**	**$22,498**	**6.5%**
Tier 1 Capital to Risk-Weighted Assets	**$44,472**	**12.9%**	**$20,768**	**6.0%**	**$2,941**	**8.5%**	**$34,613**	**8.0%**
Total Capital to Risk-Weighted Assets	**$41,898**	**12.1%**	**$27,690**	**8.0%**	**$36,343**	**10.5%**	**$20,768**	**10.0%**
Tier 1 Capital to Average Assets	**$41,898**	**9.8%**	**$17,095**	**4.0%**	**$17,095**	**4.0%**	**$21,369**	**5.0%**

The following table presents actual and required capital ratios as of December 31, 2014 for the Bank under regulatory capital rules then in effect:

	Actual		Minimum Capital Requirement		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	$41,549	15.2%	$21,837	8.0%	$27,297	10.0%
Tier 1 Capital to Risk-Weighted Assets	$39,512	14.5%	$10,919	4.0%	$16,378	6.0%
Tier 1 Capital to Average Assets	$39,512	11.0%	$14,776	4.0%	$18,095	5.0%

15. Preferred Stock

In June 2011, the Company issued to the United States Secretary of the Treasury (the "Treasury") $3 million of its Series A Preferred Stock under the Small Business Lending Fund (the "SBLF") program. There were 3,004 shares with no par value and a liquidation value of $1 thousand per share. The SBLF program is a $30 billion fund established under the Small Business Jobs Act of 2010 to encourage lending to small businesses by providing Tier 1 capital to qualified community banks with assets of less than $10 billion. The Series A Preferred Stock qualifies as Tier 1 capital for regulatory purposes and ranks senior to the common stock.

The Series A Preferred Stock pays noncumulative dividends. The dividend rate on the Series A Preferred Stock for the initial quarterly dividend period ending September 30, 2011 and each of the next nine quarterly dividend periods the Series A Preferred Stock is outstanding is determined each quarter based on the increase in the Company's Qualified Small Business Lending. The dividend rate was 1% for 2013 and 2012. For the tenth quarterly dividend period through four and one-half years after its issuance, the dividend rate on the Series A Preferred Stock will be fixed at the rate in effect at the end of the ninth quarterly dividend period and, after four and one-half years from its issuance, the dividend rate will be fixed at 9% per annum. During 2015 and 2014, the Company paid Series A Preferred Stock dividends totaling $23 thousand and $30 thousand, respectively.

The Series A Preferred Stock is nonvoting, other than voting rights on matters that could adversely affect the Series A Preferred Stock. The Series A Preferred Stock is redeemable at any time at 100% of the issue price plus any accrued and unpaid dividends and each share of Series A Preferred Stock has no conversion rights.

16. Subsequent Events

In January 2016, the Company sold back the $3 million of its Series A Preferred Stock under the SBLF program to the Treasury.

As of March 1, 2016, the Company has merged with another bank.