UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2017

Commission file number 0-7674

FIRST FINANCIAL BANKSHARES, INC.

(Exact name of registrant as specified in its charter)

Texas	**75-0944023**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

400 Pine Street, Abilene, Texas	**79601**
(Address of principal executive offices)	**(Zip Code)**

(325) 627-7155

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulations S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of large accelerated filer, accelerated filer, smaller reporting company and emerging growth company in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company
	Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date:

Class	**Outstanding at July 28, 2017**
Common Stock, $0.01 par value per share	**66,170,312**

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PART I

FINANCIAL INFORMATION

Item 1. Financial Statements.

The consolidated balance sheets of First Financial Bankshares, Inc. (the Company or we) at June 30, 2017 and 2016 and December 31, 2016, and the consolidated statements of earnings and comprehensive earnings for the three and six months ended June 30, 2017 and 2016, and the consolidated statements of shareholders equity and cash flows for the six months ended June 30, 2017 and 2016, follow on pages 4 through 8.

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FIRST FINANCIAL BANKSHARES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except per share amounts)

	June 30, 2017	June 30, 2016	December 31, 2016
ASSETS	(Unaudited)		
CASH AND DUE FROM BANKS	$ 163,435	$ 135,092	$ 204,782
FEDERAL FUNDS SOLD	3,740	2,960	3,130
INTEREST-BEARING DEPOSITS IN BANKS	53,336	67,746	48,574
Total cash and cash equivalents	220,511	205,798	256,486
INTEREST-BEARING TIME DEPOSITS IN BANKS	1,458	2,427	1,707
SECURITIES AVAILABLE-FOR-SALE, at fair value	2,964,513	2,795,356	2,860,837
SECURITIES HELD-TO-MATURITY (fair value of $107, $141 and $124 at June 30, 2017 and 2016, and December 31, 2016, respectively)	105	137	121
LOANS:			
Held for investment	3,439,352	3,283,655	3,357,307
Less - allowance for loan losses	(47,410)	(45,060)	(45,779)
Net loans held for investment	3,391,942	3,238,595	3,311,528
Held for sale	18,327	25,733	26,898
Net loans	3,410,269	3,264,328	3,338,426
BANK PREMISES AND EQUIPMENT, net	123,620	122,326	122,685
INTANGIBLE ASSETS	143,120	143,930	143,603
OTHER ASSETS	83,796	80,688	86,066
Total assets	$ 6,947,392	$ 6,614,990	$ 6,809,931
LIABILITIES AND SHAREHOLDERS EQUITY			
NONINTEREST-BEARING DEPOSITS	$ 1,856,439	$ 1,644,812	$ 1,717,722
INTEREST-BEARING DEPOSITS	3,770,170	3,411,477	3,760,817
Total deposits	5,626,609	5,056,289	5,478,539
DIVIDENDS PAYABLE	12,572	11,891	11,897
BORROWINGS	379,324	556,924	445,770
OTHER LIABILITIES	41,445	123,728	35,840

Total liabilities	6,059,950	5,748,832	5,972,046
COMMITMENTS AND CONTINGENCIES			
SHAREHOLDERS EQUITY:			
Common stock - ($0.01 par value, authorized 120,000,000 shares; 66,170,312, 66,059,912, and 66,094,695 shares issued at June 30, 2017 and 2016, and December 31, 2016, respectively)	662	661	661
Capital surplus	374,391	370,601	372,245
Retained earnings	476,912	418,053	446,534
Treasury stock (shares at cost: 501,198, 516,955, and 507,409 at June 30, 2017 and 2016, and December 31, 2016, respectively)	(6,948)	(6,517)	(6,671)
Deferred compensation	6,948	6,517	6,671
Accumulated other comprehensive earnings	35,477	76,843	18,445
Total shareholders equity	887,442	866,158	837,885
Total liabilities and shareholders equity	$ 6,947,392	$ 6,614,990	$ 6,809,931

See notes to consolidated financial statements.

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FIRST FINANCIAL BANKSHARES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS - (UNAUDITED)

(Dollars in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
INTEREST INCOME:				
Interest and fees on loans	$ 41,311	$ 39,942	$ 80,894	$ 80,289
Interest on investment securities:				
Taxable	8,343	7,130	15,774	14,392
Exempt from federal income tax	11,408	10,745	22,900	21,411
Interest on federal funds sold and interest-bearing deposits in banks	120	64	397	124
Total interest income	61,182	57,881	119,965	116,216
INTEREST EXPENSE:				
Interest on deposits	1,930	1,033	3,520	2,086
Other	167	297	340	556
Total interest expense	2,097	1,330	3,860	2,642
Net interest income	59,085	56,551	116,105	113,574
PROVISION FOR LOAN LOSSES	1,725	2,058	3,675	4,386
Net interest income after provision for loan losses	57,360	54,493	112,430	109,188
NONINTEREST INCOME:				
Trust fees	5,747	4,726	11,764	9,380
Service charges on deposit accounts	4,883	4,404	9,433	8,818
ATM, interchange and credit card fees	6,598	5,840	12,762	11,521
Real estate mortgage operations	4,188	4,013	7,605	7,153
Net gain on sale of available-for-sale securities (includes $747 and $912 for the three months ended June 30, 2017 and 2016, respectively, and $750 and $914 for the six months ended June 30, 2017 and 2016, respectively, related to accumulated other comprehensive earnings reclassifications)	747	912	750	914
Net gain (loss) on sale of foreclosed assets	(72)	278	(31)	353
Net gain (loss) on sale of assets	(200)	(74)	(196)	439
Interest on loan recoveries	337	629	491	1,261
Other	942	710	1,877	1,419

Total noninterest income	23,170	21,438	44,455	41,258
NONINTEREST EXPENSE:				
Salaries and employee benefits	23,465	22,147	46,724	44,737
Net occupancy expense	2,771	2,583	5,370	5,214
Equipment expense	3,665	3,386	7,102	6,766
FDIC insurance premiums	550	818	1,097	1,642
ATM, interchange and credit card expenses	1,803	1,806	3,516	3,492
Professional and service fees	2,025	1,650	3,842	3,215
Printing, stationery and supplies	536	464	974	967
Operational and other losses	574	433	1,559	920
Amortization of intangible assets	165	199	333	398
Other	8,221	7,270	15,409	14,485
Total noninterest expense	43,775	40,756	85,926	81,836
EARNINGS BEFORE INCOME TAXES	36,755	35,175	70,959	68,610
INCOME TAX EXPENSE (includes $261 and $319 for the three months ended June 30, 2017 and 2016, respectively, and $263 and $320 for the six months ended June 30, 2017 and 2016, respectively, related to income tax expense from reclassification items)	8,500	8,366	16,105	16,105
NET EARNINGS	$ 28,255	$ 26,809	$ 54,854	$ 52,505
EARNINGS PER SHARE, BASIC	$ 0.43	$ 0.41	$ 0.83	$ 0.80
EARNINGS PER SHARE, ASSUMING DILUTION	$ 0.43	$ 0.41	$ 0.83	$ 0.79
DIVIDENDS PER SHARE	$ 0.19	$ 0.18	$ 0.37	$ 0.34

See notes to consolidated financial statements.

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FIRST FINANCIAL BANKSHARES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS - (UNAUDITED)

(Dollars in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
NET EARNINGS	$ 28,255	$ 26,809	$ 54,854	$ 52,505
OTHER ITEMS OF COMPREHENSIVE EARNINGS (LOSS):				
Change in unrealized gain on investment securities available-for-sale, before income taxes	17,725	19,377	26,953	46,219
Reclassification adjustment for realized gains on investment securities included in net earnings, before income tax	(747)	(912)	(750)	(914)
Total other items of comprehensive earnings	16,978	18,465	26,203	45,305
Income tax expense related to other items of comprehensive earnings	(5,842)	(6,463)	(9,171)	(15,857)
COMPREHENSIVE EARNINGS	$ 39,391	$ 38,811	$ 71,886	$ 81,953

See notes to consolidated financial statements.

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FIRST FINANCIAL BANKSHARES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY

(Dollars in thousands, except per share amounts)

	Common Stock				Treasury Stock			Accumulated Other	Total
	Shares	Amount	Capital Surplus	Retained Earnings	Shares	Amount	Deferred Compensation	Comprehensive Earnings	Shareholders Equity
Balances at December 31, 2015	65,990,234	$ 660	$ 368,925	$ 388,006	(520,651)	$ (6,296)	$ 6,296	$ 47,395	$ 804,986
Net earnings (unaudited)				52,505					52,505
Stock option exercises (unaudited)	62,018	1	935						936
Restricted stock grant (unaudited)	7,660		250						250
Cash dividends declared, $0.34 per share (unaudited)				(22,458)					(22,458)
Change in unrealized gain in investment securities available-for-sale, net of related income taxes (unaudited)								29,448	29,448
Additional tax benefit related to directors deferred compensation plan (unaudited)			50						50
Shares purchased in connection with directors deferred compensation plan, net (unaudited)					3,696	(221)	221		
Stock option expense (unaudited)			441						441

Balances at June 30, 2016 (unaudited)	66,059,912	$ 661	$ 370,601	$ 418,053	(516,955)	$ (6,517)	$ 6,517	$ 76,843	$ 866,158
Balances at December 31, 2016	66,094,695	$ 661	$ 372,245	$ 446,534	(507,409)	$ (6,671)	$ 6,671	$ 18,445	$ 837,885
Net earnings (unaudited)				54,854					54,854
Stock option exercises (unaudited)	60,967	1	1,114						1,115
Restricted stock grant (unaudited)	14,650		600						600
Cash dividends declared, $0.37 per share (unaudited)				(24,476)					(24,476)
Change in unrealized gain in investment securities available-for-sale, net of related income taxes (unaudited)								17,032	17,032
Shares purchased in connection with directors deferred compensation plan, net (unaudited)					6,211	(277)	277		
Stock option expense (unaudited)			432						432
Balances at June 30, 2017 (unaudited)	66,170,312	$ 662	$ 374,391	$ 476,912	(501,198)	$ (6,948)	$ 6,948	$ 35,477	$ 887,442

See notes to consolidated financial statements.

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FIRST FINANCIAL BANKSHARES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS - (UNAUDITED)

(Dollars in thousands)

	Six Months Ended June 30, 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	$ 54,854	$ 52,505
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	6,209	5,687
Provision for loan losses	3,675	4,386
Securities premium amortization (discount accretion), net	15,592	13,912
Gain on sale of assets, net	(523)	(1,706)
Deferred federal income tax benefit	(614)	(1,288)
Change in loans held-for-sale	8,572	7,810
Change in other assets	4,210	5,861
Change in other liabilities	5,533	3,843
Total adjustments	42,654	38,505
Net cash provided by operating activities	97,508	91,010
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net decrease in interest-bearing time deposits in banks	249	1,068
Activity in available-for-sale securities:		
Sales	36,971	13,382
Maturities	604,582	2,151,678
Purchases	(741,922)	(2,132,087)
Activity in held-to-maturity securities - maturities	17	141
Net increase in loans	(85,212)	30,500
Purchases of bank premises and equipment and other assets	(7,705)	(12,130)
Proceeds from sale of other assets	599	2,170
Net cash provided by (used in) investing activities	(192,421)	54,722
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase (decrease) in noninterest-bearing deposits	138,717	(101,140)
Net increase (decrease) in interest-bearing deposits	9,353	(32,740)
Net decrease in borrowings	(66,446)	(58,751)
Common stock transactions:		
Proceeds from stock issuances	1,115	936
Dividends paid	(23,801)	(21,125)

Net cash provided by (used in) financing activities	58,938	(212,820)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(35,975)	(67,088)
CASH AND CASH EQUIVALENTS, beginning of period	256,486	272,886
CASH AND CASH EQUIVALENTS, end of period	$ 220,511	$ 205,798
SUPPLEMENTAL INFORMATION AND NONCASH TRANSACTIONS:		
Interest paid	$ 3,921	$ 2,599
Federal income tax paid	13,348	13,874
Transfer of loans and bank premises to other real estate owned	1,916	1,692
Investment securities purchased but not settled	4,325	62,124
Restricted stock grant to officers and directors	600	250

See notes to consolidated financial statements.

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FIRST FINANCIAL BANKSHARES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1 - Basis of Presentation

The unaudited interim consolidated financial statements include the accounts of the Company, a Texas corporation and a financial holding company registered under the Bank Holding Company Act of 1956, as amended, or BHCA, and its wholly-owned subsidiaries: First Financial Bank, National Association, Abilene, Texas; First Technology Services, Inc.; First Financial Trust & Asset Management Company, National Association; First Financial Investments, Inc.; and First Financial Insurance Agency, Inc.

Through our subsidiary bank, we conduct a full-service commercial banking business. Our banking centers are located primarily in Central, North Central, Southeast and West Texas. As of June 30, 2017, we had 69 financial centers across Texas, with eleven locations in Abilene, three locations in San Angelo and Weatherford, two locations in Cleburne, Conroe, Stephenville and Granbury, and one location each in Acton, Albany, Aledo, Alvarado, Beaumont, Boyd, Bridgeport, Brock, Burleson, Cisco, Clyde, Cut and Shoot, Decatur, Eastland, Fort Worth, Glen Rose, Grapevine, Hereford, Huntsville, Keller, Magnolia, Mauriceville, Merkel, Midlothian, Mineral Wells, Montgomery, Moran, New Waverly, Newton, Odessa, Orange, Port Arthur, Ranger, Rising Star, Roby, Southlake, Sweetwater, Tomball, Trent, Trophy Club, Vidor, Waxahachie, Willis and Willow Park, all in Texas. Our trust subsidiary has seven locations which are located in Abilene, Fort Worth, Odessa, Beaumont, San Angelo, Stephenville and Sweetwater.

In the opinion of management, the unaudited interim consolidated financial statements reflect all adjustments necessary for a fair presentation of the Company s financial position and unaudited results of operations and should be read in conjunction with the Company s audited consolidated financial statements, and notes thereto in the Company s Annual Report on Form 10-K, for the year ended December 31, 2016. All adjustments were of a normal recurring nature. However, the results of operations for the three and six months ended June 30, 2017, are not necessarily indicative of the results to be expected for the year ending December 31, 2017, due to seasonality, changes in economic conditions and loan credit quality, interest rate fluctuations, regulatory and legislative changes and other factors. The preparation of financial statements in conformity with United States generally accepted accounting principles (GAAP) require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the financial statement date. Actual results could vary. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted under U.S. Securities and Exchange Commission (SEC) rules and regulations. The Company evaluated subsequent events for potential recognition and/or disclosure through the date the consolidated financial statements were issued.

Goodwill and other intangible assets are evaluated annually for impairment as of the end of the second quarter. No such impairment has been noted in connection with the current or any prior evaluations.

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Note 2 - Stock Repurchase

On July 25, 2017, the Company s Board of Directors authorized the repurchase of up to 2,000,000 common shares through September 30, 2020. Previously, the Board had authorized the repurchase of up to 1,500,000 common shares through September 30, 2017. The stock buyback plan authorizes management to repurchase the stock at such time as repurchases are considered beneficial to shareholders. Any repurchase of stock will be made through the open market, block trades or in privately negotiated transactions in accordance with applicable laws and regulations. Under the repurchase plan, there is no minimum number of shares that the Company is required to repurchase. Through July 28, 2017, no shares were repurchased under this authorization or the previous authorization.

Note 3 - Earnings Per Share

Basic earnings per common share is computed by dividing net income available to common shareholders by the weighted average number of shares outstanding during the periods presented. In computing diluted earnings per common share for the three months and six months ended June 30, 2017 and 2016, the Company assumes that all dilutive outstanding options to purchase common stock have been exercised at the beginning of the period (or the time of issuance, if later). The dilutive effect of the outstanding options and the restricted stock is reflected by application of the treasury stock method, whereby the proceeds from exercised options and restricted stock are assumed to be used to purchase common stock at the average market price during the respective periods. The weighted average common shares outstanding used in computing basic earnings per common share for the three months ended June 30, 2017 and 2016 were 66,100,089 and 66,016,562 shares, respectively. The weighted average common shares outstanding used in computing basic earnings per common share for the six months ended June 30, 2017 and 2016 were 66,086,817 and 65,995,560 shares, respectively. The weighted average common shares outstanding used in computing fully diluted earnings per common share for the three months ended June 30, 2017 and 2016 were 66,344,943 and 66,138,275 shares, respectively. The weighted average common shares outstanding used in computing fully diluted earnings per common share for the six months ended June 30, 2017 and 2016 were 66,362,191 and 66,153,579 shares, respectively.

Note 4 - Interest-bearing Time Deposits in Banks and Securities

Interest-bearing time deposits in banks totaled $1,458,000, $2,427,000 and $1,707,000 at June 30, 2017 and 2016 and December 31, 2016, respectively, and have original maturities generally ranging from one to two years.

Management classifies debt and equity securities as held-to-maturity, available-for-sale, or trading based on its intent. Debt securities that management has the positive intent and ability to hold to maturity are classified as held-to-maturity and recorded at cost, adjusted for amortization of premiums and accretion of discounts, which are recognized as adjustments to interest income using the interest method. Securities not classified as held-to-maturity or trading are classified as available-for-sale and recorded at fair value, with all unrealized gains and unrealized losses judged to be temporary, net of deferred income taxes, excluded from earnings and reported in the consolidated statements of comprehensive earnings. Available-for-sale securities that have unrealized losses that are judged other-than-temporary are included in gain (loss) on sale of securities and a new cost basis is established. Securities classified as trading are recorded at fair value with unrealized gains and losses included in earnings.

The Company records its available-for-sale and trading securities portfolio at fair value. Fair values of these securities are determined based on methodologies in accordance with current authoritative accounting guidance. Fair values are volatile and may be influenced by a number of factors, including market interest rates, prepayment speeds, discount rates, credit ratings and yield curves. Fair values for investment securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on the quoted prices of similar instruments or an estimate of fair value by using a range of fair value estimates in the market place as a result of the illiquid market specific to the type of security.

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When the fair value of a security is below its amortized cost, and depending on the length of time the condition exists and the extent the fair value is below amortized cost, additional analysis is performed to determine whether an other-than-temporary impairment condition exists. Available-for-sale and held-to-maturity securities are analyzed quarterly for possible other-than-temporary impairment. The analysis considers (i) whether we have the intent to sell our securities prior to recovery and/or maturity, (ii) whether it is more likely than not that we will have to sell our securities prior to recovery and/or maturity, (iii) the length of time and extent to which the fair value has been less than amortized cost, and (iv) the financial condition of the issuer. Often, the information available to conduct these assessments is limited and rapidly changing, making estimates of fair value subject to judgment. If actual information or conditions are different than estimated, the extent of the impairment of the security may be different than previously estimated, which could have a material effect on the Company s results of operations and financial condition.

The Company s investment portfolio consists of U.S. Treasury securities, obligations of U.S. government sponsored enterprises and agencies, obligations of states and political subdivisions, mortgage pass-through securities, corporate bonds and general obligation or revenue based municipal bonds. Pricing for such securities is generally readily available and transparent in the market. The Company utilizes independent third-party pricing services to value its investment securities, which the Company reviews as well as the underlying pricing methodologies for reasonableness and to ensure such prices are aligned with pricing matrices. The Company validates quarterly, on a sample basis, prices supplied by the independent pricing services by comparison to prices obtained from other third-party sources.

A summary of the Company s available-for-sale securities follows (in thousands):

	June 30, 2017			
	Amortized Cost Basis	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value
U.S. Treasury securities	$ 10,578	$	$ (5)	$ 10,573
Obligations of U.S. government sponsored enterprises and agencies	73,666	60	(21)	73,705
Obligations of states and political subdivisions	1,476,714	58,707	(3,548)	1,531,873
Corporate bonds and other	30,079	163	(2)	30,240
Residential mortgage-backed securities	971,557	8,083	(4,558)	975,082
Commercial mortgage-backed securities	342,651	1,202	(813)	343,040
Total securities available-for-sale	$ 2,905,245	$ 68,215	$ (8,947)	$ 2,964,513

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	June 30, 2016			
	Amortized Cost Basis	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value
U.S. Treasury securities	$ 10,721	$ 90	$	$ 10,811
Obligations of U.S. government sponsored enterprises and agencies	121,174	1,178		122,352
Obligations of states and political subdivisions	1,418,342	97,980	(10)	1,516,312
Corporate bonds and other	71,687	1,723		73,410
Residential mortgage-backed securities	787,451	18,928	(606)	805,773
Commercial mortgage-backed securities	261,662	5,068	(32)	266,698
Total securities available-for-sale	$ 2,671,037	$ 124,967	$ (648)	$ 2,795,356

	December 31, 2016			
	Amortized Cost Basis	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value
U.S. Treasury securities	$ 10,649	$ 19	$	$ 10,668
Obligations of U.S. government sponsored enterprises and agencies	113,450	253		113,703
Obligations of states and political subdivisions	1,534,095	40,194	(10,013)	1,564,276
Corporate bonds and other	51,920	476	(3)	52,393
Residential mortgage-backed securities	848,614	8,260	(5,513)	851,361
Commercial mortgage-backed securities	269,044	622	(1,230)	268,436
Total securities available-for-sale	$ 2,827,772	$ 49,824	$ (16,759)	$ 2,860,837

Disclosures related to the Company s held-to-maturity securities, which totaled $105,000, $137,000 and $121,000 at June 30, 2017 and 2016, and December 31, 2016, respectively, have not been presented due to insignificance.

The Company invests in mortgage-backed securities that have expected maturities that differ from their contractual maturities. These differences arise because borrowers may have the right to call or prepay obligations with or without a prepayment penalty. These securities include collateralized mortgage obligations (CMOs) and other asset backed securities. The expected maturities of these securities at June 30, 2017 were computed by using scheduled amortization of balances and historical prepayment rates. At June 30, 2017 and 2016, and December 31, 2016, the Company did not hold CMOs that entail higher risks than standard mortgage-backed securities.

The amortized cost and estimated fair value of available-for-sale securities at June 30, 2017, by contractual and expected maturity, are shown below (in thousands):

	Amortized Cost Basis	Estimated Fair Value
Due within one year	$ 177,217	$ 178,504
Due after one year through five years	671,763	700,451
Due after five years through ten years	740,378	765,419
Due after ten years	1,679	2,017
Mortgage-backed securities	1,314,208	1,318,122
Total	$ 2,905,245	$ 2,964,513

The following tables disclose, as of June 30, 2017 and 2016, and December 31, 2016, the Company s investment securities that have been in a continuous unrealized-loss position for less than 12 months and for 12 or more months (in thousands):

	Less than 12 Months		12 Months or Longer		Total	
June 30, 2017	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. Treasury securities	$ 10,321	$ 5	$	$	$ 10,321	$ 5
Obligations of U.S. government sponsored enterprises and agencies	30,062	21			30,062	21
Obligations of states and political subdivisions	110,706	1,906	37,851	1,642	148,557	3,548
Corporate bonds and other	241	2			241	2
Residential mortgage-backed securities	422,087	3,387	60,410	1,171	482,497	4,558
Commercial mortgage-backed securities	150,805	745	20,120	68	170,925	813
Total	$ 724,222	$ 6,066	$ 118,381	$ 2,881	$ 842,603	$ 8,947

	Less than 12 Months		12 Months or Longer		Total	
June 30, 2016	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Obligations of states and political subdivisions	$ 5,959	$ 7	$ 745	$ 3	$ 6,704	$ 10
Residential mortgage-backed securities	16,085	14	60,360	592	76,445	606
Commercial mortgage-backed securities			14,152	32	14,152	32
Total	$ 22,044	$ 21	$ 75,257	$ 627	$ 97,301	$ 648

	Less than 12 Months		12 Months or Longer		Total	
December 31, 2016	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Obligations of state and political subdivisions	$ 446,052	$ 9,997	$ 1,209	$ 16	$ 447,261	$ 10,013
Corporate bonds and other	244	3			244	3

Residential mortgage-backed securities	372,331	4,532	33,227	981	405,558	5,513
Commercial mortgage-backed securities	193,495	1,180	13,263	50	206,758	1,230
Total	$ 1,012,122	$ 15,712	$ 47,699	$ 1,047	$ 1,059,821	$ 16,759

The number of investments in an unrealized loss position totaled 215 at June 30, 2017. We do not believe these unrealized losses are other-than-temporary as (i) we do not have the intent to sell our securities prior to recovery and/or maturity and (ii) it is more likely than not that we will not have to sell our securities prior to recovery and/or maturity. In making this determination, we also consider the length of time and extent to which fair value has been less than cost and the financial condition of the issuer. The unrealized losses noted are interest rate related due to the level of interest rates at June 30, 2017 compared to the time of purchase. We have reviewed the ratings of the issuers and have not identified any issues related to the ultimate repayment of principal as a result of credit concerns on these securities. Our mortgage related securities are backed by GNMA, FNMA and FHLMC or are collateralized by securities backed by these agencies. At June 30, 2017, 81.61% of our available-for-sale securities that are obligations of states and political subdivisions were issued within the State of Texas, of which 33.14% are guaranteed by the Texas Permanent School Fund.

At June 30, 2017, $1,865,800,000 of the Company s securities were pledged as collateral for public or trust fund deposits, repurchase agreements and for other purposes required or permitted by law.

During the quarters ended June 30, 2017 and 2016, sales of investment securities that were classified as available-for-sale totaled $30,791,000 and $12,829,000, respectively. Gross realized gains from security sales during the second quarter of 2017 and 2016 totaled $795,000 and $912,000, respectively. Gross realized losses from security sales during the second quarter of 2017 totaled $48,000. There were no gross realized losses during the second quarter of 2016. During the six months ended June 30, 2017 and 2016, sale of investment securities were classified as available-for-sale totaled $36,971,000 and $13,382,000, respectively. Gross realized gains from security sales during the six-month period ended June 30, 2017 and 2016 totaled $800,000 and $919,000, respectively. Gross realized losses from security sales during the six-month periods ended June 30, 2017 and 2016 totaled $50,000 and $5,000, respectively.

The specific identification method was used to determine cost in order to compute the realized gains and losses.

Note 5 - Loans and Allowance for Loan Losses

Loans held for investment are stated at the amount of unpaid principal, reduced by unearned income and an allowance for loan losses. Interest on loans is calculated by using the simple interest method on daily balances of the principal amounts outstanding. The Company defers and amortizes net loan origination fees and costs as an adjustment to yield. The allowance for loan losses is established through a provision for loan losses charged to expense. Loans are charged against the allowance for loan losses when management believes the collectability of the principal is unlikely.

The Company has certain lending policies and procedures in place that are designed to maximize loan income with an acceptable level of risk. Management reviews and approves these policies and procedures on an annual basis and makes changes as appropriate. Management receives and reviews monthly reports related to loan originations, quality, concentrations, delinquencies, nonperforming and potential problem loans. Diversification in the loan portfolio is a means of managing risk associated with fluctuations in economic conditions, both by type of loan and geographic location.

Commercial loans are underwritten after evaluating and understanding the borrower s ability to operate profitably and effectively. Underwriting standards are designed to determine whether the borrower possesses sound business ethics and practices and to evaluate current and projected cash flows to determine the ability of the borrower to repay their obligations as agreed. Commercial loans are primarily made based on the identified cash flows of the borrower and, secondarily, on the underlying collateral provided by the borrower. Most commercial loans are secured by the assets being financed or other business assets, such as accounts receivable or inventory, and include personal guarantees.

Agricultural loans are subject to underwriting standards and processes similar to commercial loans. These agricultural loans are based primarily on the identified cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. Most agricultural loans are secured by the agriculture related assets being financed, such as farm land, cattle or equipment, and include personal guarantees.

Real estate loans are also subject to underwriting standards and processes similar to commercial and agricultural loans. These loans are underwritten primarily based on projected cash flows and, secondarily, as loans secured by real estate. The repayment of real estate loans is generally largely dependent on the successful operation of the property securing the loans or the business conducted on the property securing the loan. Real estate loans may be more adversely affected by conditions in the real estate markets or in the general economy. The properties securing the Company s real estate portfolio are generally diverse in terms of type and geographic location within Texas. This diversity helps reduce the exposure to adverse economic events that affect any single market or industry. Generally, real estate loans are owner occupied which further reduces the Company s risk.

Consumer loan underwriting utilizes methodical credit standards and analysis to supplement the Company s underwriting policies and procedures. The Company s loan policy addresses types of consumer loans that may be originated and the collateral, if secured, which must be perfected. The relatively smaller individual dollar amounts of consumer loans that are spread over numerous individual borrowers also minimize the Company s risk.

The allowance for loan losses is an amount which represents management s best estimate of probable losses that are inherent in the Company s loan portfolio as of the balance sheet date. The allowance for loan losses is comprised of three elements: (i) specific reserves determined based on probable losses on specific classified loans; (ii) a historical valuation reserve component that considers historical loss rates; and (iii) qualitative reserves based upon general economic conditions and other qualitative risk factors both internal and external to the Company. The allowance for loan losses is increased by charges to income and decreased by charge-offs (net of recoveries). Management s periodic evaluation of the appropriateness of the allowance is based on general economic conditions, the financial condition of borrowers, the value and liquidity of collateral, delinquency, prior loan loss experience, and the results of periodic reviews of the portfolio. For purposes of determining our historical valuation reserve, the loan portfolio, less cash secured loans, government guaranteed loans and classified loans, is multiplied by the Company s historical loss rate. Specific allocations are increased or decreased in accordance with deterioration or improvement in credit quality and a corresponding increase or decrease in risk of loss on a particular loan. In addition, we adjust our allowance for qualitative factors such as current local economic conditions and trends, including, without limitations, unemployment, oil and gas prices, drought conditions, changes in lending staff, policies and procedures, changes in credit concentrations, changes in the trends and severity of problem loans and changes in trends in volume and terms of loans. This qualitative reserve serves to estimate for additional areas of losses inherent in our portfolio that are not reflected in our historic loss factors.

Although we believe we use the best information available to make loan loss allowance determinations, future adjustments could be necessary if circumstances or economic conditions differ substantially from the assumptions used in making our initial determinations. A decline in the economy and employment rates could result in increased levels of non-performing assets and charge-offs, increased loan provisions and reductions in income. Additionally, bank regulatory agencies periodically review our allowance for loan losses and methodology and could require, in accordance with generally accepted accounting principles, additional provisions to the allowance for loan losses based on their judgment of information available to them at the time of their examination as well as changes to our methodology.

Accrual of interest is discontinued on a loan and payments are applied to principal when management believes, after considering economic and business conditions and collection efforts, the borrower s financial condition is such that collection of interest is doubtful. Except consumer loans, generally all loans past due greater than 90 days, based on contractual terms, are placed on non-accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured. Consumer loans are generally charged-off when a loan becomes past due 90 days. For other loans in the portfolio, facts and circumstances are evaluated in making charge-off decisions.

Loans are considered impaired when, based on current information and events, management determines that it is probable we will be unable to collect all amounts due in accordance with the loan agreement, including scheduled principal and interest payments. If a loan is impaired, a specific valuation allowance is allocated, if necessary. Interest payments on impaired loans are typically applied to principal unless collectability of the principal amount is reasonably assured, in which case interest is recognized on a cash basis. Impaired loans, or portions thereof, are charged off when deemed uncollectable.

The Company s policy requires measurement of the allowance for an impaired, collateral dependent loan based on the fair value of the collateral. Other loan impairments for non-collateral dependent loans are measured based on the present value of expected future cash flows or the loan s observable market price. At June 30, 2017 and 2016, and December 31, 2016, all significant impaired loans have been determined to be collateral dependent and the allowance for loss has been measured utilizing the estimated fair value of the collateral.

From time to time, the Company modifies its loan agreement with a borrower. A modified loan is considered a troubled debt restructuring when two conditions are met: (i) the borrower is experiencing financial difficulty and (ii) concessions are made by the Company that would not otherwise be considered for a borrower with similar credit risk characteristics. Modifications to loan terms may include a lower interest rate, a reduction of principal, or a longer term to maturity. For all impaired loans, including the Company s troubled debt restructurings, the Company performs a periodic, well-documented credit evaluation of the borrower s financial condition and prospects for repayment to assess the likelihood that all principal and interest payments required under the terms of the agreement will be collected in full. When doubt exists about the ultimate collectability of principal and interest, the troubled debt restructuring remains on non-accrual status and payments received are applied to reduce principal to the extent necessary to eliminate such doubt. This determination of accrual status is judgmental and is based on facts and circumstances related to each troubled debt restructuring. Each of these loans is individually evaluated for impairment and a specific reserve is recorded based on probable losses, taking into consideration the related collateral, modified loan terms and cash flow. As of June 30, 2017 and 2016, and December 31, 2016, substantially all of the Company s troubled debt restructured loans are included in the non-accrual totals.

The Company originates certain mortgage loans for sale in the secondary market. Accordingly, these loans are classified as held-for-sale and are carried at the lower of cost or fair value on an aggregate basis. The mortgage loan sales contracts contain indemnification clauses should the loans default, generally in the first three to nine months, or if documentation is determined not to be in compliance with regulations. The Company s historic losses as a result of these indemnities have been insignificant.

Loans acquired, including loans acquired in a business combination, are initially recorded at fair value with no valuation allowance. Acquired loans are segregated between those considered to be credit impaired and those deemed performing. To make this determination, management considers such factors as past due status, non-accrual status and credit risk ratings. The fair value of acquired performing loans is determined by discounting expected cash flows, both principal and interest, at prevailing market interest rates. The difference between the fair value and principal balances at acquisition date, the fair value discount, is accreted into interest income over the estimated life of the acquired loan portfolio.

Purchased credit impaired loans are those loans that showed evidence of deterioration of credit quality since origination and for which it is probable, at acquisition, that the Company will be unable to collect all amounts contractually owed. Their acquisition fair value, which includes a credit component at the acquisition date, was based on the estimate of cash flows, both principal and interest, expected to be collected or estimated collateral values if cash flows are not estimable, discounted at prevailing market rates of interest. The difference between the discounted cash flows expected at acquisition and the investment in the loan is recognized as interest income on a level-yield method over the life of the loan, unless management was unable to reasonably forecast cash flows in which case the loans were placed on nonaccrual. Contractually required payments for interest and principal that exceed the cash flows expected at acquisition are not recognized as a yield adjustment. Increases in expected cash flows subsequent to the initial investment are recognized prospectively through adjustment of the yield on the loan over its remaining life. Decreases in expected cash flows subsequent to acquisition are recognized as impairment. Valuation allowances on these impaired loans reflect only losses incurred after the acquisition. The carrying amount of purchased credit impaired loans at June 30, 2017 and 2016, and December 31, 2016, was $889,000, $1,654,000 and $1,256,000, respectively, compared to a contractual balance of $1,174,290, $2,362,000, and $1,865,000, respectively. Other purchased credit impaired loan disclosures were omitted due to immateriality.

Loans held-for-investment by class of financing receivables are as follows (in thousands):

	June 30,		December 31,
	2017	2016	2016
Commercial	$ 668,049	$ 661,659	$ 674,410
Agricultural	77,342	80,812	84,021
Real estate	2,271,100	2,154,388	2,189,844
Consumer	422,861	386,796	409,032
Total loans held-for-investment	$ 3,439,352	$ 3,283,655	$ 3,357,307

Loans held for sale totaled $18,327,000, $25,733,000 and $26,898,000 at June 30, 2017 and 2016, and December 31, 2016, respectively, which are valued using the lower of cost or fair value.

The Company s non-accrual loans, loans still accruing and past due 90 days or more and restructured loans are as follows (in thousands):

	June 30,		December 31,
	2017	2016	2016
Non-accrual loans*	$ 21,489	$ 38,904	$ 27,371
Loans still accruing and past due 90 days or more	314	237	284
Troubled debt restructured loans**	672	961	701
Total	$ 22,475	$ 40,102	$ 28,356

*Includes $889,000, $1,654,000 and $1,256,000 of purchased credit impaired loans as of June 30, 2017 and 2016, and December 31, 2016, respectively.

**Troubled debt restructured loans of $5,417,000, $7,454,000 and $6,863,000, whose interest collection, after considering economic and business conditions and collection efforts, is doubtful are included in non-accrual loans at June 30, 2017 and 2016, and December 31, 2016, respectively.

The Company s recorded investment in impaired loans and the related valuation allowance are as follows (in thousands):

June 30, 2017		June 30, 2016		December 31, 2016	
Recorded Investment	Valuation Allowance	Recorded Investment	Valuation Allowance	Recorded Investment	Valuation Allowance
$21,489	$4,543	$38,904	$7,102	$27,371	$5,012

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The Company had $24,720,000, $40,387,000 and $29,000,000 in non-accrual, past due 90 days or more and still accruing, restructured loans and foreclosed assets at June 30, 2017 and 2016, and December 31, 2016, respectively. Non-accrual loans at June 30, 2017 and 2016, and December 31, 2016, consisted of the following by class of financing receivables (in thousands):

	June 30, 2017	June 30, 2016	December 31, 2016
Commercial	$ 5,404	$ 17,254	$ 7,284
Agricultural	61	20	99
Real estate	14,801	20,435	18,754
Consumer	1,223	1,195	1,234
Total	$ 21,489	$ 38,904	$ 27,371

No significant additional funds are committed to be advanced in connection with impaired loans as of June 30, 2017.

The Company s impaired loans and related allowance as of June 30, 2017 and 2016, and December 31, 2016, are summarized in the following tables by class of financing receivables (in thousands). No interest income was recognized on impaired loans subsequent to their classification as impaired.

June 30, 2017	Unpaid Contractual Principal Balance	Recorded Investment With No Allowance*	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Year-to-Date Average Recorded Investment	Three-Month Average Recorded Investment
Commercial	$ 9,362	$ 708	$ 4,696	$ 5,404	$ 1,683	$ 13,590	$ 7,985
Agricultural	66		61	61	17	69	66
Real Estate	19,071	3,755	11,046	14,801	2,369	17,769	15,473
Consumer	1,432	309	914	1,223	474	1,457	1,294
Total	$ 29,931	$ 4,772	$ 16,717	$ 21,489	$ 4,543	$ 32,885	$ 24,818

*Includes $889,000 of purchased credit impaired loans.

June 30, 2016	Unpaid Contractual Principal Balance	Recorded Investment With No Allowance*	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Year-to-Date Average Recorded Investment	Three-Month Average Recorded Investment
Commercial	$ 19,571	$ 1,103	$ 16,151	$ 17,254	$ 4,144	$ 16,970	$ 17,319
Agricultural	20		20	20	20	22	21
Real Estate	25,241	7,427	13,008	20,435	2,565	20,856	21,227

Consumer	1,375	254	941	1,195	373	1,148	1,288
Total	$ 46,207	$ 8,784	$ 30,120	$ 38,904	$ 7,102	$ 38,996	$ 39,855

*Includes $1,654,000 of purchased credit impaired loans.

December 31, 2016	Unpaid Contractual Principal Balance	Recorded Investment With No Allowance*	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Year Average Recorded Investment
Commercial	$ 13,389	$ 1,148	$ 6,136	$ 7,284	$ 2,128	$ 4,921
Agricultural	103		99	99	25	50
Real Estate	23,466	6,229	12,525	18,754	2,428	16,170
Consumer	1,421	280	954	1,234	431	914
Total	$ 38,379	$ 7,657	$ 19,714	$ 27,371	$ 5,012	$ 22,055

*Includes $1,256,000 of purchased credit impaired loans.

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The Company recognized interest income on impaired loans prior to being recognized as impaired of approximately $829,000 during the year ended December 31, 2016. Such amounts for the three-month and six-month periods ended June 30, 2017 and 2016 were not significant.

From a credit risk standpoint, the Company rates its loans in one of four categories: (i) pass, (ii) special mention, (iii) substandard or (iv) doubtful. Loans rated as loss are charged-off.

The ratings of loans reflect a judgment about the risks of default and loss associated with the loan. The Company reviews the ratings on our credits as part of our on-going monitoring of the credit quality of our loan portfolio. Ratings are adjusted to reflect the degree of risk and loss that are felt to be inherent in each credit as of each reporting period. Our methodology is structured so that specific allocations are increased in accordance with deterioration in credit quality (and a corresponding increase in risk and loss) or decreased in accordance with improvement in credit quality (and a corresponding decrease in risk and loss).

Credits rated special mention show clear signs of financial weaknesses or deterioration in credit worthiness, however, such concerns are not so pronounced that the Company generally expects to experience significant loss within the short-term. Such credits typically maintain the ability to perform within standard credit terms and credit exposure is not as prominent as credits rated more harshly.

Credits rated substandard are those in which the normal repayment of principal and interest may be, or has been, jeopardized by reason of adverse trends or developments of a financial, managerial, economic or political nature, or important weaknesses exist in collateral. A protracted workout on these credits is a distinct possibility. Prompt corrective action is therefore required to strengthen the Company s position, and/or to reduce exposure and to assure that adequate remedial measures are taken by the borrower. Credit exposure becomes more likely in such credits and a serious evaluation of the secondary support to the credit is performed.

Credits rated doubtful are those in which full collection of principal appears highly questionable, and which some degree of loss is anticipated, even though the ultimate amount of loss may not yet be certain and/or other factors exist which could affect collection of debt. Based upon available information, positive action by the Company is required to avert or minimize loss. Credits rated doubtful are generally also placed on non-accrual.

The following summarizes the Company s internal ratings of its loans held-for-investment by class of financing receivables and portfolio segments, which are the same, at June 30, 2017 and 2016, and December 31, 2016 (in thousands):

June 30, 2017	Pass	Special Mention	Substandard	Doubtful	Total
Commercial	$ 627,812	$ 5,965	$ 34,272	$	$ 668,049
Agricultural	73,727	859	2,756		77,342
Real Estate	2,200,067	20,978	50,055		2,271,100
Consumer	420,138	197	2,526		422,861
Total	$ 3,321,744	$ 27,999	$ 89,609	$	$ 3,439,352

June 30, 2016	Pass		Substandard	Doubtful	Total

		Special Mention			
Commercial	$ 608,758	$ 5,027	$ 47,874	$	$ 661,659
Agricultural	77,870		2,942		80,812
Real Estate	2,080,544	20,852	52,992		2,154,388
Consumer	383,818	246	2,732		386,796
Total	$ 3,150,990	$ 26,125	$ 106,540	$	$ 3,283,655

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December 31, 2016	Pass	Special Mention	Substandard	Doubtful	Total
Commercial	$ 629,756	$ 5,769	$ 38,885	$	$ 674,410
Agricultural	81,620	715	1,686		84,021
Real Estate	2,111,947	18,091	59,806		2,189,844
Consumer	406,182	212	2,638		409,032
Total	$ 3,229,505	$ 24,787	$ 103,015	$	$ 3,357,307

At June 30, 2017 and 2016, and December 31, 2016, the Company s past due loans are as follows (in thousands):

June 30, 2017	15-59 Days Past Due*	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans	90 Days Past Due Still Accruing
Commercial	$ 3,026	$ 872	$ 2,673	$ 6,571	$ 661,478	$ 668,049	$ 150
Agricultural	633		8	641	76,701	77,342	8
Real Estate	12,794	1,713	4,661	19,168	2,251,932	2,271,100	99
Consumer	1,134	414	99	1,647	421,214	422,861	57
Total	$ 17,587	$ 2,999	$ 7,441	$ 28,027	$ 3,411,325	$ 3,439,352	$ 314

June 30, 2016	15-59 Days Past Due*	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans	90 Days Past Due Still Accruing
Commercial	$ 13,948	$ 1,032	$ 937	$ 15,917	$ 645,742	$ 661,659	$
Agricultural	350	2		352	80,460	80,812	
Real Estate	14,640	984	3,784	19,408	2,134,980	2,154,388	187
Consumer	1,786	262	182	2,230	384,566	386,796	50
Total	$ 30,724	$ 2,280	$ 4,903	$ 37,907	$ 3,245,748	$ 3,283,655	$ 237

December 31, 2016	15-59 Days Past Due*	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Total Current	Total Loans	Total 90 Days Past Due Still Accruing

Commercial	$ 3,908	$ 1,122	$ 2,220	$ 7,250	$ 667,160	$ 674,410	$ 10
Agricultural	185			185	83,836	84,021	
Real Estate	13,172	1,301	5,268	19,741	2,170,103	2,189,844	272
Consumer	1,845	368	122	2,335	406,697	409,032	2
Total	$ 19,110	$ 2,791	$ 7,610	$ 29,511	$ 3,327,796	$ 3,357,307	$ 284

*The Company monitors commercial, agricultural and real estate loans after such loans are 15 days past due. Consumer loans are monitored after such loans are 30 days past due.

The following table details the allowance for loan losses at June 30, 2017 and 2016, and December 31, 2016, by portfolio segment (in thousands). There were no allowances for purchased credit impaired loans at June 30, 2017 and 2016, and December 31, 2016. Allocation of a portion of the allowance to one category of loans does not preclude its availability to absorb losses in other categories.

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June 30, 2017	Commercial	Agricultural	Real Estate	Consumer	Total
Loans individually evaluated for impairment	$ 1,683	$ 17	$ 2,369	$ 474	$ 4,543
Loans collectively evaluated for impairment	10,252	1,110	25,654	5,851	42,867
Total	$ 11,935	$ 1,127	$ 28,023	$ 6,325	$ 47,410

June 30, 2016	Commercial	Agricultural	Real Estate	Consumer	Total
Loans individually evaluated for impairment	$ 4,144	$ 20	$ 2,565	$ 373	$ 7,102
Loans collectively evaluated for impairment	9,882	1,431	23,079	3,566	37,958
Total	$ 14,026	$ 1,451	$ 25,644	$ 3,939	$ 45,060

December 31, 2016	Commercial	Agricultural	Real Estate	Consumer	Total
Loans individually evaluated for impairment	$ 2,128	$ 25	$ 2,428	$ 431	$ 5,012
Loans collectively evaluated for impairment	9,579	1,076	24,436	5,676	40,767
Total	$ 11,707	$ 1,101	$ 26,864	$ 6,107	$ 45,779

Changes in the allowance for loan losses for the three and six months ended June 30, 2017 and 2016, are summarized as follows by portfolio segment (in thousands):

Three months ended June 30, 2017	Commercial	Agricultural	Real Estate	Consumer	Total
Beginning balance	$ 11,682	$ 946	$ 27,279	$ 6,285	$ 46,192
Provision for loan losses	(76)	207	1,359	235	1,725
Recoveries	522	2	39	104	667
Charge-offs	(193)	(28)	(654)	(299)	(1,174)
Ending balance	$ 11,935	$ 1,127	$ 28,023	$ 6,325	$ 47,410

Three months ended June 30, 2016	Commercial	Agricultural	Real Estate	Consumer	Total
Beginning balance	$ 12,905	$ 1,255	$ 26,099	$ 3,813	$ 44,072
Provision for loan losses	2,142	203	(760)	473	2,058
Recoveries	255	5	363	195	818
Charge-offs	(1,276)	(12)	(58)	(542)	(1,888)
Ending balance	$ 14,026	$ 1,451	$ 25,644	$ 3,939	$ 45,060

Six months ended June 30, 2017	Commercial	Agricultural	Real Estate	Consumer	Total
Beginning balance	$ 11,707	$ 1,101	$ 26,864	$ 6,107	$ 45,779
Provision for loan losses	927	54	2,132	562	3,675
Recoveries	749	8	91	309	1,157
Charge-offs	(1,448)	(36)	(1,064)	(653)	(3,201)
Ending balance	$ 11,935	$ 1,127	$ 28,023	$ 6,325	$ 47,410

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