AMENDED

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)); sections 8(a) and 13(a) of the International Banking Act (12 U.S.C. §§ 3106(a) and 3108(a)); sections 11(a)(1), 25, and 25A of the Federal Reserve Act (12 U.S.C. §§ 248(a)(1), 602, and 611a); and sections 113, 165, 312, 618, and 809 of the Dodd-Frank Act (12 U.S.C. §§ 5361, 5365, 5412, 1850a(c)(1), and 5468(b)(1)). 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, top-tier savings and loan holding companies, and U.S. intermediate 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. If the holding company is an ESOP/ESOT formed as a corporation or is an LLC, see the General Instructions for the authorized individual who must sign the report.

I, Ivan A. Green
Name of the Holding Company Director and Official

Director, Corporate EVP, CAO, Secretary & Treasurer
Title of the Holding Company Director and Official

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

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

Signature of Holding Company Director and Official

8/18/2017
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 ____________
C.I. ____________

Date of Report (top-tier holding company's fiscal year-end):
December 31, 2016
Month / Day / Year

N/A
Reporter's Legal Entity Identifier (LEI) (20-Character LEI Code)

Reporter's Name, Street, and Mailing Address

Extraco Corporation
Legal Title of Holding Company

1700 N. Valley Mills Drive
(Mailing Address of the Holding Company) Street / P.O. Box

City	State	Zip Code
Waco	TX	76710

Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Name	Title
Gary H. Miller	EVP & CFO

(254) 761-2112
Area Code / Phone Number / Extension

(254) 761-2149
Area Code / FAX Number

gmiller@extracobanks.com
E-mail Address

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

Is confidential treatment requested for any portion of this report submission? .... 0=No 1=Yes: 0

In accordance with the General Instructions for this report (check only one),

1. **a letter justifying this request is being provided along with the report** .... ☐
2. **a letter justifying this request has been provided separately** .... ☐

NOTE: Information for which confidential treatment is being requested must be provided separately and labeled as "confidential."

Public reporting burden for this information collection is estimated to vary from 1.3 to 101 hours per response, with an average of 5.50 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.

Extraco Delaware Corporation
Legal Title of Subsidiary Holding Company

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

Dover	DE	19901
City	State	Zip Code

Physical Location (if different from mailing address)

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)

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)

Legal Title of Subsidiary Holding Company

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City State Zip Code

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City State Zip Code

Physical Location (if different from mailing address)

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)

AMENDED

Report Item 2(a) Organization Chart

Form FR Y-6
Extraco Corporation
Corporate Structure
Fiscal Year Ending December 31, 2016

Extraco Corporation
LEI: N/A
(A Holding Company &
Texas Corporation
d/b/a Extraco Financial Group &
Extraco Banks)
Waco, Texas
Incorporated in Texas

Extraco Delaware Corporation
LEI: N/A
(100% owned by Extraco Corporation)
Dover, Delaware
Incorporated in Delaware

Extraco Banks, National Association
LEI: 549300F7S6KEMTKK0546
(100% owned by Extraco Delaware Corporation d/b/a
Extraco Financial Group
& First National Bank of Temple)
Temple, Texas
Chartered by OCC
Incorporated in Texas

Extraco Community
Development Corporation
LEI: N/A
(100% owned by Extraco Banks)
Waco, Texas
Incorporated in Texas

This depository institution is held by EXTRACO CORPORATION (1104923) of WACO, TX.
The data are as of 12/31/2016. Data reflects information that was received and processed through 01/10/2017.

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*
OK		Full Service (Head Office)	537560	EXTRACO BANKS, NATIONAL ASSOCIATION	18 SOUTH MAIN STREET	TEMPLE	TX	76501	BELL	UNITED STATES	3773	0	EXTRACO BANKS, NATIONAL ASSOCIATION	537560
OK		Full Service	1429626	EXTRACO BELTON BRANCH	2000 NORTH MAIN	BELTON	TX	76513	BELL	UNITED STATES	17538	1	EXTRACO BANKS, NATIONAL ASSOCIATION	537560
OK		Full Service	4284170	BRYAN/COLLEGE STATION BRANCH	2706 SOUTH TEXAS AVENUE	BRYAN	TX	77802	BRAZOS	UNITED STATES	521537	18	EXTRACO BANKS, NATIONAL ASSOCIATION	537560
OK		Full Service	2558514	EXTRACO COVE BRANCH	1003 E HWY 190	COPPERAS COVE	TX	76522	CORYELL	UNITED STATES	288828	5	EXTRACO BANKS, NATIONAL ASSOCIATION	537560
OK		Full Service	520656	EXTRACO GATESVILLE BRANCH	800 E MAIN ST	GATESVILLE	TX	76528-1433	CORYELL	UNITED STATES	816	11	EXTRACO BANKS, NATIONAL ASSOCIATION	537560
OK		Full Service	3356744	EXTRACO GEORGETOWN BRANCH	1504 WILLIAMS DRIVE	GEORGETOWN	TX	78628	WILLIAMSON	UNITED STATES	441124	15	EXTRACO BANKS, NATIONAL ASSOCIATION	537560
OK		Full Service	2129071	EXTRACO HAMILTON BRANCH	1208 E MAIN ST	HAMILTON	TX	76531	HAMILTON	UNITED STATES	187986	12	EXTRACO BANKS, NATIONAL ASSOCIATION	537560
OK		Full Service	1819049	EXTRACO HEIGHTS BRANCH	100 WEST CENTRAL TEXAS EXPRESSWAY	HARKER HEIGHTS	TX	76548	BELL	UNITED STATES	46459	14	EXTRACO BANKS, NATIONAL ASSOCIATION	537560
OK		Full Service	2014177	KILLEEN BRANCH	1002 WEST CENTRAL TEXAS EXPRESSWAY	KILLEEN	TX	76541	BELL	UNITED STATES	Not Required	Not Required	EXTRACO BANKS, NATIONAL ASSOCIATION	537560
OK		Full Service	4394163	EXTRACO BANKS - LAMPASAS BRANCH	302 N. KEY AVE.	LAMPASAS	TX	76550	LAMPASAS	UNITED STATES	521538	19	EXTRACO BANKS, NATIONAL ASSOCIATION	537560
OK		Full Service	3537842	EXTRACO MCGREGOR BRANCH	415 NORTH JOHNSON STREET	MCGREGOR	TX	76657	MCLENNAN	UNITED STATES	358710	13	EXTRACO BANKS, NATIONAL ASSOCIATION	537560
OK		Limited Service	3537824	EXTRACO MOBILE BRANCH	18 SOUTH MAIN STREET	TEMPLE	TX	76501	BELL	UNITED STATES	207811	6	EXTRACO BANKS, NATIONAL ASSOCIATION	537560
OK		Full Service	182465	EXTRACO SOUTH 31ST BRANCH	3615 SOUTH 31ST STREET	TEMPLE	TX	76502	BELL	UNITED STATES	207810	4	EXTRACO BANKS, NATIONAL ASSOCIATION	537560
OK		Full Service	4932882	EXTRACO DOWNTOWN WACO BRANCH	605 SOUTH UNIVERSITY PARKS DRIVE	WACO	TX	76706	MCLENNAN	UNITED STATES	Not Required	Not Required	EXTRACO BANKS, NATIONAL ASSOCIATION	537560
OK		Full Service	279963	EXTRACO VALLEY MILLS BRANCH	1700 NORTH VALLEY MILLS DRIVE	WACO	TX	76710	MCLENNAN	UNITED STATES	32132	7	EXTRACO BANKS, NATIONAL ASSOCIATION	537560
OK		Full Service	4547615	WACO IN-STORE BRANCH	1821 SOUTH VALLEY MILLS DRIVE	WACO	TX	76711	MCLENNAN	UNITED STATES	Not Required	Not Required	EXTRACO BANKS, NATIONAL ASSOCIATION	537560
OK		Full Service	3537879	EXTRACO MIDWAY BRANCH	200 HEWITT DRIVE	WOODWAY	TX	76712	MCLENNAN	UNITED STATES	258375	8	EXTRACO BANKS, NATIONAL ASSOCIATION	537560

AMENDED

Report Item 3: Shareholders
(1)(a)(b)(c)

Form FR Y-6
Extraco Corporation
As of December 31, 2016

Current Shareholders with ownership, control of holdings over 5% or more with power to vote of fiscal year ending 12/31/2016

Name and Address (City, State, Country)	Country of Citizenship	Number of Voting Shares Owned		Percentage of Voting Shares Owned
S. Boyce Brown Waco, Texas	United States	205,293	*	52.44%
Maria Stanton Brown Sattler Puyallup, Washington	United States	26,111	**	6.67%
Margaret Brown Lewis Dallas, Texas	United States	22,728	***	5.81%

* Note: S. Boyce Brown has voting power with respect to 205,293 shares of Extraco (52.44%) consisting of (i) 48,844 shares owned directly, (ii) 1,500 shares owned by his spouse, (iii) 6,000 shares owned by McClane Brown Foundation, (iv) 3,000 shares owned as custodian under the Texas Uniform Transfers to Minor Act, (v) 18,000 shares owned by his childrens 2012 Trusts, (vi) 127,949 shares owned by certain irrevocable trusts of which S. Spencer Brown, Sr. and Margaret Brown were grantors which he has the right to vote under a shareholder voting agreement.

** Note: Maria Stanton Brown Sattler has voting power with respect to 26,111 shares of Extraco (6.56%) consisting of (i) 25,606 shares owned directly and (ii) 505 shares owned by her spouse, David Sattler.

*** Note: Margaret Brown Lewis has voting power with respect to 22,728 shares of Extraco (5.81%) consisting of (i) 21,853 shares owned directly and (ii) 875 shares owned by her J. Keet Lewis.

Report Item 3: Shareholders
(2)(a)(b)(c)

Shareholders with ownership, control of 5% or more not listed in item 3(1) with power to vote during the year ended 12/31/2016

Name and Address (City, State, Country)	Country of Citizenship	Number of Shares Voted or Owned	Percentage of Shares Voted or Owned
N/A	N/A	N/A	N/A

Report Item 3: Shareholders
(1)(a)(b)(c)

Form FR Y-6
Extraco Delaware Corporation
Fiscal Year Ending December 31, 2016

Current Shareholders with ownership, control of holdings of 5% or more with power to vote of fiscal year ending 12/31/2016

(1)(a) Name and Address (City, State, Country)	(1)(b) Country of Citizenship	(1)(C) Number of Voting Shares Owned	Percentage of Voting Shares Owned
Extraco Corporation Waco, Texas	**United States**	1,000	100%
Total		1,000	100%

Report Item 3: Shareholders
(2)(a)(b)(c)

Shareholders with ownership, control of 5% or more not listed in item 3(1) with power to vote during the year ended 12/31/2016

Name and Address (City, State, Country)	Country of Citizenship	Number of Shares Voted or Owned	Percentage of Shares Voted or Owned
N/A	N/A	N/A	N/A

AMENDED

Form FR Y-6
Extraco Corporation
Waco, Texas
Fiscal Year Ending December 31, 2016

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)
S. Boyce Brown Waco, TX, USA	N/A	Director, Chairman, President & CEO	Extraco Delaware Corporation Director, President & CEO Extraco Banks, N.A. Director, Chairman of the Board & CEO	Extraco Capital, LLC Chairman, CEO & Manager Extraco Technology Chairman & Director Extraco Consulting Chairman & Director Brown Partnership C, Ltd. Partnership Manager Margaret C.B. & S. Spencer Brown Foundation, Inc. President, Director Spencer Brown Sr.'s Family Partnership, Ltd. Partnership Manager The McClane Brown Family Foundation Secretary/Treasurer SBB Simmons Giles Plantation, LLC Manager Stanton Boyce Brown Family, Ltd. Partnership Manager SBB Diamond Tail Ranch, LLC Manager Stanton Boyce Brown Partners, LLC Manager	52.44%	N/A	Extraco Capital, LLC (67%)
John M. Burrough Temple, TX, USA	Retired Banker	Director	Extraco Banks, N.A. Director	N/A	1.05%	N/A	N/A
Ivan A. Green Waco, TX, USA	N/A	Director, EVP, CAO, Secretary/Treasurer	Extraco Delaware Corporation Advisory Director, Secretary Extraco Banks, N.A. Director, Vice Chairman, CAO, Secretary Extraco Consulting Corporation Executive Vice President	Extraco Capital, LLC Manager	0.77%	N/A	N/A
James Geeslin Waco, TX, USA	N/A	Director, Corporate EVP & Chief Consumer Banking Officer, Assistant Secretary	Extraco Banks, N.A. Director, Vice Chairman & Chief Consumer Banking Officer Extraco Consulting Corporation Chairman, President & Chief Executive Officer	Extraco Capital, LLC Manager	1.06%	N/A	N/A
Michael W. Thompson Temple, TX, USA	Retired Banker	Director	Extraco Banks, N.A. Director	N/A	2.07%	N/A	N/A
Douglas L. Streater Temple, TX, USA	N/A	Director, Corporate EVP & Chief Banking Officer, Assistant Secretary	Extraco Banks, N.A. Director, President & Chief Banking Officer, Assistant Secretary	N/A	0.67%	N/A	N/A

AMENDED

Form FR Y-6
Extraco Delaware Corporation
Dover, Delaware
Fiscal Year Ending December 31, 2016

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)
S. Boyce Brown **Waco, TX, USA**	N/A	Director, Chairman, President & CEO	Extraco Corporation Director, President, Chairman & CEO Extraco Banks, N.A. Director, Chairman of the Board & CEO	Extraco Capital, LLC Chairman, CEO & Manager Extraco Technology Chairman & Director Extraco Consulting Chairman & Director Brown Partnership C, Ltd. Partnership Manager Margaret C.B. & S. Spencer Brown Foundation, Inc. President, Director Spencer Brown Sr.'s Family Partnership, Ltd. Partnership Manager The McClane Brown Family Foundation Secretary/Treasurer SBB Simmons Giles Plantation, LLC Manager Stanton Boyce Brown Family, Ltd. Partnership Manager SBB Diamond Tail Ranch, LLC Manager Stanton Boyce Brown Partners, LLC Manager	52.44%	N/A	Extraco Capital. LLC (67%)
Ivan A. Green **Waco, TX, USA**	N/A	Advisory Director, Secretary	Extraco Corporation Director, EVP, CAO & Treasurer/Secretary Extraco Banks, N.A. Director, Vice Chairman, CAO, Secretary Extraco Consulting Corporation Executive Vice President	Extraco Capital, LLC Manager	0.77%	N/A	N/A

Report Item 1

Annual Report to Shareholders
2016

Extraco Corporation

2016 ANNUAL REPORT

Corporate Leadership Values

Soundness, Profitability & Growth	Integrity & Trust	Superior Customer Experience
Simple, Fast & Fun	Learning Leadership Culture	Family First

OUR MISSION

We touch lives building secure financial futures and long-term profitable relationships.©

CONTENTS

Extraco
Corporation

March 1, 2017

Dear Fellow Shareholders:

This past year has been extraordinary. The election of Donald Trump has signaled optimism for a new, pro-business and less regulatory burdened economy with different nuances into which the markets, government, and business leaders around the world are quickly interpreting, defining, and adapting. While markets seem more optimistic given an administration eager to stimulate job growth, the world is becoming more dangerous and uncertain, in our view. These risks signal rate pressures and premiums. Challenges from nationalistic European tensions, Middle East and North Korean chaos, and Asia-Pacific/Chinese trade alliances present great global shifts for President Trump to navigate, and have implications for America's international leadership role, foreign policy, and the resulting economic consequences as the world resettles. We continue to see demographic and government debt implications limiting U.S. GDP potential, and anticipate downward pressure from already tightening international trade and money movements.

The Federal Reserve has signaled its belief that we are at or near full employment, which suggests Trump Administration stimulus programs may be viewed as inflationary, and warrant accelerated rate increases. Yet, the heated political environment limits the potential for significant tax or fiscal stimulus policy which, at least in part, may soon become needed to absorb a more isolationist trade posture. Texas continues to be in the best position nationally with job growth rates again above national averages, filled by growing populations (we continue to have 1,000 people per day moving into our state), a healing Houston and energy sector, and expansive urban real estate projects which, to some extent, may already be showing signs of an overheating market, especially in large multi-family sectors. Overall, the risk of external explosions, disruptive technological advancements, and expanding real estate bubbles seems to be growing. This environment warrants "soundness first" vigilance, enterprise integrated risk management, and continual work to streamline cost structures while protecting future income streams with sound underwriting, and strong capital and reserves.

Despite these environmental concerns, Extraco shareholders enjoyed an extraordinary 2016 with a total return of 11.2%, benefitting from corporate restructuring that included a $3.30 per share special dividend and special redemption of 66,529 shares. While net income was only slightly higher than the prior year, normalized core earnings grew nearly 8% and were used to bolster loan loss reserves and absorb a non-recurring $985 thousand employee severance plan charge, which will accelerate our LEAN and streamlining work over the next couple of years. Extraco's stock price ended the year at $55.27 per share based on 60% of book value, a 2.7% appreciation over the prior year despite the special dividends paid. As Extraco's profitability continues to improve, loan quality, underwriting, and overall soundness continues to be exemplary, with year-end capital being restored to 10.3% despite the extraordinary dividends, redemption, and unrealized losses on available for sale securities caused by the post-election upsurge in longer term interest rates.

Overall, the core business has continued to improve. Tax equivalent revenues normalized for comparability, grew just over 3%, primarily driven by loan growth of 4.3%, funded by a more efficient funding mix with less reliance on expensive wholesale sources. The result was a stronger overall net interest margin across a slightly smaller earning asset base. Loans collateralized by real estate make up nearly half of our assets. Municipal bonds were used to diversify these real estate concentrations and future income streams. At $220 million, municipals made up just under one-sixth of total assets. Together, total loans and municipal bonds make up 81% of earnings assets, with ample liquidity set aside in Fed Funds, securities available for sale and various liquidity funding lines. Interest rate risk and the municipal bond portfolio risk are carefully managed, and insulated by mid-term Federal Home Loan Bank (FHLB) borrowings, interest caps (see note 7), and a 3.4 year average overall asset structure life.

Deposits grew 3.4%, or nearly the same $37 million that loans grew. Commercial DDAs and aggregate transactional account relationships (both commercial & consumer) saw growth of 8% overall. Wholesale funding sources declined 25%, a $44 million reduction. FHLB advances declined some $10 million, completing a four year program costing $6.2 million in prepayment fees (no fees were paid in 2016, but $964,687 was absorbed in the prior year). In exchange for these fees, FHLB advances, which were $120 million at 4% average cost per year at year end 2008, had been reduced to $55 million at 1.9% average cost at year end 2016. This initiative contributed $1.85 million in recurring benefit to 2016 income. Repurchase agreements saw a 30% decline, due to our largest customer centralizing their payroll processing in Dallas and other customer changes explained by expansion activities from the growing Texas economy. Thus, the core business reflected good loan growth based on firm underwriting funded by growing relational core deposits and a more efficient overall balance sheet.

We have made concerted efforts since the Great Recession to reconfigure and streamline the company around emerging technologies, expanded outsourcing platforms and customer utilization shifts towards mobile, call center, and virtual banking. Since 2008, we have opened or acquired seven new branch locations, and closed, streamlined, or consolidated nine locations, resulting in an overall branch staffing reduction of 23%. Today, we have 16 branches and 30 total customer touch points including off-site iTMs and ATMs. Likewise, we have invested significantly in our mobile, virtual and internet platforms, in addition to our call center. Also, we have redesigned our branch staffing model around our SWARM processes. This innovation work was the driving force behind the creation of our consulting company and continues to draw notoriety from the industry for innovative consumer banking platforms. Overall, our LEAN work has delivered $7.1 million in cost reductions over the last six years, most of which offer recurring benefits. We have outsourced our operating system and Audit/Compliance programs, and are currently designing a hybrid call center platform to benefit from scale that will boost the overall customer experience.

In the last three years alone, we have reduced overall staffing by 11% or 47 jobs. In 2016, we rolled out a program that offered severance pay to 22 employees, allowing them to separate from the Bank at a mutually agreed upon date. We see this program as a way over the next couple of years to accelerate our LEAN work to reconfigure processes and workflow so as to absorb many of these positions, while still enhancing talent, new skills, and perspectives that strengthen the company. In addition, in response to changing regulatory interpretation of non-permissible bank activities, but also in an effort to narrow our strategic focus and further streamline our company structure, we divested our technology and consulting business lines to an independent affiliate. Thus, overall your management team is working hard not only to grow revenues, but also to streamline our cost structure and narrow our strategic focus in preparation for and in response to the environmental dynamics that have potential to challenge the industry towards the end of the decade.

To drive future growth we are building our people, our learning culture, and repositioning how we create, project, and market employee and customer engagement. We are fortunate to have a very talented staff. Nearly half of our employees have earned college degrees, and 23 of those employees have post graduate degrees. We continue to strengthen and formalize our leadership development programs, with particular focus on executive development with external experiences to broaden vision, perspective, and external mastery.

In 2016, we began to shift our employee engagement externally with a corporate-wide listening initiative that touched 1,902 customers. All employees participated in listening training. They were then asked to engage customers, neighbors, and friends to gain perspective on what they think about money and banking. The feedback process marked a starting place for the creation of formalized customer feedback processes to direct LEAN reconfiguration priorities and product innovation work. These feedback loops are important drivers of employee mission engagement and for projecting this energy externally to engage customers, build relationships, and promote revenue growth. In 2017, we plan to build on these efforts and begin incorporating artificial intelligence tools into our relationship development processes.

In closing, our Board of Directors and employee family again want to thank you for your steadfast support which allows us to focus on creating a great company with great people that is driving growth with each relationship we touch and each community we enrich around us. This year our staff personally touched the lives of 124,216 customers and contributed 4,381 hours to 137 critically important community organizations across Central Texas. As we reach out and enrich our customers and communities to build Extraco, its profit and its potential, we remain extremely grateful that you make the blessing of Extraco possible for all that are touched by it. We offer our continued thanks and best wishes for you and your family.

Sincerely,

S. Boyce Brown
Chairman, President & Chief Executive Officer

Our Shareholder Meeting will be held at 1:30 p.m. April 25, 2017 at our Corporate Training Center housed at our Waco headquarters. We hope you will be able to attend the meeting but ask that otherwise you return the attached proxy. Extraco continues to make a market in its stock based on 60% of book value reported at the most recent year-end audit, resulting in a price per share of $55.27. At our January board of directors meeting, dividends were increased to 32 cents per share, paid quarterly beginning in April, 2017, which represents the 35th consecutive increase in dividends.

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COKER, WOMMACK & COMPANY
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

ANTHONY L. WOMMACK, PRESIDENT
THERESA S. BLUM
TODD E. CLEMMER

BURL D. COKER
STEPHEN E. SPENCER
GREG A. HOEFT

Independent Auditors' Report

Board of Directors
Extraco Corporation
Waco, Texas

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Extraco Corporation and subsidiaries, which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of operations, 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 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 audits 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 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. An audit also includes evaluating the appropriateness of accounting principles 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 Extraco Corporation and subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Internal Control Over Financial Reporting
We have also audited, in accordance with auditing standards generally accepted in the United States of America, Extraco Corporation's internal control over financial reporting as of December 31, 2016, based on criteria established by the 2013 *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated February 3, 2017, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Coker, Wommack & Company, P.C.

Waco, Texas
February 3, 2017

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(254) 776-3871

EXTRACO CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31, 2016	December 31, 2015
ASSETS		
Cash and due from banks	$ 33,028,925	$ 26,343,302
Interest-bearing deposits in banks	128,618,604	166,332,238
Securities available-for-sale - Note 2	119,743,813	157,985,395
Securities held-to-maturity - Note 2	218,056,345	190,282,652
Residential mortgages held for sale - Note 3	3,195,980	4,890,946
Loans, net of allowance for loan losses of $ 21,484,859 and $ 20,902,593, respectively - Note 4	823,864,260	787,520,880
Property and equipment, net - Note 5	25,787,167	27,711,863
Accrued interest receivable	5,714,887	5,626,291
Other assets - Note 7	5,964,266	8,050,007
Total Assets	$ 1,363,974,247	$ 1,374,743,574
LIABILITIES		
Deposits - Note 8	$ 1,081,389,287	$ 1,045,509,360
Federal funds purchased and securities sold under agreements to repurchase - Note 9	77,953,863	112,001,368
Other borrowings - Notes 10 and 11	55,886,752	65,908,589
Accrued interest payable	198,427	228,382
Other liabilities	8,630,460	8,406,106
Total Liabilities	1,224,058,789	1,232,053,805
Commitments and Contingent Liabilities - Notes 17, 18 and 21	-	-
STOCKHOLDERS' EQUITY		
Voting common stock, no par value, 1,250,000 shares authorized, 444,250 shares issued and outstanding	1,110,625	1,110,625
Non-voting common stock, no par value, 3,750,000 shares authorized, 1,193,457 shares issued and outstanding	3,331,875	3,331,875
Additional paid-in capital	1,501,077	2,339,932
Retained earnings	145,103,640	141,783,525
Net unrealized gain (loss) on securities available-for-sale	(1,884,576)	445,434
Net unrealized gain on securities transferred to held-to-maturity	2,497,526	1,780,086
Net unrealized loss on interest rate caps	(911,040)	(1,051,194)
	150,749,127	149,740,283
Treasury stock – 52,747 voting and 66,143 non-voting shares in 2016 and 46,431 voting and no non-voting shares in 2015, at cost	(10,833,669)	(7,050,514)
Total Stockholders' Equity	139,915,458	142,689,769
Total Liabilities and Stockholders' Equity	$ 1,363,974,247	$ 1,374,743,574

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

EXTRACO CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31, 2016	Year Ended December 31, 2015
Interest Income		
Loans, including fees	$ 36,378,413	$ 35,814,348
Interest-bearing deposits in banks	786,418	531,291
Securities:		
Taxable	2,169,537	2,501,762
Nontaxable	6,888,263	6,417,605
Dividends	146,498	114,637
Total Interest Income	46,369,129	45,379,643
Interest Expense		
Deposits - Note 8	1,625,971	1,665,309
Securities sold under agreements to repurchase - Note 9	81,655	97,415
Other borrowings - Note 10	1,902,420	2,235,398
Total Interest Expense	3,610,046	3,998,122
Net Interest Income	42,759,083	41,381,521
Provision for Loan Losses - Note 4	1,687,500	400,000
Net Interest Income after Provision for Loan Losses	41,071,583	40,981,521
Non-Interest Income		
Deposit service fees	9,140,766	8,991,478
Insurance commissions and related income	3,189,529	3,128,784
Trust services income	3,152,488	2,948,217
Net gain on sale of loans and servicing	2,612,791	2,403,867
Technology sales revenue, net	1,160,821	1,598,249
Net gain on sale of securities	767,824	1,137,727
Securities brokerage commissions	373,649	479,103
Other operating income	1,917,208	2,161,080
Total Non-Interest Income	22,315,076	22,848,505
Non-Interest Expenses		
Salaries and employee benefits - Notes 13 and 19	32,274,950	30,846,451
Occupancy and equipment expense	7,406,368	7,670,573
Advertising and public relation costs	1,141,875	1,326,812
Telephone expense	1,060,993	1,043,908
Core processing expense	1,031,324	993,441
Other outside service fees	983,796	934,262
Regulatory assessments	866,813	978,665
ATM fees	639,993	782,888
Stationery and supplies	626,624	683,593
FHLB advance prepayment fee	-	964,687
Other operating expenses	4,882,677	5,176,666
Total Non-Interest Expenses	50,915,413	51,401,946
Income Before Income Taxes	12,471,246	12,428,080
Income Taxes	-	-
Net Income	$ 12,471,246	$ 12,428,080

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

EXTRACO CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31, 2016	Year Ended December 31, 2015
Net Income	$ 12,471,246	$ 12,428,080
Other Comprehensive Income		
Unrealized gain or loss on securities available-for-sale arising during the year	(500,471)	2,633,826
Adjustment for realized gains or losses on security sales included in net income	(767,824)	(1,137,727)
Unrealized gain or loss on securities available-for-sale, net	(1,268,295)	1,496,099
Amortization of unrealized gain on securities transferred to held-to-maturity	(344,275)	(120,265)
Unrealized gain or loss on interest rate caps arising during the year	140,154	(479,296)
Total other comprehensive income (loss)	(1,472,416)	896,538
Comprehensive Income	$ 10,998,830	$ 13,324,618

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

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EXTRACO CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Voting Common Stock	Non-Voting Common Stock	Additional Paid-In Capital	Retained Earnings Notes 14 and 15
Balance - December 31, 2014	$ 4,442,500	$ -	$ 2,105,341	$ 133,614,446
Net income				12,428,080
Stock split	(3,331,875)	3,331,875		
Net unrealized gain or loss on securities available-for-sale				
Transfer unrealized gain on securities available-for-sale to held-to-maturity				
Amortization of unrealized gain on securities transferred to held-to-maturity				
Net unrealized gain or loss on interest rate caps				
Sale of treasury stock			58,213	
Purchase of treasury stock				
Stock based compensation expense			176,378	
Cash dividends				(4,259,001)
Balance - December 31, 2015	1,110,625	3,331,875	2,339,932	141,783,525
Net income				12,471,246
Net unrealized gain or loss on securities available-for-sale				
Transfer unrealized gain on securities available-for-sale to held-to-maturity				
Amortization of unrealized gain on securities transferred to held-to-maturity				
Net unrealized gain or loss on interest rate caps				
Sale of treasury stock			(982,249)	
Purchase of treasury stock				
Stock based compensation expense			143,394	
Cash dividends				(9,151,131)
Balance - December 31, 2016	$ 1,110,625	$ 3,331,875	$ 1,501,077	$ 145,103,640

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

Net Unrealized Gain (Loss) on Securities Available-For-Sale Note 2	Net Unrealized Gain on Securities Transferred to Held-to-Maturity Note 2	Net Unrealized Gain (Loss) on Interest Rate Caps Note 7	Treasury Stock	Total
$ 753,969	$ 95,717	$ (571,898)	$ (7,580,235)	$ 132,859,840
				12,428,080
				-
1,496,099				1,496,099
(1,804,634)	1,804,634			-
	(120,265)			(120,265)
		(479,296)		(479,296)
			781,684	839,897
			(251,963)	(251,963)
				176,378
				(4,259,001)
445,434	1,780,086	(1,051,194)	(7,050,514)	142,689,769
				12,471,246
(1,268,295)				(1,268,295)
(1,061,715)	1,061,715			-
	(344,275)			(344,275)
		140,154		140,154
			1,895,762	913,513
			(5,678,917)	(5,678,917)
				143,394
				(9,151,131)
$ (1,884,576)	$ 2,497,526	$ (911,040)	$ (10,833,669)	$ 139,915,458

EXTRACO CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2016	2015
Cash flows from operating activities		
Net income	$ 12,471,246	$ 12,428,080
Adjustments to reconcile net income to net cash from operating activities		
Net amortization on securities	2,403,528	2,128,804
Net gain on sale of securities	(767,824)	(1,137,727)
Provision for loan losses	1,687,500	400,000
Net (gain) loss on disposal of property and equipment	553,206	(47,501)
Depreciation expense	2,371,845	2,787,010
Net gain on sale of foreclosed real estate held for sale	-	(31,517)
Stock based compensation expense	143,394	176,378
Net (increase) decrease in:		
Residential mortgages held for sale	1,694,966	1,873,454
Accrued interest receivable	(88,596)	(507,607)
Other assets	2,225,895	1,403,938
Net increase (decrease) in:		
Accrued interest payable	(29,955)	(20,923)
Other liabilities	224,354	(2,562,048)
Net cash provided by operating activities	22,889,559	16,890,341
Cash flows from investing activities		
(Increase) decrease in:		
Interest-bearing deposits in banks	37,713,634	2,886,346
Securities available-for-sale:		
Proceeds from sales	44,823,132	47,097,165
Proceeds from maturities	86,350,000	275,185,000
Principal collections	4,196,522	4,184,243
Purchases	(156,651,064)	(401,623,050)
Securities held-to-maturity:		
Proceeds from sales	945,971	5,119,693
Proceeds from maturities	30,905,000	13,850,000
Principal collections	2,044,859	3,749,928
Purchases	(5,394,805)	(18,907,000)
Recoveries of charged-off loans	581,650	672,907
Net increase in loans	(38,612,530)	(12,568,501)
Proceeds from sale of property and equipment	22,292	1,585,866
Purchase of property and equipment	(1,022,647)	(1,477,839)
Proceeds from sale of foreclosed real estate held for sale	-	186,417
Net cash received in branch acquisition (Note 24)	-	18,055,753
Net cash provided by (used for) investing activities	5,902,014	(62,003,072)

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

	Year Ended December 31, 2016	Year Ended December 31, 2015
Cash flows from financing activities		
Net increase (decrease) in:		
Demand, interest-bearing demand, money market and savings accounts	$ 36,894,644	$ 31,846,178
Time deposits	(1,014,717)	378,166
Federal funds purchased and securities sold under agreements to repurchase	(34,047,505)	2,102,730
Proceeds from other borrowings	-	17,000,000
Repayment of other borrowings	(10,021,837)	(12,025,638)
Proceeds from sale of treasury stock	913,513	839,897
Purchase of treasury stock	(5,678,917)	(251,963)
Payment of cash dividends	(9,151,131)	(4,259,001)
Net cash provided by (used for) financing activities	(22,105,950)	35,630,369
Net increase (decrease) in cash and due from banks	6,685,623	(9,482,362)
Cash and due from banks at beginning of year	26,343,302	35,825,664
Cash and due from banks at end of year	$ 33,028,925	$ 26,343,302
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	$ 3,640,001	$ 4,017,544
Cash paid during the year for income taxes	-	-
Schedule of noncash investing activities:		
Change in unrealized gain or loss on securities available-for-sale	1,268,295	1,496,099
Transfer unrealized gain on securities available-for-sale to held-to-maturity	1,061,715	1,804,634
Amortization of unrealized gain on securities transferred to held-to-maturity	344,275	120,265
Change in unrealized gain or loss on interest rate caps	140,154	479,296
Schedule of noncash financing activities:		
Change in unrealized gain or loss on securities available-for-sale	1,268,295	1,496,099
Transfer unrealized gain on securities available-for-sale to held-to-maturity	1,061,715	1,804,634
Amortization of unrealized gain or loss on securities transferred to held-to-maturity	344,275	120,265
Change in unrealized gain or loss on interest rate caps	140,154	479,296

Effective August 21, 2015, the Bank acquired the branch location of an unaffiliated financial institution in Killeen, Texas. A summary of assets acquired and liabilities assumed in conjunction with this acquisition is summarized in Note 24.

Note 1 - Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Extraco Corporation (the Company) and its wholly-owned subsidiaries, Extraco Delaware Corporation, Extraco Banks N.A. (the Bank), Extraco Community Development Corporation, and First Temple Corporation. The Bank provides financial services, including investment services, and insurance services, to individuals and corporate customers in the Central Texas area through its banking facilities in Temple, Waco, Gatesville, Belton, Killeen, Copperas Cove, Harker Heights, Hewitt, Hamilton, McGregor, Georgetown, Bellmead, Bryan, and Lampasas. The Bank also originates and sells single-family residential mortgages through its bank facilities in addition to other production offices in Texas. All significant intercompany transactions have been eliminated in consolidation.

The Company and the Bank are subject to the regulations of certain federal agencies and undergo periodic examinations by those regulatory authorities.

Use of Estimates

The preparation of financial statements in conformity with U.S. 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for losses on loans and the valuation of foreclosed real estate held for sale. In connection with the determination of the estimated losses on loans and foreclosed real estate held for sale, management obtains independent appraisals for significant properties.

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

Cash and Cash Equivalents

For the purpose of presentation in the consolidated statements of cash flows, cash and cash equivalents are defined as those amounts included in the balance sheet caption "Cash and Due from Banks".

Securities

Securities are classified as follows:

Trading Securities

Securities held for resale in the near term are recorded at fair value with changes in fair value recorded in earnings.

Held-To-Maturity

Bonds, notes, and debentures for which the Company has the positive intent and ability to hold to maturity are reported at cost, adjusted for amortization of premiums and accretion of discounts that are recognized in interest income using methods approximating the interest method over the period to maturity.

Available-For-Sale

Available-for-sale securities consist of bonds, notes, debentures, and equity securities not classified as trading securities or as held-to-maturity securities. Unrealized holding gains and losses on available-for-sale securities are reported as a net amount in a separate component of stockholders' equity until realized. Gains and losses on the sale of available-for-sale securities are determined using the specific identification method. The amortization of premiums and the accretion of discounts are recognized in interest income using methods approximating the interest method over the period to maturity.

Mortgage-backed securities represent participating interests in pools of long-term first mortgage loans originated and serviced by issuers of the securities. Mortgage-backed securities are carried at unpaid principal balances, adjusted for unamortized premiums and unearned discounts. Premiums and discounts are amortized using methods approximating the interest method over the remaining period to contractual maturity, adjusted for anticipated prepayments.

Declines in the fair value of individual held-to-maturity and available-for-sale securities below their cost that are other than temporary result in write-downs of the individual securities to their fair value. The related write-downs are included in earnings as realized losses.

Other Restricted Stock

The Bank, as a member of the Federal Home Loan Bank of Dallas (FHLB), is required to maintain an investment in the capital stock of FHLB. As a national bank, the Bank is required to maintain an investment in the capital stock of the Federal Reserve Bank in an amount based on the Bank's level of common stock and additional paid-in capital. Further, the Bank maintains an equity investment in Independent Bankers Financial Corporation which owns TIB-The Independent BankersBank. These stocks do not have readily determinable fair values and, therefore, are carried at cost and are evaluated periodically by management for impairment.

Residential Mortgages Held for Sale

Residential mortgages held for sale are carried at the lower of cost or market using the aggregate loan method. The amount by which cost exceeds market value is accounted for as a valuation allowance. Changes in the valuation allowance are included in the determination of net income for the period in which the change occurs.

Loans

Loans are stated at unpaid principal balances less allowance for loan losses and unearned discounts plus net deferred loan costs.

Management has determined that loan origination and commitment fees and certain direct origination costs are not significant; therefore, such fees and costs have not been deferred or capitalized, except for certain first lien mortgage loans originated and retained by the Bank. For these loans, certain direct origination costs are capitalized and amortized as a yield adjustment over the lives of the related loans using a method that approximates the interest method.

The recognition of income on a loan is discontinued and previously accrued interest is reversed, when interest or principal payments become 90 days past due unless, in the opinion of management, the outstanding interest remains collectible. Past due status is determined based on contractual terms. Interest is subsequently recognized only as received until the loan is returned to accrual status. A loan is restored to accrual status when all interest and principal payments are current and the borrower has demonstrated to management the ability to make payments of principal and interest as scheduled. The Bank's practice is to charge off any loan or portion of a loan when the loan is determined by management to be uncollectible due to the borrower's deteriorating or deteriorated financial condition, the depreciation of the underlying collateral, the loan's classification as a loss by regulatory examiners, or for other reasons.

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

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

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

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

Off-Balance Sheet Credit Related Financial Instruments

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

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. The provision for depreciation is computed using the straight-line method. Repairs and maintenance costs are expensed as incurred while major additions and improvements are capitalized. Gains and losses on disposition are included in other income or expense.

Foreclosed Real Estate Held For Sale

Foreclosed real estate held for sale includes both formally foreclosed property and in-substance foreclosed property. In-substance foreclosed properties are those properties for which the Company has taken physical possession, regardless of whether formal foreclosure proceedings have taken place.

At the time of foreclosure, foreclosed real estate held for sale is recorded at fair value less cost to sell, which becomes the property's new basis. Any write-downs based on the asset's fair value at the date of acquisition are charged to the allowance for loan losses. After foreclosure, these assets are carried at the lower of their new cost basis or fair value less cost to sell. Costs incurred in maintaining foreclosed real estate held for sale and subsequent adjustments to the carrying amount of the property are included in other expense.

Derivatives

ASC Topic 815, Accounting for Derivative Instruments and Hedging Activities, as amended, requires companies to record derivatives on their balance sheets at fair value. Changes in the fair values of those derivatives are reported in earnings or other comprehensive income depending on the use of the derivative and whether it qualifies for hedge accounting treatment. The key criterion for hedge accounting is that the hedging relationship must be highly effective in achieving offsetting changes in fair value of assets or liabilities or cash flows from forecasted transactions. Derivative instruments that are used as part of the Company's interest rate risk management strategy consist of interest rate caps. These instruments are utilized to manage the interest rate risk on the Company's variable rate money market demand accounts.

Income Taxes

The Company, with the consent of its shareholders, filed an election under the Internal Revenue Service Code to be taxed as an S corporation effective for the tax year beginning January 1, 2007. Under the provisions for an S corporation, the Company will pay no corporate taxes on its taxable income. In lieu of corporate income taxes, the shareholders are taxed on their proportionate share of the Company's taxable income. Therefore, no provision for corporate income taxes will be made.

Advertising Costs

Advertising costs are generally expensed as incurred.

Trust Assets

Property held by Extraco Banks, N.A. in fiduciary or agency capacities for its customers is not included in the accompanying consolidated balance sheets, since such items are not assets of the Company.

Reclassifications

Certain reclassifications have been made to the 2015 information to conform it to the 2016 presentation.

Note 2 - Securities

At December 31, 2016 and 2015, securities available-for-sale consisted of the following:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
2016				
U.S. Treasury securities	$ 20,362,388	$ 1,525	$ (164,460)	$ 20,199,453
U.S. government agency securities	18,346,333	-	(495,118)	17,851,215
Tax exempt municipal securities	33,805,508	397,873	(476,268)	33,727,113
Taxable municipal securities	1,004,000	3,070	-	1,007,070
Mortgage-backed securities	36,928,590	30,833	(677,064)	36,282,359
Collateralized mortgage obligations	5,231,876	-	(449,827)	4,782,049
Total debt securities	115,678,695	433,301	(2,262,737)	113,849,259
Marketable equity securities	1,500,000	-	(55,141)	1,444,859
Securities measured at fair value	117,178,695	433,301	(2,317,878)	115,294,118
Other Restricted Stock				
Federal Home Loan Bank	3,443,300	-	-	3,443,300
Federal Reserve Bank	946,050	-	-	946,050
Other equity securities	60,345	-	-	60,345
Total	$ 121,628,390	$ 433,301	$ (2,317,878)	$ 119,743,813
2015				
U.S. Treasury securities	$ 22,886,737	$ -	$ (88,057)	$ 22,798,680
U.S. government agency securities	33,596,294	80,365	(212,323)	33,464,336
Tax exempt municipal securities	64,792,073	1,645,140	(30,500)	66,406,713
Taxable municipal securities	2,013,493	-	(3,533)	2,009,960
Mortgage-backed securities	22,106,153	33,003	(756,714)	21,382,442
Collateralized mortgage obligations	6,241,516	-	(190,110)	6,051,406
Total debt securities	151,636,266	1,758,508	(1,281,237)	152,113,537
Marketable equity securities	1,500,000	-	(31,837)	1,468,163
Securities measured at fair value	153,136,266	1,758,508	(1,313,074)	153,581,700
Other Restricted Stock				
Federal Home Loan Bank	3,402,600	-	-	3,402,600
Federal Reserve Bank	940,750	-	-	940,750
Other equity securities	60,345	-	-	60,345
Total	$ 157,539,961	$ 1,758,508	$ (1,313,074)	$ 157,985,395

At December 31, 2016 and 2015, securities held-to-maturity consisted of the following:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
2016				
U.S. government agency securities	$ 21,598,891	$ -	$ (842,538)	$ 20,756,353
Tax exempt municipal securities	180,684,550	2,865,791	(1,864,093)	181,686,248
Taxable municipal securities	4,149,930	185,608	-	4,335,538
Mortgage-backed securities	11,622,974	63,021	(44,225)	11,641,770
Total	$ 218,056,345	$ 3,114,420	$ (2,750,856)	$ 218,419,909
2015				
U.S. government agency securities	$ 18,908,613	$ 15,276	$ (133,909)	$ 18,789,980
Tax exempt municipal securities	152,594,459	5,528,672	(84,806)	158,038,325
Taxable municipal securities	4,217,995	181,256	-	4,399,251
Mortgage-backed securities	14,552,083	384,292	(61,520)	14,874,855
Collateralized mortgage obligations	9,502	-	(132)	9,370
Total	$ 190,282,652	$ 6,109,496	$ (280,367)	$ 196,111,781

The contractual maturities of debt securities at December 31, 2016, were scheduled as follows:

	Available-For-Sale		Held-To-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 7,291,838	$ 7,293,363	$ 6,782,909	$ 6,822,083
Due after one through five years	22,332,858	22,175,962	26,608,462	27,466,731
Due after five through ten years	7,195,240	6,875,226	55,581,968	55,954,669
Due after ten years	36,698,293	36,440,300	117,460,032	116,534,656
Mortgage-backed securities	36,928,590	36,282,359	11,622,974	11,641,770
Collateralized mortgage obligations	5,231,876	4,782,049	-	-
Total debt securities	$ 115,678,695	$ 113,849,259	$ 218,056,345	$ 218,419,909

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

Securities with carrying values of $ 146,892,784 and $ 194,784,472 at December 31, 2016 and 2015, respectively, were pledged to secure public deposits, securities sold under agreements to repurchase, and for other purposes as required or permitted by law. Federal Home Loan Bank stock, carried at cost, represents collateral for advances and, therefore, is restricted. Further, the Bank's investment in Federal Reserve Bank stock, carried at cost, is mandatory and, therefore, is restricted.

During 2016, the Company sold securities available-for-sale for total proceeds of $ 44,823,132 which resulted in gross realized gains of $ 667,935 and gross realized losses of $ 6,624. During 2015, the Company sold securities available-for-sale for total proceeds of $ 47,097,165 which resulted in gross realized gains of $ 811,027 and gross realized losses of $ 48,147.

Further, during 2016, the Company sold securities held-to-maturity for total proceeds of $ 945,971 which resulted in gross realized gains of $ 106,513. During 2015, the Company sold securities held-to-maturity for total proceeds of $ 5,119,693 which resulted in gross realized gains of $ 375,235 and gross realized losses of $ 388. The Company had already collected a substantial portion (at least 85 percent) of the principal outstanding at acquisition for each of the held-to-maturity securities sold.

The Company has transferred securities from available-for-sale to held-to-maturity. The securities were transferred at fair value. Any unrealized gain or loss on the date of transfer remains a component of stockholders' equity and is amortized over the estimated remaining lives of the securities transferred. During 2016 and 2015, the Company transferred securities with amortized cost of $ 57,640,520 and $ 36,463,995 and fair value of $ 58,702,235 and $ 38,268,628, respectively, from available-for-sale to held-to-maturity in order to achieve the Company's asset-liability management goals.

Activity in the net unrealized gain for the years ended December 31, 2016 and 2015, is as follows:

	2016	2015
Net unrealized gain - beginning of year	$ 1,780,086	$ 95,717
Unrealized gain or loss transferred	1,061,715	1,804,634
Net amortization charged to other comprehensive income	(344,275)	(120,265)
Net unrealized gain - end of year	$ 2,497,526	$ 1,780,086

Information pertaining to securities with gross unrealized losses at December 31, 2016 and 2015, aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows:

	2016		2015	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Tax exempt municipal securities	$ 1,592,958	$ (11,221)	$ 1,331,687	$ (3,881)
Mortgage-backed securities	17,362,117	(397,545)	7,959,885	(328,428)
Collateralized mortgage obligations	-	-	9,370	(132)
Mutual fund	-	-	1,468,163	(31,837)
12 months or greater	18,955,075	(408,766)	10,769,105	(364,278)
U.S. Treasury securities	12,906,090	(164,460)	22,798,680	(88,057)
U.S. government agency securities	38,607,568	(1,337,656)	34,239,183	(346,233)
Tax exempt municipal securities	88,816,729	(2,329,140)	30,005,658	(111,424)
Taxable municipal securities	-	-	2,009,960	(3,533)
Mortgage-backed securities	18,027,618	(323,744)	15,567,897	(489,806)
Collateralized mortgage obligations	4,782,049	(449,827)	6,051,406	(190,110)
Mutual fund	1,444,859	(55,141)	-	-
Less than 12 months	164,584,913	(4,659,968)	110,672,784	(1,229,163)
Total	$ 183,539,988	$ (5,068,734)	$ 121,441,889	$ (1,593,441)

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

At December 31, 2016, 274 securities with unrealized losses have depreciated 2.69% from the Bank's amortized cost basis. These unrealized losses relate principally to current interest rates for similar types of securities. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition. As the Company has the ability to hold debt securities until maturity, or for the foreseeable future if classified as available-for-sale, no declines are deemed to be other than temporary.

Note 3 - Residential Mortgages Held for Sale

Residential mortgages held for sale at December 31, 2016 and 2015, were comprised of loans collateralized by mortgages on one-to-four family residences as follows:

	2016	2015
Residential mortgages held for sale	$ 3,192,255	$ 4,888,962
Premiums (discounts), net	3,725	1,984
Unrealized losses	-	-
Residential mortgages held for sale, net	$ 3,195,980	$ 4,890,946

Note 4 - Loans and Allowance for Loan Losses

At December 31, 2016 and 2015, loans consisted of the following:

	2016		2015	
Loan Classifications	Amount	Percent	Amount	Percent
Commercial real estate:				
Non-owner occupied	$ 162,775,006	19.25%	$ 155,399,878	19.22%
Owner occupied	145,975,948	17.27	146,991,293	18.18
Construction and land development	96,015,026	11.36	79,501,037	9.84
Other	10,116,259	1.20	10,966,650	1.36
Residential real estate	249,681,801	29.53	229,516,188	28.39
Commercial	45,541,779	5.39	58,307,761	7.21
Consumer	68,272,682	8.08	56,189,931	6.95
Other	66,970,618	7.92	71,550,735	8.85
Total Loans	845,349,119	100.00%	808,423,473	100.00%
Less: Allowance for loan losses	(21,484,859)		(20,902,593)	
Loans, net	$ 823,864,260		$ 787,520,880	

Unamortized discount on loans purchased aggregated $ 111,346 and $ 128,957 at December 31, 2016 and 2015, respectively. Further, unamortized loan origination costs aggregated $ 430,788 and $ 497,354 at December 31, 2016 and 2015, respectively.

An age analysis of past due loans, segregated by class of loans, as of December 31, 2016 and 2015, (in thousands) is as follows:

	30-89 Days Past Due	Greater Than 90 Days & Accruing	Nonaccrual	Current	Total Loans
2016					
Commercial real estate:					
Non-owner occupied	$ 587	$ -	$ -	$ 162,188	$ 162,775
Owner occupied	71	-	282	145,623	145,976
Construction and land development	19	-	-	95,996	96,015
Other	160	-	271	9,685	10,116
Residential real estate	167		846	248,669	249,682
Commercial	83	-	647	44,812	45,542
Consumer	565	-	24	67,684	68,273
Other	-	-	131	66,839	66,970
Total	$ 1,652	$ -	$ 2,201	$ 841,496	$ 845,349

	30-89 Days Past Due	Greater Than 90 Days & Accruing	Nonaccrual	Current	Total Loans
2015					
Commercial real estate:					
Non-owner occupied	$ -	$ -	$ -	$ 155,400	$ 155,400
Owner occupied	363	-	127	146,501	146,991
Construction and land development	-	-	26	79,475	79,501
Other	-	-	-	10,966	10,966
Residential real estate	1,176	21	873	227,446	229,516
Commercial	146	-	1	58,161	58,308
Consumer	392	-	-	55,798	56,190
Other	-	-	-	71,551	71,551
Total	$ 2,077	$ 21	$ 1,027	$ 805,298	$ 808,423

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

Pass and Pass/Watch – Pass grade loans are loans to borrowers of acceptable credit quality and risk. Pass/watch loans includes loans on management's "watch list" and is intended to be utilized on a temporary basis for pass grade borrowers where a significant risk-modifying action is anticipated in the near term.

OAEM – An especially mentioned asset is considered bankable but has potential weaknesses that deserve management's close attention. Especially mentioned assets are not adversely classified and do not expose an institution to sufficient risk to warrant adverse classification. Generally, this risk rating is a temporary risk rating. Improvement in the asset would warrant an upgrade in the assigned risk rating and any deterioration would warrant a downgrade in the assigned risk rating.

Substandard – Loans graded substandard consist of performing and nonperforming loans which are considered to be a problem. A substandard loan is considered inadequately protected either by the current sound worth and paying capacity of the primary obligor or by the collateral pledged. Substandard loans have well defined weaknesses or weaknesses that could jeopardize the repayment of the debt.

Doubtful – Doubtful loans have all the weaknesses inherent in those related to substandard, with the added characteristic that the severity of the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable or improbable. While the identified loss exposure may not occur during the current reporting period, it is felt that loans in this category will "most likely" result in a loss unless substantial improvement occurs. In most cases, a reasonable carrying value for the distressed assets should be determined with a write-down made for any insufficient value.

A summary of loans, segregated by credit rating, as of December 31, 2016 and 2015, (in thousands) is as follows:

	Pass and Pass/Watch	OAEM	Substandard	Doubtful	Total
2016					
Commercial real estate:					
Non-owner occupied	$ 162,775	$ -	$ -	$ -	$ 162,775
Owner occupied	144,436	728	812	-	145,976
Construction and land development	95,973	-	42	-	96,015
Other	9,571	274	271	-	10,116
Residential real estate	248,216	130	1,336	-	249,682
Commercial	43,520	584	1,438	-	45,542
Consumer	68,158	69	46	-	68,273
Other	62,288	1,406	3,276	-	66,970
Total	$ 834,937	$ 3,191	$ 7,221	$ -	$ 845,349
2015					
Commercial real estate:					
Non-owner occupied	$ 155,400	$ -	$ -	$ -	$ 155,400
Owner occupied	144,312	509	2,170	-	146,991
Construction and land development	78,424	-	1,077	-	79,501
Other	10,674	292	-	-	10,966
Residential real estate	227,783	177	1,556	-	229,516
Commercial	55,815	1,768	725	-	58,308
Consumer	56,097	72	21	-	56,190
Other	68,120	3,431	-	-	71,551
Total	$ 796,625	$ 6,249	$ 5,549	$ -	$ 808,423

An analysis of the allowance for loan losses is as follows:

	2016	2015
Balance - beginning of year	$ 20,902,593	$ 20,510,637
Provision for loan losses	1,687,500	400,000
Charge-offs	(1,686,884)	(680,951)
Recoveries	581,650	672,907
Net charge-offs	(1,105,234)	(8,044)
Balance - end of year	$ 21,484,859	$ 20,902,593

The following tables detail the activity in the allowance for loan losses by portfolio segment for the years ended December 31, 2016 and 2015 (in thousands). Allocation of a portion of the allowance to one category of loans does not preclude its availability to absorb losses in other categories.

	Commercial Real Estate	Residential Real Estate	Commercial	Consumer	Other	Unallocated	Total
2016							
Beginning balance	$ 6,983	$ 6,425	$ 3,731	$ 1,934	$ 1,759	$ 71	$ 20,903
Provision	(573)	603	(603)	808	1,178	274	1,687
Charge-offs	(40)	(8)	(444)	(426)	(769)	-	(1,687)
Recoveries	293	32	49	162	46	-	582
Net charge-offs	253	24	(395)	(264)	(723)	-	(1,105)
Ending balance	$ 6,663	$ 7,052	$ 2,733	$ 2,478	$ 2,214	$ 345	$ 21,485
Period end amount allocated to loans:							
Individually evaluated	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Collectively evaluated	6,663	7,052	2,733	2,478	2,214	345	21,485
Ending balance	$ 6,663	$ 7,052	$ 2,733	$ 2,478	$ 2,214	$ 345	$ 21,485
2015							
Beginning balance	$ 6,236	$ 6,932	$ 4,062	$ 1,351	$ 1,626	$ 304	$ 20,511
Provision	503	(486)	(372)	743	245	(233)	400
Charge-offs	-	(41)	(81)	(367)	(192)	-	(681)
Recoveries	244	20	122	207	80	-	673
Net charge-offs	244	(21)	41	(160)	(112)	-	(8)
Ending balance	$ 6,983	$ 6,425	$ 3,731	$ 1,934	$ 1,759	$ 71	$ 20,903
Period end amount allocated to loans:							
Individually evaluated	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Collectively evaluated	6,983	6,425	3,731	1,934	1,759	71	20,903
Ending balance	$ 6,983	$ 6,425	$ 3,731	$ 1,934	$ 1,759	$ 71	$ 20,903

The Company's recorded investment in loans as of December 31, 2016 and 2015, (in thousands) 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:

	Commercial Real Estate	Residential Real Estate	Commercial	Consumer	Other	Total
2016						
Individually evaluated	$ -	$ -	$ -	$ -	$ -	$ -
Collectively evaluated	414,882	249,682	45,542	68,273	66,970	845,349
Total	$ 414,882	$ 249,682	$ 45,542	$ 68,273	$ 66,970	$ 845,349
2015						
Individually evaluated	$ -	$ -	$ -	$ -	$ -	$ -
Collectively evaluated	392,858	229,516	58,308	56,190	71,551	808,423
Total	$ 392,858	$ 229,516	$ 58,308	$ 56,190	$ 71,551	$ 808,423

At December 31, 2016 and 2015, and for the years then ended, loans recognized as impaired, in conformity with U.S. generally accepted accounting principles, were as follows:

	2016	2015
Impaired loans with no allowance	$ 2,200,615	$ 1,027,182
Impaired loans with allowance	-	-
Total Impaired Loans	$ 2,200,615	$ 1,027,182
Average recorded investment in impaired loans	$ 1,613,898	$ 1,417,289
Allowance for loan losses related to impaired loans	$ -	$ -
Interest income recognized for cash payments received	$ -	$ -

An analysis of impaired loans, segregated by class of loans, as of December 31, 2016 and 2015, (in thousands) is set forth in the following table. Generally, no interest income is recognized on impaired loans subsequent to their classification as impaired.

	Unpaid Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Average Investment in Impaired Loans
2016					
Commercial real estate:					
Non-owner occupied	$ -	$ -	$ -	$ -	$ -
Owner occupied	296	282	-	282	205
Construction and land development	-	-	-	-	13
Other	402	271	-	271	135
Residential real estate	1,010	846	-	846	859
Commercial	1,044	647	-	647	324
Consumer	24	24	-	24	12
Other	-	131	-	131	66
Total	$ 2,776	$ 2,201	$ -	$ 2,201	$ 1,614
2015					
Commercial real estate:					
Non-owner occupied	$ -	$ -	$ -	$ -	$ -
Owner occupied	138	127	-	127	111
Construction and land development	109	26	-	26	82
Other	-	-	-	-	-
Residential real estate	1,116	873	-	873	1,172
Commercial	2	1	-	1	52
Consumer	-	-	-	-	-
Other	-	-	-	-	-
Total	$ 1,365	$ 1,027	$ -	$ 1,027	$ 1,417

At December 31, 2016, the Bank had no loans over 90 days past due and still accruing. At December 31, 2015, the Bank had loans aggregating $ 21,453 that were over 90 days past due and still accruing. Further, nonaccrual loans totaled $ 2,200,615 and $ 1,027,182 at December 31, 2016 and 2015, respectively.

Loans that were modified as troubled debt restructurings during the years ended December 31, 2016 and 2015, (in thousands) segregated by class of loans, were as follows:

	# of Notes	Pre-Modification Recorded Balance	Post-Modification Recorded Balance	Ending Recorded Balance
Troubled Debt Restructurings:				
2016				
Commercial Real Estate:				
Non-owner occupied	-	$ -	$ -	$ -
Owner occupied	-	-	-	-
Construction and land development	-	-	-	-
Other	-	-	-	-
Residential real estate	-	-	-	-
Commercial	-	-	-	-
Consumer	-	-	-	-
Other	-	-	-	-
Total	-	$ -	$ -	$ -
2015				
Commercial Real Estate:				
Non-owner occupied	-	$ -	$ -	$ -
Owner occupied	1	140	140	58
Construction and land development	-	-	-	-
Other	-	-	-	-
Residential real estate	-	-	-	-
Commercial	-	-	-	-
Consumer	-	-	-	-
Other	-	-	-	-
Total	1	$ 140	$ 140	$ 58

The Bank had no loans modified as troubled debt restructurings within the previous 12 months that experienced a payment default during the years ended December 31, 2016 and 2015.

At December 31, 2016, the Bank had no consumer mortgage loans secured by residential real estate properties where formal foreclosure procedures were in process.

The Bank transferred no loans to foreclosed real estate held for sale in 2016 or 2015.

The Bank has no commitment to loan additional funds to borrowers whose loans have been impaired or modified in troubled debt restructurings.

Overdrafts of customers' deposit accounts, aggregating $ 830,914 and $ 395,472 for the years ended December 31, 2016 and 2015, respectively, have been reclassified and are included in other loans.

Note 5 - Property and Equipment

Property and equipment at December 31, 2016 and 2015, consisted of the following:

	Estimated Useful Lives	2016	2015
Land	-	$ 8,506,742	$ 8,506,742
Building and leasehold improvements	6-40 years	31,553,747	32,216,819
Furniture, fixtures and equipment	2-20 years	16,829,994	16,749,213
Computer equipment	3-5 years	2,480,197	2,427,199
Automobiles	3-5 years	229,693	438,309
		59,600,373	60,338,282
Accumulated depreciation		(33,813,206)	(32,626,419)
Property and Equipment, net		$ 25,787,167	$ 27,711,863

Depreciation expense aggregated $ 2,371,845 and $ 2,787,010 for the years ended December 31, 2016 and 2015, respectively.

Note 6 - Foreclosed Real Estate Held for Sale

Activity in foreclosed real estate held for sale for the years ended December 31, 2016 and 2015, was as follows:

	2016	2015
Balance - beginning of year	$ -	$ 154,900
Transfer from loans	-	-
Sales	-	(154,900)
Unrealized loss	-	-
Balance - end of year	$ -	$ -

During the year ended December 31, 2016, the Bank sold no foreclosed real estate held for sale. During the year ended December 31, 2015, the Bank recognized net gains on the sale of foreclosed real estate held for sale aggregating $ 31,517.

Note 7 - Interest Rate Caps

The Company has purchased interest rate cap contracts (the contracts), designated as a hedge, from unaffiliated financial institutions to protect against significant interest rate increases that may occur in the future and the effect this would have on the Bank's variable rate deposit accounts, specifically money market demand accounts. The contracts are summarized as follows:

Counterparty	Notional Amount	Cost	Strike Rate	Effective Date	Termination Date
JPMorgan Chase	$ 20,000,000	$ 424,000	4.00%	07/01/15	07/01/17
Frost Bank	20,000,000	848,000	3.25%	07/01/17	07/01/21
Federal Home Loan Bank	20,000,000	776,000	3.00%	07/03/17	07/01/22
Frost Bank	20,000,000	792,000	3.25%	07/01/17	07/01/22
Federal Home Loan Bank	20,000,000	904,000	3.25%	01/04/16	01/03/23

During the period that these rate caps are in effect, if the 1 month LIBOR rate exceeds the strike rate, then the counterparty will pay the Company the differential times the notional amount of the contract.

The Company is amortizing the cost of the contracts from the date of purchase through the termination date using the straight-line method. Accumulated amortization aggregated $ 1,770,155 and $ 1,342,329 as of December 31, 2016 and 2015, respectively.

The contracts are derivatives and, as such, are recorded at fair value on the consolidated balance sheet in other assets, and are valued using discounted cash flow techniques. At least quarterly, the Company compares the change in the fair value of the contracts to the change in the value of a perfectly effective hypothetical derivative. If the change in the value of the contracts is less than or equal to the change in the value of the perfectly effective derivative, then the change in value of the contracts is recorded through other comprehensive income in the consolidated statement of stockholders' equity. Any portion of the change in value of the contracts in excess of the change in value of the perfectly effective hypothetical derivative is recorded in the consolidated statement of operations.

The net unrealized loss on the interest rate caps as of December 31, 2016 and 2015 aggregated $ 911,040 and $ 1,051,194, respectively.

The carrying value of interest rate caps, included in other assets, is summarized as follows:

	2016	2015
Balance - beginning of year	$ 1,350,477	$ 2,374,705
Purchases	-	-
Amortization expense charged to current earnings	(427,826)	(544,932)
Unrealized gain (loss) charged to current earnings	-	-
Unrealized gain (loss) charged to other comprehensive income	140,154	(479,296)
Balance - end of year	$ 1,062,805	$ 1,350,477

Note 8 - Deposits

At December 31, 2016 and 2015, deposits were comprised of the following:

	2016	2015
Demand	$ 335,821,999	$ 308,020,701
Interest-bearing demand	270,350,600	263,411,929
Money market and savings	399,652,235	397,497,560
Time deposits less than $ 250,000	66,109,800	69,111,280
Time deposits of $ 250,000 or more	9,454,653	7,467,890
Total Deposits	$ 1,081,389,287	$ 1,045,509,360

Contractual maturities of time deposits are scheduled as follows:

Years Ending	Amount
2017	$ 42,826,120
2018	10,873,531
2019	8,395,203
2020	6,835,981
2021	6,633,618

Interest expense relating to time deposits of $ 100,000 or more amounted to $ 220,313 and $ 214,251 for the years ended December 31, 2016 and 2015, respectively.

Note 9 - Federal Funds Purchased and Securities Sold Under Agreements to Repurchase

Federal funds purchased and securities sold under agreements to repurchase generally mature within one to four days from the transaction date and consisted of the following at December 31, 2016 and 2015:

	2016	2015
Federal funds purchased	$ -	$ -
Securities sold under agreements to repurchase	77,953,863	112,001,368
Total	$ 77,953,863	$ 112,001,368

The weighted average interest rate on repurchase agreements as of December 31, 2016 and 2015, was 0.08%. Securities underlying the agreements to repurchase were as follows:

	2016	2015
Carrying value	$ 90,801,958	$ 123,888,913
Estimated fair value	92,811,646	127,471,495
Accrued interest receivable	1,096,072	1,396,807

At December 31, 2016 and 2015, the Bank had a $ 25,000,000 federal funds purchased line of credit with an unaffiliated bank which expires October 15, 2017. The Bank also had an additional $ 20,000,000 federal funds purchased line of credit with another unaffiliated bank which is continuous until canceled or suspended by the lending institution. No funds were advanced under either line at December 31, 2016 and 2015. The lines are generally unsecured.

Note 10 - Other Borrowings

At December 31, 2016 and 2015, other borrowings consisted of the following:

	2016	2015
Federal Home Loan Bank (FHLB) advances, bearing interest at a weighted average rate of 1.9019% at December 31, 2016, maturing through December 23, 2020, secured by assets described below	$ 55,000,000	$ 65,000,000
Non-interest bearing note to an individual, discounted at 6.00%, due in monthly installments beginning December 1, 2004, and continuing through November 1, 2021, unsecured	886,752	908,589
Total Other Borrowings	$ 55,886,752	$ 65,908,589

Scheduled maturities of other borrowings are as follows:

Years Ending	Amount
2017	$ 15,032,236
2018	15,053,630
2019	15,258,993
2020	10,274,967
2021	266,926

The Bank has an advance agreement with the FHLB. Under this agreement, the borrowing limit varies and is dependent upon the amount of FHLB stock held, the volume of first mortgage single family and other real estate loans, and total assets of the Bank. Also, FHLB approval is required prior to additional borrowings.

The approximate carrying values of collateral for the FHLB agreement are as follows:

	2016	2015
Cash deposits at FHLB	$ 123,687	$ 128,789
FHLB stock	3,443,300	3,402,600
First mortgage single family loans	246,222,000	227,311,000
Other loans secured by real estate	465,642,000	455,097,000
	$ 715,430,987	$ 685,939,389

The Bank has an agreement with the Federal Reserve Bank to obtain additional borrowings. These borrowings must be approved in advance and are based upon the amount and types of securities pledged by the Bank. As of December 31, 2016 and 2015, securities with carrying values of $ 14,568,898 and $ 19,392,273, respectively, were pledged to the Federal Reserve Bank. The Bank had no borrowings under this agreement as of December 31, 2016 and 2015.

Note 11 - Line of Credit

The Company has a $ 7,500,000 revolving line of credit agreement with an unaffiliated bank. The line bears interest at the prime rate of the lender plus 0.25%, matures August 1, 2017, and is unsecured. The agreement prohibits the Company from allowing its consolidated net worth to at any time be less than $ 100,000,000 and provides that the Company may not pay dividends in excess of $ 10,000,000 in the aggregate per year. The agreement also prohibits the Company from incurring unsecured debt, on a parent company only basis, in excess of $ 6,000,000, exclusive of this agreement. No funds were advanced under this line at December 31, 2016 and 2015.

Note 12 - Federal Income Tax

Accounting principles generally accepted in the United States of America require Company management to evaluate tax positions taken by the Company and recognize a tax liability if the Company has taken an uncertain tax position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Company management believes it is no longer subject to income tax examinations for years prior to 2013.

Note 13 - Profit-Sharing Plan

The Company has a profit-sharing plan covering all employees with one year of continuous service. The plan provides for contributions by the Company in such amounts as the Board of Directors may determine. The Company's accrued contributions for the years ended December 31, 2016 and 2015, were $ 448,000 and $ 615,501, respectively.

Note 14 - Regulatory Restrictions

The Bank is subject to certain restrictions on the amount of dividends that it may declare without prior regulatory approval. At December 31, 2016, approximately $ 11,786,000 of retained earnings of the Bank was available for dividend declaration without prior regulatory approval. Further, in accordance with the requirements of the Board of Governors of the Federal Reserve System, the Bank must maintain certain daily cash reserve balances. At December 31, 2016 and 2015, such cash reserve balances approximated $ 975,000 and $ 919,000, respectively.

Note 15 - Regulatory Capital Requirements

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

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios (set forth in the table below) of Total, Tier I, and Common Equity Tier I (CET I) capital (as defined in the regulations) to risk-weighted assets (RWA) (as defined), and of Tier I capital (as defined) to average assets (AA) (as defined). Management believes, as of December 31, 2016, that the Company and the Bank meet all capital adequacy requirements to which they are subject.

Further, beginning January 1, 2016, the quantitative measures established by regulation require the Company and the Bank to maintain a 2.50% conservation buffer in excess of the minimum capital requirements to avoid further limitations on the amount of dividends and certain bonuses to executive management that may be paid. This conservation buffer is phased in ratably over four years.

As of December 31, 2016, the most recent notification from the Office of the Comptroller of the Currency (OCC) categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as adequately or well capitalized the Bank must maintain minimum Total risk-based, Tier I risk-based, CET I risk-based, and Tier I leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the Bank's category.

	Actual		Minimum Capital Requirements		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
2016						
Consolidated						
Total Capital to RWA	$ 150,244,072	17.343%	$ 69,388,571	8.000%	N/A	
With phased-in buffer	150,244,072	17.343	74,809,553	8.625	N/A	
With full buffer	150,244,072	17.343	91,072,499	10.500	N/A	
Tier I Capital to RWA	139,270,714	16.078	52,041,428	6.000	N/A	
With phased-in buffer	139,270,714	16.078	57,462,410	6.625	N/A	
With full buffer	139,270,714	16.078	73,725,356	8.500	N/A	
CET I Capital to RWA	139,270,714	16.078	39,031,071	4.500	N/A	
With phased-in buffer	139,270,714	16.078	44,452,053	5.125	N/A	
With full buffer	139,270,714	16.078	60,714,999	7.000	N/A	
Tier I Capital to AA	139,270,714	10.270	54,317,857	4.000	N/A	
With phased-in buffer	139,270,714	10.270	62,805,022	4.625	N/A	
With full buffer	139,270,714	10.270	88,266,518	6.500	N/A	
Extraco Banks, N.A.						
Total Capital to RWA	145,085,363	16.747	69,389,128	8.000	$ 86,736,410	10.000%
With phased-in buffer	145,085,363	16.747	74,810,154	8.625	92,157,436	10.625
With full buffer	145,085,363	16.747	91,073,231	10.500	108,420,513	12.500
Tier I Capital to RWA	134,111,919	15.482	52,041,846	6.000	69,389,128	8.000
With phased-in buffer	134,111,919	15.482	57,462,872	6.625	74,810,154	8.625
With full buffer	134,111,919	15.482	73,725,949	8.500	91,073,231	10.500
CET I Capital to RWA	134,111,919	15.482	39,031,385	4.500	56,378,667	6.500
With phased-in buffer	134,111,919	15.482	44,452,410	5.125	61,799,692	7.125
With full buffer	134,111,919	15.482	60,715,487	7.000	78,062,769	9.000
Tier I Capital to AA	134,111,919	9.876	54,318,132	4.000	67,897,665	5.000
With phased-in buffer	134,111,919	9.876	62,805,341	4.625	76,384,874	5.625
With full buffer	134,111,919	9.876	88,266,965	6.500	101,846,498	7.500

	Actual		Minimum Capital Requirements		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
2015						
Total Capital to RWA						
Consolidated	$ 151,235,096	18.200%	$ 66,344,845	8.000%	N/A	
Extraco Banks, N.A.	137,559,295	16.600	66,345,403	8.000	$ 82,931,753	10.000%
Tier I Capital to RWA						
Consolidated	140,738,637	17.000	49,758,634	6.000	N/A	
Extraco Banks, N.A.	127,062,750	15.300	49,759,052	6.000	66,345,403	8.000
CET I Capital to RWA						
Consolidated	140,738,637	17.000	37,318,975	4.500	N/A	
Extraco Banks, N.A.	127,062,750	15.300	37,319,289	4.500	53,905,640	6.500
Tier I Capital to AA						
Consolidated	140,738,637	10.200	55,425,075	4.000	N/A	
Extraco Banks, N.A.	127,062,750	9.200	55,425,355	4.000	69,281,693	5.000

Note 16 - Related Party Transactions

At December 31, 2016 and 2015, executive officers, directors and principal shareholders of the Company and the Bank and entities in which they have 10 percent or more beneficial ownership, were indebted to the Bank in the aggregate amounts of approximately $ 2,408,000 and $ 2,736,000, respectively, and had deposits at the Bank aggregating approximately $ 4,937,000 and $ 5,013,000, respectively.

The Bank leases its banking facility in Harker Heights and a branch facility in Waco, Texas from Extraco Capital, LLC, an entity related through common ownership. Lease payments aggregated $ 167,621 and $ 125,621 during the years ended December 31, 2016 and 2015, respectively. Future minimum lease payments are scheduled as follows:

Years Ending	Amount
2017	$ 143,621
2018	89,810
2019	48,000
2020	54,000

During the year ended December 31, 2016, the Bank sold Extraco Consulting Corporation and its technology sales operations to Extraco Capital, LLC for a total sales price of $ 1,160,000 and recognized a gain aggregating $ 375,667.

During the year ended December 31, 2015, the Bank sold land held for future expansion to Extraco Capital, LLC for a total sales price of $ 1,402,323 and recognized no gain or loss.

Note 17 - Commitments

The Bank has certain operating lease agreements as lessor for land and office space at its facilities in Temple, Killeen, and Waco, Texas. Lease receipts from such agreements totaled $ 245,274 and $ 207,868 for the years ended December 31, 2016 and 2015, respectively. Future minimum lease receipts for long-term leases are scheduled as follows:

Years Ending	Amount
2017	$ 104,000
2018	87,600
2019	89,790
2020	94,278
2021	48,288

The Bank has entered into certain land and building operating leases from unrelated entities as well as other long-term commitments. Rental expense for all operating leases and other operating costs under the long-term commitments aggregated $ 523,780 and $ 558,501 in 2016 and 2015, respectively. The following is a schedule of future minimum payments for these operating leases and other long-term commitments:

Years Ending	Amount
2017	$ 449,175
2018	332,622
2019	220,530
2020	194,880
2021	31,900
2022	4,800

The Bank owned a 1.45% interest in Valesco Commerce Street Capital, L.P., a limited partnership. The carrying value of the investment aggregated $ 407,043 at December 31, 2015, was carried at cost, was evaluated periodically by management for impairment, and was reported in other assets in the consolidated financial statements. As of December 31, 2016, the Bank has received distributions which reduced its cost basis to zero and is not committed to fund any additional amounts.

At December 31, 2015, the Company had entered into commitments to purchase investment securities aggregating approximately $ 3,350,000. The Bank had no such commitments at December 31, 2016.

Note 18 - Contingencies

Certain legal actions and proceedings are pending against or involve the Bank. Management, after reviewing with its legal counsel all actions and proceedings against or involving the Bank, considers that the aggregate liability or loss, if any, resulting from them will not be material to the consolidated financial statements.

Note 19 - Stock Based Compensation

Stock Options

The Company sponsors a stock option plan for key officers and employees. The plan provides that the option price will be fixed at 60% of the book value as of the latest year-end consolidated financial statements of the Company. The options become vested and exercisable in whole or in part by the optionee on the designated anniversary of the date of grant. Options cannot be exercised after the expiration date. Transactions and other information relating to the plan for the years ended December 31, 2016 and 2015, are summarized as follows:

	2016		2015	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	126,800	$ 47.56	122,200	$ 45.75
Granted	24,300	53.80	25,300	50.60
Exercised	(21,500)	42.49	(20,700)	40.58
Forfeited	-	-	-	-
Outstanding at end of year	129,600	49.57	126,800	47.56
Options exercisable at year end	-	-	-	-
Weighted average fair value of options granted during the year		4.21		5.62
Cash received for options exercised		913,513		839,897
Tax benefit realized from stock options exercised		-		-

In accordance with U.S. generally accepted accounting principles (U.S. GAAP), options granted are being expensed over the expected life of the options based on the fair value of the options at the date of grant. Compensation expense associated with stock options for the years ended 2016 and 2015, aggregated $ 112,243 and $ 125,880, respectively, and is included in salaries and employee benefits.

The fair value of the options granted during 2016 and 2015, was determined using the Black-Scholes pricing model.

As of December 31, 2016, options outstanding under the plan have exercise prices between $ 41.51 and $ 53.80 and a weighted average contractual life of 2.66 years.

Stock Award Program

The Company has a stock award program for the benefit of certain employees. Under the program, the Company issues shares of its common stock to the employees and the employees receive full right of ownership including voting privileges and right to dividends; however, the employee cannot sell the shares to any party other than the Company. If the employee is terminated for any reason prior to age 65, except for a change in control or employee's death or disability, the shares shall be returned by the employee or canceled by the Company. Before March 15th of the year following the earliest of the employee's 65th birthday, employee's death, or employee's disability, the Company shall purchase the awarded shares from the employee for 60% of book value based on the audited consolidated financial statements of the Company as of the fiscal year end following the earliest of the date when the employee turns 65 years of age, dies, or becomes disabled.

The Company awarded no shares during the years ended December 31, 2016 and 2015. Awards are recorded at fair value as determined using the Black-Scholes pricing model. The fair value of the awarded shares is expensed over the period from the award date through the date of the employee's 65th birthday on a straight-line basis.

Compensation expense associated with the award program aggregated $ 31,151 and $ 50,498 for the years ended December 31, 2016 and 2015, respectively, and is included in salaries and employee benefits.

Total compensation costs related to nonvested options and awards not yet recognized at December 31, 2016, aggregated $ 311,323.

Note 20 - Fair Value Measurements

ASC Topic 820, "Fair Value Measurements" (ASC 820), defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. The price in the principal (or most advantageous) market used to measure the fair value of the asset or liability shall not be adjusted for transaction costs. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets and liabilities; it is not a forced transaction. Market participants are buyers and sellers in the principal market that are (i) independent, (ii) knowledgeable, (iii) able to transact and (iv) willing to transact.

ASC 820 requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. The income approach uses valuation techniques to convert future amounts, such as cash flows or earnings, to a single present amount on a discounted basis. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (replacement cost). Valuation techniques should be consistently applied. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, ASC 820 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.

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

Fair values of assets and liabilities measured on a recurring basis at December 31, 2016 and 2015, are as follows:

		Fair Value Measurements at Reporting Date Using		
	Assets/Liabilities Measured at Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2016				
Available-for-sale securities	$ 115,294,118	$ 21,644,312	$ 93,649,806	$ -
Interest rate caps	1,062,805	-	1,062,805	-
December 31, 2015				
Available-for-sale securities	$ 153,581,700	$ 24,266,843	$ 129,314,857	$ -
Interest rate caps	1,350,477	-	1,350,477	-

U.S. Treasury securities and marketable equity securities are classified within Level 1 of the valuation hierarchy. Other securities available-for-sale and interest rate caps are classified within Level 2 of the valuation hierarchy. The Company obtains fair value measurements for securities and interest rate caps from independent pricing services. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the bond's terms and conditions, among other things.

Fair values of assets and liabilities measured on a nonrecurring basis at December 31, 2016 and 2015, are as follows:

	Assets/Liabilities Measured at Fair Value	Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2016				
Impaired loans	$ 2,200,615	$ -	$ -	$ 2,200,615
Foreclosed real estate held for sale	-	-	-	-
December 31, 2015				
Impaired loans	$ 1,027,182	$ -	$ -	$ 1,027,182
Foreclosed real estate held for sale	-	-	-	-

Loans for which it is probable that the Company will not collect all principal and interest due according to contractual terms are measured for impairment. Allowable methods for determining the amount of impairment include estimating fair value of the collateral for collateral-dependent loans. If the impaired loan is identified as collateral dependent, then the fair value method of measuring the amount of impairment is utilized by obtaining a current independent appraisal and applying a discount factor to the value over the estimated holding period. Impaired loans that are collateral dependent are classified within Level 3 of the valuation hierarchy when impairment is determined using the fair value method.

Foreclosed real estate held for sale is held by the Company at fair value less costs to sell. At foreclosure, if the fair value of the real estate acquired is less than the Company's recorded investment in the related loan, a write-down is recognized through a charge to the allowance for loan losses. Further, valuations are periodically performed by management and any subsequent reduction in fair value is recognized as a charge to income. Foreclosed real estate held for sale at fair value is classified within Level 3 of the valuation hierarchy.

The methods and assumptions used by the Company in estimating fair values of financial instruments as disclosed herein in accordance with ASC 825, other than for those measured at fair value on a recurring and non-recurring basis discussed above, are as follows:

Cash, interest-bearing deposits in banks, and federal funds sold - The carrying amount is a reasonable estimate of fair value.

Securities - For debt securities and marketable equity securities, fair value is estimated using quoted market prices. For other restricted stock, carrying value is a reasonable estimate of fair value.

Residential mortgage loans held for sale - Fair value is estimated based on commitments on hand from investors or prevailing market prices.

Loans - Variable-rate loans have carrying amounts that approximate fair value. The fair value of the remaining loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

Accrued interest receivable - The carrying amount is a reasonable estimate of fair value.

Deposits - The fair value of demand deposits, savings accounts and money market deposits is the amount payable on demand at the reporting date. The fair value of fixed-maturity time deposits is estimated by discounting the future cash flows using the rates currently offered for deposits of similar remaining maturities.

Federal funds purchased and securities sold under agreements to repurchase - The carrying amount is a reasonable estimate of fair value.

Other borrowings - Rates currently available to the Company for borrowings with similar terms and remaining maturities are used to estimate fair value of existing other borrowings.

Accrued interest payable - The carrying amount is a reasonable estimate of fair value.

The fair value of a financial instrument is the current amount that would be exchanged between willing parties, other than in a forced liquidation. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Company's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. ASC 825 excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented may not necessarily represent the underlying fair value of the Company.

The estimated fair values of the Company's financial instruments at December 31, 2016 and 2015, are as follows:

	Carrying Amount	Fair Value
2016		
Financial assets:		
Cash, interest-bearing deposits in banks, and federal funds sold	$ 161,647,529	$ 161,647,529
Securities available-for-sale	119,743,813	119,743,813
Securities held-to-maturity	218,056,345	218,419,909
Residential mortgages held for sale, net	3,195,980	3,304,499
Loans, net	823,864,260	826,399,000
Accrued interest receivable	5,714,887	5,714,887
Interest rate caps (included in other assets)	1,062,805	1,062,805
Financial liabilities:		
Deposits	1,081,389,287	1,081,734,000
Federal funds purchased and securities sold under agreements to repurchase	77,953,863	77,953,863
Other borrowings	55,886,752	55,564,000
Accrued interest payable	198,427	198,427
2015		
Financial assets:		
Cash, interest-bearing deposits in banks, and federal funds sold	$ 192,675,540	$ 192,675,540
Securities available-for-sale	157,985,395	157,985,395
Securities held-to-maturity	190,282,652	196,111,781
Residential mortgages held for sale, net	4,890,946	5,002,050
Loans, net	787,520,880	790,519,000
Accrued interest receivable	5,626,291	5,626,291
Interest rate caps (included in other assets)	1,350,477	1,350,477
Financial liabilities:		
Deposits	1,045,509,360	1,046,296,000
Federal funds purchased and securities sold under agreements to repurchase	112,001,368	112,001,368
Other borrowings	65,908,589	66,133,000
Accrued interest payable	228,382	228,382

The fair value estimates presented are based upon pertinent information available to management as of December 31, 2016 and 2015. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these consolidated financial statements since that date; therefore, current estimates of fair value may differ from the amount presented herein.

Note 21 - Financial Instruments with Off-Balance-Sheet Risk

The Bank is 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. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the statements of financial condition. A summary of the Bank's financial instruments with off-balance-sheet risk at December 31, 2016 and 2015, is as follows:

	2016	2015
Commitments to extend credit	$ 157,310,000	$ 167,949,000
"Locked-in" commitments to fund single family residential mortgages	7,663,000	9,087,000
Standby letters of credit	393,000	1,046,000

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

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

Bank management believes commitments to sell loans to investors will be satisfied by mortgage loans held for sale and those in process at December 31, 2016 and 2015. The Bank does not require or place collateral for any delivery commitments. Interest rate locks and forward commitments are carried at fair value in the consolidated financial statements. Fair values of interest rate lock commitments are primarily based on quoted market prices for the sale of individual loans with similar terms as those represented by the rate locks. Fair values of forward commitments are based on quoted market prices for mortgage-backed securities with similar terms as those represented by the forward contract.

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

The Bank has not incurred any losses on its commitments to extend credit and standby letters of credit in either 2016 or 2015.

Note 22 - Executive Retirement Plan

The Company sponsors an executive retirement plan for certain key executives. The plan provides post-retirement payments in return for the executives' agreement to not compete with the Company and to not solicit the Company's clients or employees. The payments made in accordance with this plan are over a ten year period after retirement and do not accrue interest. The amounts payable under the plan are based on 60% of the per share book value at the date of vesting less 60% of the per share book value at the time of the grant, multiplied by the number of share units granted. All benefits under the plan are forfeited if the employee is no longer employed by the Company for any reason prior to vesting upon retirement. Since benefits are earned by post-retirement activities, no expense is accrued until such benefits are earned. Activity in the accrual account for the years ended December 31, 2016 and 2015, relating to 5,750 share units earned is as follows:

	2016	2015
Balance - beginning of year	$ 73,304	$ 91,630
Expense charged to current earnings	-	-
Payments to beneficiaries	(18,326)	(18,326)
Balance - end of year	$ 54,978	$ 73,304

At December 31, 2016, the Company had granted 6,250 additional share units for which no accrual had been made; however, the 10 year payout began in 2016 for 1,650 of these share units for which the Company expensed and paid $ 13,879.

Note 23 - Concentrations of Credit

Generally, all of the Bank's loans, commitments and standby letters of credit have been granted to customers in the Bank's market areas. All such customers are generally depositors of the Bank.

At December 31, 2016 and 2015, the Bank had approximately $ 15,540,000 and $ 15,315,000, respectively, deposited in or loaned to federally insured institutions and the Federal Home Loan Bank in the form of due from banks and federal funds sold which exceeded the insurance provided by the Federal Deposit Insurance Corporation.

Note 24 - Significant Events

During the year ended December 31, 2015, the Company prepaid certain long-term FHLB advances in order to reduce future cost of funds which resulted in prepayment fees of $ 964,687.

Effective August 21, 2015, the Bank acquired the branch location of an unaffiliated financial institution in Killeen, Texas. Following is a summary of the net assets acquired:

Loans	$ 480,192
Property and equipment	1,150,000
Accrued interest receivable	1,359
Intangible asset - deposit premium	923,754
Total assets	2,555,305
Deposits	20,598,802
Accrued interest payable	1,501
Other liabilities	10,755
Total liabilities	20,611,058
Net cash received	$ 18,055,753

During 2015, the Company authorized the issuance of 3,750,000 shares of no par, non-voting common stock and the increase in the issuance of no par, voting common stock from 1,000,000 shares to 1,250,000 shares. In conjunction therewith, the Company issued three shares of no par, non-voting common stock for every one share of no par, voting common stock.

Note 25 - Subsequent Events

In January 2017, the Company declared a dividend of $ 0.32 per share payable to shareholders of record as of March 30, 2017. As of February 3, 2017, the total expected dividend aggregated $ 486,021. The Company also approved the payment of dividends to its shareholders for their quarterly estimated tax payments; however, the amount of such dividends is unknown at February 3, 2017.

Subsequent events have been evaluated through February 3, 2017, the date the consolidated financial statements were available to be issued.

EXTRACO CORPORATION DIRECTORS

S BOYCE BROWN | Chairman, President and Chief Executive

JOHN M BURROUGH | President & Chief Executive, retired, Extraco Banks

JAMES GEESLIN | Corporate Executive Vice President & Chief Consumer Banking Officer

IVAN A GREEN | Corporate Executive Vice President & Chief Administrative Officer | Secretary & Treasurer

DOUGLAS L STREATER | Corporate Executive Vice President & Chief Banking Officer

MICHAEL W THOMPSON | President & Chief Executive, retired, Extraco

EXTRACO BANKS DIRECTORS

S BOYCE BROWN | Chairman & Chief Executive

SPENCER BROWN JR
Chairman & President | National Diversified | Advisory Status

JOHN M BURROUGH | President & Chief Executive, retired, Extraco Banks

H BLAND CROMWELL
Vice President | Coldwell Banker/Jim Stewart, Realtors

JAMES GEESLIN | Vice Chairman | Chief Consumer Banking Officer

IVAN A GREEN | Vice Chairman | Chief Administrative Officer | Secretary

ROGER W HINDS | President & Chief Executive | Retired, Temple Tag Limited

TERRY S MANESS, PH.D
Dean | Hankamer School of Business | Baylor University

KEIFER MARSHALL, JR
President | Keifer Marshall Insurance | Advisory Status

DOUGLAS L STREATER
President & Chief Banking Officer | Assistant Secretary

MICHAEL W THOMPSON
President & Chief Executive, retired, Extraco Banks

COMMUNITY BOARD ADVISORY DIRECTORS

BOBBY L BATES, DDS | Retired | Community Bank Council

WILLIAM C BOYCE | Partner, Williams-Boyce Agency, Inc. | North Region

ROBERT S BRASWELL, IV
President | Direct Wireless Corp | North Region

DAVID BRENNAN | Executive Vice President | North Region

CURTIS C CLEVELAND
Vice President | Central Texas Iron Works | North Region

PERRY CLOUD | President & CEO | Cloud Construction | South Region

MICHAEL COLLETT | Chairman | Community Bank Council

KAREN CRAIG | Realtor | Davidson Craig Real Estate | Community Bank Council

SHARRON T CUTBIRTH | Co-owner | Steven T Cutbirth, DDS | North Region | Ex-officio

BOB GAUTIER | Lawson Implements Co. | Retired | Community Bank Council

HORACE R GRACE
Director | Central Texas Workforce Development Board | South Region

MIKE HELM | President | Yowell Business Center II, Ltd. | South Region

BRADFORD W HOLLAND, MD
Physician | Partner | Waco Ear, Nose & Throat | North Region

CHRIS KINCAID | President, Extraco Financial Group | Ex-officio

MARIO LUPPINO | Senior Vice President, Financial Center Sales | Community Bank Council

JOHN MAUPIN | Senior Vice President | Trust & Financial Services

KEITH MAXWELL | Regional President | South Region

TP MEDLOCK | Owner | Farmers Propane Co. | Community Bank Council

PATRICK B MULLINS | South Region

SHEPHERD S NEVILLE | Attorney | Neville & Hanley | North Region

MARK A NIGLIAZZO, PH.D | President | A&M University Central Texas | South Region

JOHN PAYSSE | President | John Paysse Properties | South Region

BRIAN REINHARDT | Executive Vice President | Senior Lending Officer | South Region

MARK REYNOLDS | President | North Region

C DAVID SHELLENBERGER
Owner/Broker - Keller Williams | North Region

STEVE WOLFE | President | South Region

MARY JANE ZEIGLER | Attorney | Owner | Coryell County Land & Abstract | Community Bank Council

JERRY ZSCHIESCHE, DDS | Owner | Jerry Zchiesche, DDS Inc. | Community Bank Council

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