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, Robert Hemsath
Name of the Holding Company Director and Official

President /Director
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.

Robert Hemsath
Signature of Holding Company Director and Official

03/30/2018
Date of Signature

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

For Federal Reserve Bank Use Only

RSSD ID ____________
C.I. ____________

Date of Report (top-tier holding company's fiscal year-end):
December 31, 2017
Month / Day / Year

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

Reporter's Name, Street, and Mailing Address

Goldthwaite Bancshares, Inc.
Legal Title of Holding Company

1017 Parker
(Mailing Address of the Holding Company) Street / P.O. Box

Goldthwaite	TX	76844
City	State	Zip Code

Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Robert Hemsath	President
Name	Title

325-648-2216
Area Code / Phone Number / Extension

325-648-2773
Area Code / FAX Number

robbh@mcsbtexas.com
E-mail Address

mcsbtexas.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."

Form FR Y-6

GOLDTHWAITE BANCSHARES, INC.

Goldthwaite, Texas

Fiscal Year Ending December 31, 2017

Report Item

1: a. The BHC is not required to file form 10(k) with the SEC.
   b. The BHC does prepare an annual report for its shareholders.
   Enclosed is a copy of the Audited Financial Statements.

2. Organizational Chart

GOLDTHWAITE BANCSHARES, INC.
Goldthwaite, Texas
Incorporated in Texas

Direct ownership of 75,000 shares (100%)
of Mills County State Bank

MILLS COUNTY STATE BANK
Goldthwaite, Texas
Incorporated in Texas

None of these entities have a LEI number.

FORM FR Y-6
GOLDTHWAITE BANCSHARES, INC.
December 31, 2017

REPORT ITEM 3: SHAREHOLDERS

Current shareholders with ownership, control or holdings of 5% or more with power to vote as of 12-31-17.

(1)(a) NAME AND ADRESS	(1)(b) CITIZENSHIP	(1)(c) SHARES OWNED,CONTROLLED, OR HELD WITH POWER TO VOTE NUMBER	PERCENT*
Good Living Trust and Martha C. Good Heritage Tr M. Carolyn Good, Trustee Los Ranchos, New Mexico	USA	32,206	18.61%
Tom Cody Graves (includes shares for Tom C Graves Heritage Trust) Goldthwaite, Texas	USA	21,266	12.29%
Cynthia Alyse Good Arlington, Massachusetts	USA	3,183	1.84%
2005 Natalie G. Good Trust Cynthia A. Good, Trustee Arlington, Massachusetts	USA	819	0.47%
Robert G. Good Corrales, New Mexico	USA	4,002	2.31%
Cody C. Graves Heritage Tr Cody C. Graves, Trustee Goldthwaite, Texas	USA	6,648	3.84%
Debra Graves Bridges Heritage Tr Debra Bridges, Trustee Goldthwaite, Texas	USA	6,648	3.84%
Lisa Graves Thompson Heritage Tr Lisa Thompson, Trustee Lorena, Texas	USA	6,648	3.84%
	Total - Graves Family	**81,420**	**47.05%**
C. T. Head Goldthwaite, Texas	USA	19,500	11.27%
S. Kathi Campbell Goldthwaite, Texas	USA	10,800	6.24%

(2) Shareholders not listed in 3(1) that had ownership, control or holdings of 5% or more with the power to vote during fiscal year ending 12-31-17.

T. A. Head Estate C. T. Head, Trustee Goldthwaite, Texas	USA	9,000	5.20%
	(Shares were transferred to other shareholders on 6/26/17.)		

* Total voting shares December 31, 2017 173,039

FORM FR Y-6
GOLDTHWAITE BANCSHARES, INC.
December 31, 2017

REPORT ITEM 4: Directors, Officers and Principal Shareholders

(1) & (2) Name & Address Principal Occupation	Organization	(3)(a)&(3)(b)&(3)(c) Title or Position With	4(a)&4(b)&4(c) Percentage of Voting Shares
Dr. Tom Cody Graves Goldthwaite, Texas	Goldthwaite Bancshares, Inc.	Chairman/ Director/Principal Shareholder	12.29%
Dentist	Mills County State Bank	Ch of Board/Director	N/A
	Other Business None	None	N/A
Robert Hemsath Goldthwaite, Texas	Goldthwaite Bancshares, Inc.	President/Director	N/A
Bank Officer	Mills County State Bank	CEO/Director	N/A
	Other Business None	None	N/A
C. T. Head Goldthwaite, Texas	Goldthwaite Bancshares, Inc.	Director	11.27%
Bank Officer	Mills County State Bank	Director	N/A
	Other Business None	None	N/A
Elam Miles Goldthwaite, Texas	Goldthwaite Bancshares, Inc.	Secretary/Director	0.29%
Retired Bank Officer	Mills County State Bank	Director	N/A
	Other Business None	None	N/A
Melinda Hopper Priddy, Texas	Goldthwaite Bancshares, Inc.	Treasurer/Director	N/A
Bank Officer	Mills County State Bank	EVP/Cashier Director	N/A
	Other Business None	None	N/A
Dr. Cody Graves Goldthwaite, Texas	Goldthwaite Bancshares, Inc.	Director	3.84%
Dentist	Mills County State Bank	Director	N/A
	Other Business None	None	N/A
Dr. Melanie Bartek Goldthwaite, Texas	Goldthwaite Bancshares, Inc.	Director	N/A
Optomitrist	Mills County State Bank	Director	N/A
	Other Business None	None	N/A

FORM FR Y-6
GOLDTHWAITE BANCSHARES, INC.
December 31, 2017

REPORT ITEM 4: Directors, Officers and Principal Shareholders

(1) & (2) Name & Address Principal Occupation	Organization	(3)(a)&(3)(b)&(3)(c) Title or Position With	4(a)&4(b)&4(c) Percentage of Voting Shares
Glynn Collier Goldthwaite, Texas	Goldthwaite Bancshares, Inc.	Director	3.47%
Retired Bank Officer	Mills County State Bank	Director	N/A
	Other Business None	None	N/A
Milton McGee Henderson, Texas	Goldthwaite Bancshares, Inc.	Director	N/A
Bank Consultant	Mills County State Bank	Director	N/A
	Other Business None	None	N/A
Steven Bridges Goldthwaite, Texas	Goldthwaite Bancshares, Inc.	Director	N/A
Newspaper Owner	Mills County State Bank	Director	N/A
	Other Business Goldthwaite Eagle Newspaper	Owner	100.00%
Bill Blackwell Goldthwaite, Texas	Goldthwaite Bancshares, Inc.	Director	0.58%
Rancher	Mills County State Bank	Director	N/A
	Other Business None	None	N/A
Martha Carolyn Good Los Ranchos, New Mexico	Goldthwaite Bancshares, Inc.	Principal Shareholder	18.61%
Trustee - Retired Musician	Mills County State Bank	N/A	N/A
	Other Business None	None	N/A
Cynthia Alyse Good Arlington, Massachusetts	Goldthwaite Bancshares, Inc.	Principal Shareholder	2.31%
Minister	Mills County State Bank	N/A	N/A
	Other Business None	None	N/A

FORM FR Y-6
GOLDTHWAITE BANCSHARES, INC.
December 31, 2017

REPORT ITEM 4: Directors, Officers and Principal Shareholders

(1) & (2) Name & Address Principal Occupation	Organization	(3)(a)&(3)(b)&(3)(c) Title or Position With	4(a)&4(b)&4(c) Percentage of Voting Shares
Robert G. Good Corrales, New Mexico	Goldthwaite Bancshares, Inc.	Principal Shareholder	2.31%
Dentist	Mills County State Bank	N/A	N/A
	Other Business None	None	N/A
Debra Graves Bridges Goldthwaite, Texas	Goldthwaite Bancshares, Inc.	Principal Shareholder	3.84%
Trustee - Teacher	Mills County State Bank	N/A	N/A
	Other Business None	None	N/A
Lisa Graves Thompson Lorena, Texas	Goldthwaite Bancshares, Inc.	Principal Shareholder	3.84%
Trustee - Physical Therapist	Mills County State Bank	N/A	N/A
	Other Business None	None	N/A

GOLDTHWAITE BANCSHARES, INC.
AND SUBSIDIARY
GOLDTHWAITE, TEXAS

AUDITED CONSOLIDATED
FINANCIAL STATEMENTS
AND
AUDITED BANK ONLY
FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

C O N T E N T S

Stovall Grandey & Allen LLP

500 W. 7th Street
Suite 900
Fort Worth, Texas
76102-4702

Phone 817-632-2500
Fax 817-632-2598

www.sga-cpas.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders
of Goldthwaite Bancshares, Inc.
Goldthwaite, Texas

We have audited the accompanying consolidated financial statements of Goldthwaite Bancshares, Inc. and Subsidiary, which comprise the balance sheets as of December 31, 2017 and 2016, and the related statements of income, comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements. We have also audited the accompanying balance sheets of Mills County State Bank (Bank Only) as of December 31, 2017 and 2016, and the related statements of income, comprehensive income, changes in shareholder's equity and cash flows for the years then ended.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Goldthwaite Bancshares, Inc. and Subsidiary and Mills County State Bank (Bank Only) as of December 31, 2017 and 2016 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.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The other financial information on pages 47-49 is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other financial information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Stovall, Grandey & Allen, LLP

STOVALL, GRANDEY & ALLEN, L.L.P.
Fort Worth, Texas
March 14, 2018

GOLDTHWAITE BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
Cash and cash equivalents:		
Cash and due from banks - Note 2	$ 10,179,024	$ 8,411,386
Interest-bearing deposits in other financial institutions maturing in less than three months	16,844,411	4,136,034
Total cash and cash equivalents	27,023,435	12,547,420
Investment securities - Note 3	155,850,555	141,543,760
Other investments, at cost - Note 1	314,800	309,800
Loans, net of purchase discounts, net deferred loan fees and costs and allowance for loan losses - Note 4	122,271,740	129,975,319
Premises and equipment, net of accumulated depreciation - Note 5	3,471,142	3,108,342
Foreclosed and repossessed assets	15,000	166,738
Accrued interest receivable	2,003,368	1,819,968
Goodwill - Note 6	2,156,980	2,156,980
Other intangible assets, net - Note 6	166,821	261,321
Corporate-owned life insurance - Note 7	6,940,790	6,807,504
Other assets	587,319	605,342
Total Assets	$ 320,801,950	$ 299,302,494
LIABILITIES		
Deposits - Note 9	$ 287,333,550	$ 264,585,911
Other liabilities:		
Dividends payable	440,391	354,532
Notes payable - Note 10	1,583,568	1,798,893
Borrowings from Federal Home Loan Bank - Note 10	-	3,000,000
Accrued interest payable	141,716	80,884
Accrued expenses and other liabilities	308,141	310,293
Total other liabilities	2,473,816	5,544,602
Total Liabilities	289,807,366	270,130,513
Commitments and contingencies - Notes 11, 13, 14, 16 and 17		
SHAREHOLDERS' EQUITY		
Common stock - non-voting, par value - $25 a share: Authorized and issued - 17,312 shares	432,800	432,800
Common stock, par value $.05 a share: Authorized - 1,000,000 shares Issued - 173,120 shares	8,656	8,656
Capital surplus	852,216	852,216
Retained earnings	30,495,394	29,121,373
Accumulated other comprehensive loss	(648,589)	(1,118,171)
	31,140,477	29,296,874
Less common stock - voting, held in treasury, 81 shares at cost as of December 31, 2017 and 2016	(12,622)	(12,622)
Less common stock - non-voting, held in treasury, 1,379 and 1,279 shares at cost as of December 31, 2017 and 2016, respectively	(133,271)	(112,271)
Total Shareholders' Equity	30,994,584	29,171,981
Total Liabilities and Shareholders' Equity	$ 320,801,950	$ 299,302,494

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

GOLDTHWAITE BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Interest income		
Interest and fees on loans	$ 6,917,802	$ 6,959,149
Interest on investment securities:		
Taxable	1,663,366	1,642,428
Exempt from federal income taxes	1,337,926	1,038,588
	3,001,292	2,681,016
Interest on federal funds sold and interest-bearing deposits with financial institutions	84,110	37,999
Total interest income	10,003,204	9,678,164
Interest expense		
On deposits	808,848	691,576
On borrowed funds	112,326	95,734
Total interest expense	921,174	787,310
Net interest income	9,082,030	8,890,854
Provision for loan losses - Note 4	612,500	509,500
Net interest income after provision for loan losses	8,469,530	8,381,354
Non-interest income		
Service charges on deposit accounts	1,517,040	1,328,357
Net gain on sales of investment securities (includes ($38,301) and $122,751 of accumulated other comprehensive income (loss) reclassifications for unrealized gains (losses) on available-for-sale securities for 2017 and 2016, respectively)	19,750	253,229
Net gain on sales of other real estate	52,993	17,165
Gain (loss) on sales of premises and equipment	(1,100)	13,493
Net earnings on corporate-owned life insurance - Note 7	141,106	147,755
Other	755,557	861,186
Total non-interest income	2,485,346	2,621,185
Non-interest expense		
Salaries and employee benefits	4,468,435	4,407,704
Occupancy and furniture and equipment expense	883,180	793,672
Other	2,865,623	2,729,555
Total non-interest expense	8,217,238	7,930,931
Net Income	$ 2,737,638	$ 3,071,608

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

GOLDTHWAITE BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Net Income	$ 2,737,638	$ 3,071,608
Other Comprehensive Income (Loss)		
Securities available-for-sale:		
Change in net unrealized gain/loss during the year	431,281	(2,191,923)
Reclassification adjustment for net realized gains on sales during the year	38,301	(122,751)
Other comprehensive income (loss)	469,582	(2,314,674)
Comprehensive Income	$ 3,207,220	$ 756,934

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

GOLDTHWAITE BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	Common Stock Non-Voting	Common Stock Voting	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance at January 1, 2016	$ 432,800	$ 8,656	$ 831,710	$ 27,511,165	$ 1,196,503	$ (119,708)	$ 29,861,126
Sale of treasury stock			20,506			18,359	38,865
Purchase of treasury stock						(23,544)	(23,544)
Comprehensive income (loss) for the year ended December 31, 2016				3,071,608	(2,314,674)		756,934
Cash dividends - $7.73 a share				(1,461,400)			(1,461,400)
Balance at December 31, 2016	432,800	8,656	852,216	29,121,373	(1,118,171)	(124,893)	29,171,981
Purchase of treasury stock						(21,000)	(21,000)
Comprehensive income for the year ended December 31, 2017				2,737,638	469,582		3,207,220
Cash dividends - $7.21 a share				(1,363,617)			(1,363,617)
Balance at December 31, 2017	$ 432,800	$ 8,656	$ 852,216	$ 30,495,394	$ (648,589)	$ (145,893)	$ 30,994,584

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

GOLDTHWAITE BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 2,737,638	$ 3,071,608
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	270,436	235,746
Provision for loan losses	612,500	509,500
Net premium amortization on investment securities	1,508,020	1,017,409
Stock dividends	(2,500)	(400)
Net gain on sales of investment securities	(19,750)	(253,229)
Net gain on sales of other real estate	(52,993)	(17,165)
Writedowns on other real estate	-	2,800
(Gain) loss on sales of premises and equipment	1,100	(13,493)
Amortization of core deposit intangibles	94,500	105,151
Net earnings on corporate-owned life insurance	(141,106)	(147,755)
Increase in accrued income and other assets	(141,530)	(665,687)
Increase in accrued expenses and other liabilities	58,680	42,285
Total adjustments	2,187,357	815,162
Net Cash Provided by Operating Activities	4,924,995	3,886,770
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investment securities:		
Available-for-sale	(109,099,367)	(97,612,006)
Maturities and calls of investment securities:		
Available-for-sale	57,560,000	64,740,000
Principal payments on investment securities:		
Available-for-sale	9,790,298	10,214,597
Proceeds from sales of investment securities:		
Available-for-sale	26,423,586	9,024,643
Purchases of FHLB stock	(2,500)	(126,100)
Net (increase) decrease in loans	7,067,614	(3,982,471)
Proceeds from sales of other real estate	211,069	72,092
Proceeds from sales of premises and equipment	-	150,801
Purchases of premises and equipment	(633,236)	(577,169)
Purchases of corporate-owned life insurance	-	(448,396)
Net Cash Used by Investing Activities	$ (8,682,536)	$ (18,544,009)

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

GOLDTHWAITE BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS, Continued
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in demand deposits, interest-bearing transaction accounts and savings	$ 18,430,625	$ 12,332,863
Net increase (decrease) in certificates of deposit	4,317,014	(7,298,843)
Proceeds from FHLB borrowings	-	3,000,000
Repayments of FHLB borrowings	(3,000,000)	-
Proceeds from note payable	1,350,000	-
Principal payments on notes payable	(1,565,325)	(426,095)
Purchases of treasury stock	(21,000)	(23,544)
Proceeds from sale of treasury stock	-	38,865
Dividends paid	(1,277,758)	(1,466,274)
Net Cash Provided by Financing Activities	18,233,556	6,156,972
Net increase (decrease) in cash and cash equivalents	14,476,015	(8,500,267)
Cash and cash equivalents at beginning of year	12,547,420	21,047,687
Cash and cash equivalents at end of year	$ 27,023,435	$ 12,547,420
Supplemental Schedule of Operating and Investing Activities:		
Interest paid	$ 860,342	$ 796,396
Other real estate acquired through loan foreclosure	26,338	134,538

MILLS COUNTY STATE BANK
BALANCE SHEETS
(BANK ONLY)
DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
Cash and cash equivalents:		
Cash and due from banks - Note 2	$ 10,179,024	$ 8,411,386
Interest-bearing deposits in financial institutions maturing in less than three months	16,342,656	4,136,034
Total cash and cash equivalents	26,521,680	12,547,420
Investment securities - Note 3	155,850,555	141,543,760
Other investments, at cost - Note 1	314,800	309,800
Loans, net of purchase discounts, net deferred loan fees and costs and allowance for loan losses - Note 4	122,271,740	129,975,319
Premises and equipment, net of accumulated depreciation - Note 5	3,471,142	3,108,342
Foreclosed and repossessed assets	15,000	166,738
Accrued interest receivable	2,003,368	1,819,968
Goodwill - Note 6	2,156,980	2,156,980
Other intangible assets, net - Note 6	166,821	261,321
Corporate-owned life insurance	6,253,595	6,085,420
Other assets	587,319	605,342
Total Assets	$ 319,613,000	$ 298,580,410
LIABILITIES		
Deposits	$ 287,473,250	$ 264,796,909
Other liabilities:		
Dividends payable	440,391	354,532
Note payable	233,568	246,475
Borrowings from Federal Home Loan Bank - Note 10	-	3,000,000
Accrued interest payable	126,032	80,884
Accrued expenses and other liabilities	308,141	310,293
Total other liabilities	1,108,132	3,992,184
Total Liabilities	288,581,382	268,789,093
Commitments and contingencies - Notes 11, 13, 14, 16 and 17		
SHAREHOLDER'S EQUITY - Notes 18 and 19		
Common stock, par value $20 a share:		
Authorized, issued and outstanding - 75,000 shares	1,500,000	1,500,000
Capital surplus	13,784,526	13,784,526
Retained earnings	16,395,681	15,624,962
Accumulated other comprehensive loss	(648,589)	(1,118,171)
Total Shareholder's Equity	31,031,618	29,791,317
Total Liabilities and Shareholder's Equity	$ 319,613,000	$ 298,580,410

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

MILLS COUNTY STATE BANK
STATEMENTS OF INCOME
(BANK ONLY)
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Interest income		
Interest and fees on loans	$ 6,917,802	$ 6,959,149
Interest on investment securities:		
Taxable	1,663,366	1,642,428
Exempt from federal income taxes	1,337,926	1,038,588
	3,001,292	2,681,016
Interest on federal funds sold and interest-bearing deposits with financial institutions	82,354	37,999
Total interest income	10,001,448	9,678,164
Interest expense		
On deposits	808,848	691,576
On borrowed funds	42,889	16,443
Total interest expense	851,737	708,019
Net interest income	9,149,711	8,970,145
Provision for loan losses - Note 4	612,500	509,500
Net interest income after provision for loan losses	8,537,211	8,460,645
Non-interest income		
Service charges on deposit accounts	1,517,040	1,328,357
Net gain on sales of investment securities (includes ($38,301) and $122,751 of accumulated other comprehensive income (loss) reclassifications for unrealized gains (losses) on available-for-sale securities for 2017 and 2016, respectively)	19,750	253,229
Net gain on sales of other real estate	52,993	17,165
Gain (loss) on sales of premises and equipment	(1,100)	13,493
Earnings on corporate-owned life insurance	170,505	170,494
Other	755,557	818,315
Total non-interest income	2,514,745	2,601,053
Non-interest expense		
Salaries and employee benefits	4,468,435	4,407,704
Occupancy and furniture and equipment expense	883,180	793,672
Other	2,822,267	2,724,866
Total non-interest expense	8,173,882	7,926,242
Net Income	$ 2,878,074	$ 3,135,456

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

MILLS COUNTY STATE BANK
STATEMENTS OF COMPREHENSIVE INCOME
(BANK ONLY)
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Net Income	$ 2,878,074	$ 3,135,456
Other Comprehensive Income (Loss)		
Securities available-for-sale:		
Change in net unrealized gain/loss during the year	431,281	(2,191,923)
Reclassification adjustment for net realized gains on sales during the year	38,301	(122,751)
Other comprehensive income (loss)	469,582	(2,314,674)
Comprehensive Income	$ 3,347,656	$ 820,782

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

MILLS COUNTY STATE BANK
STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
(BANK ONLY)
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at January 1, 2016	$ 1,500,000	$ 13,784,526	$ 14,444,177	$ 1,196,503	$ 30,925,206
Comprehensive income (loss) for the year ended December 31, 2016			3,135,456	(2,314,674)	820,782
Cash dividends - $26.06 a share			(1,954,671)		(1,954,671)
Balance at December 31, 2016	1,500,000	13,784,526	15,624,962	(1,118,171)	29,791,317
Comprehensive income for the year ended December 31, 2017			2,878,074	469,582	3,347,656
Cash dividends - $28.10 a share			(2,107,355)		(2,107,355)
Balance at December 31, 2017	$ 1,500,000	$ 13,784,526	$ 16,395,681	$ (648,589)	$ 31,031,618

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

MILLS COUNTY STATE BANK
STATEMENTS OF CASH FLOWS
(BANK ONLY)
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 2,878,074	$ 3,135,456
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	270,436	235,746
Provision for loan losses	612,500	509,500
Net premium amortization on investment securities	1,508,020	1,017,409
Stock dividends	(2,500)	(400)
Net gain on sales of investment securities	(19,750)	(253,229)
Net gain on sales of other real estate	(52,993)	(17,165)
Writedowns on other real estate	-	2,800
(Gain) loss on sales of premises and equipment	1,100	(13,493)
Amortization of core deposit intangibles	94,500	105,151
Earnings on corporate-owned life insurance	(170,505)	(170,494)
Increase in accrued income and other assets	(147,020)	(670,157)
Increase in accrued expenses and other liabilities	42,996	42,285
Total adjustments	2,136,784	787,953
Net Cash Provided by Operating Activities	5,014,858	3,923,409
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investment securities:		
Available-for-sale	(109,099,367)	(97,612,006)
Maturities and calls of investment securities:		
Available-for-sale	57,560,000	64,740,000
Principal payments on investment securities:		
Available-for-sale	9,790,298	10,214,597
Proceeds from the sale of investment securities:		
Available-for-sale	26,423,586	9,024,643
Purchases of FHLB stock	(2,500)	(126,100)
Net (increase) decrease in loans	7,067,614	(3,982,471)
Proceeds from sales of other real estate	211,069	72,092
Proceeds from sales of premises and equipment	-	150,801
Purchases of premises and equipment	(633,236)	(577,169)
Purchases of corporate-owned life insurance	-	(448,396)
Net Cash Used by Investing Activities	$ (8,682,536)	$ (18,544,009)

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

MILLS COUNTY STATE BANK
STATEMENTS OF CASH FLOWS, Continued
(BANK ONLY)
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in demand deposits, interest-bearing transaction accounts and savings	$ 18,359,327	$ 12,390,837
Net increase (decrease) in certificates of deposit	4,317,014	(7,298,843)
Proceeds from FHLB borrowings	-	3,000,000
Repayments of FHLB borrowings	(3,000,000)	-
Principal payments on note payable	(12,907)	(12,116)
Dividends paid	(2,021,496)	(1,959,545)
Net Cash Provided by Financing Activities	17,641,938	6,120,333
Net increase (decrease) in cash and cash equivalents	13,974,260	(8,500,267)
Cash and cash equivalents at beginning of year	12,547,420	21,047,687
Cash and cash equivalents at end of year	$ 26,521,680	$ 12,547,420
Supplemental Schedule of Operating and Investing Activities:		
Interest paid	$ 806,589	$ 717,106
Other real estate acquired through loan foreclosure	26,338	134,538

GOLDTHWAITE BANCSHARES, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
(CONSOLIDATED AND BANK ONLY)
DECEMBER 31, 2017 AND 2016

Note 1 Summary of Significant Accounting Policies

The accounting and reporting policies of Goldthwaite Bancshares, Inc. and Subsidiary are in accordance with accounting principles generally accepted in the United States of America. A summary of the more significant policies follows:

Nature of Operations

Goldthwaite Bancshares, Inc. (Bancshares) is a bank holding company whose principal activity is the ownership and management of its wholly-owned subsidiary, Mills County State Bank (Bank). The Bank generates commercial (including agricultural), mortgage and consumer loans and receives deposits from customers located primarily in Mills County, Texas and the surrounding areas. The Bank operates under a state bank charter and provides full banking services. As a state bank, the Bank is subject to regulation by the Texas State Banking Department and the Federal Deposit Insurance Corporation.

Principles of Consolidation and Recording of Investment in Subsidiary

The consolidated financial statements of Goldthwaite Bancshares, Inc. and Subsidiary include its accounts and those of its wholly-owned subsidiary, Mills County State Bank.

Goldthwaite Bancshares, Inc. accounts for its continuing investment in its subsidiary under the "equity method" of accounting in Company Only statements. In the consolidated statements, all significant intercompany accounts and transactions have been eliminated.

Estimates

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

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

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

Note 1 Summary of Significant Accounting Policies, continued

Estimates, continued

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

Cash and Cash Equivalents

For the purpose of presentation in the Statements of Cash Flows, cash and cash equivalents are defined as those amounts included in cash and amounts due from depository institutions, interest-bearing deposits maturing in three months or less and federal funds sold.

Investment Securities

The Corporation accounts for investment securities according to authoritative guidance issued by the Financial Accounting Standards Board (FASB). Under the provisions of the FASB authoritative guidance, debt securities that management has the ability and intent to hold to maturity are classified as held-to-maturity and carried at amortized cost. The amortization of premiums and accretion of discounts are recognized in interest income using methods approximating the interest method over the period to maturity.

Debt securities not classified as held-to-maturity are classified as available-for-sale. Securities available-for-sale are carried at fair value with unrealized gains and losses reported in other comprehensive income (loss). Realized gains (losses) on securities available-for-sale are included in other income and, when applicable, are reported as a reclassification adjustment in other comprehensive income (loss). Gains and losses on sales of securities are determined on the specific-identification method.

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

Federal Home Loan Bank Stock

At December 31, 2017 and 2016, the Corporation had $244,800 and $239,800, respectively, included in other investments in the balance sheets that represents stock in the Federal Home Loan Bank (FHLB). A minimum investment in FHLB stock is required to be a member of the FHLB. This stock is classified as a restricted investment security, carried at cost and evaluated annually for impairment. During 2017 and 2016, no impairment loss was recorded.

Note 1 Summary of Significant Accounting Policies, continued

Loans

Loans are stated at the principal amount outstanding less purchase discounts, net deferred loan fees and costs, and the allowance for loan losses. Purchase discounts are recognized as income over the terms of the loan. Interest income on loans is recognized based upon the principal amounts outstanding. Loan origination fees and other direct costs are deferred and amortized as a yield adjustment over the lives of the related loans using a method that approximates the interest method. The accrual of interest on a loan is discontinued when, in the opinion of management, there is doubt about the ability of the borrower to pay interest or principal. Interest previously earned, but uncollected on such loans, is reversed from income. All payments collected on such loans are applied to reduce the principal balance. Interest is not recorded as income until the principal is paid in full or until such time as the loan is returned to an accrual status. Past due status is determined based on contractual terms.

Allowance for Loan Losses

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

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

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

Note 1 Summary of Significant Accounting Policies, continued

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation. Depreciation expense is computed on the straight-line and accelerated methods based upon the estimated useful lives of the assets.

Maintenance and repairs are charged to operating expenses. Renewals and betterments are added to the asset accounts and depreciated over the periods benefited. Depreciable assets sold or retired are removed from the asset and related accumulated depreciation accounts and any gain or loss is reflected in the income and expense accounts.

Other Real Estate

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

Transfers of Financial Assets

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

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets acquired in business combinations under the purchase method of accounting. The Corporation has adopted authoritative guidance issued by the FASB which eliminates amortization of goodwill associated with business combinations completed after September 30, 2001. Goodwill is periodically assessed for impairment when events or circumstances indicate that the carrying value of the asset may not be recoverable. The Corporation bases its evaluation on such impairment factors as the nature of the assets, the future economic benefit of the assets, any historical or future profitability measurements, as well as other external market conditions or factors that may be present. See Note 6 – Goodwill and Other Intangible Assets for additional information.

Note 1 Summary of Significant Accounting Policies, continued

Intangibles and Other Long-Lived Assets

Intangible assets are acquired assets that lack physical substance but can be distinguished from goodwill because of contractual or other legal rights or because the asset is capable of being sold or exchanged either on its own or in combination with a related contract, asset or liability. The Corporation's intangible assets relate to core deposits. Intangible assets with definite useful lives are amortized on an accelerated basis over their estimated life. Intangible assets with indefinite useful lives are not amortized until their lives are determined to be definite. Intangible assets, premises and equipment and other long-lived assets are tested for impairment whenever events or changes in circumstances indicate the carrying amount of the assets may not be recoverable from future undiscounted cash flows. If impaired, the assets are recorded at fair value. See Note 6 – Goodwill and Other Intangible Assets for additional information.

Federal Income Taxes

The Corporation has elected to be taxed as a Subchapter "S" Corporation under Internal Revenue Service Code Section 1362. In lieu of corporate income taxes, the shareholders of a Subchapter S Corporation are taxed on their proportionate share of the Corporation's taxable income.

The Corporation joins with its subsidiary, Mills County State Bank, in filing federal income tax returns.

The Companies maintain their records for financial reporting purposes on the accrual basis of accounting. The Companies maintain their records for tax purposes on the cash basis of accounting.

In accordance with authoritative guidance issued by the FASB, the Corporation performed an evaluation to determine if there were any uncertain tax positions that would have an impact on the financial statements. No uncertain tax positions were identified. The December 31, 2014 through December 31, 2017 tax years remain subject to examination by the Internal Revenue Service. The Corporation does not believe that any reasonably possible changes will occur within the next 12 months which will have a material impact on the financial statements. The Corporation records incurred penalties and interest in other non-interest expense. There were no penalties or interest assessed by taxing authorities during 2017 or 2016.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs in the amount of $108,271 and $114,379 were expensed during 2017 and 2016, respectively.

Fair Values of Financial Instruments

The FASB has issued authoritative guidance which requires disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet. 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. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instruments. The FASB authoritative guidance excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Corporation.

Note 1 Summary of Significant Accounting Policies, continued

Fair Values of Financial Instruments, continued

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

Cash and Cash Equivalents**:** The carrying amounts reported in the balance sheet for cash and cash equivalents approximate those assets' fair values.

Investment Securities**:** 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 quoted market prices of comparable instruments.

Other Investments: The carrying amounts reported in the balance sheet for other investments approximate those assets' fair values.

Loans**:** For variable-rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying amounts. The fair values for other loans (for example, fixed rate commercial real estate and rental property mortgage loans and commercial and industrial loans) are estimated using discounted cash flow analysis, based on interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. Loan fair value estimates include judgments regarding future expected loss experience and risk characteristics. The carrying amount of accrued interest receivable approximates its fair value.

Corporate-Owned Life Insurance**:** The carrying amount of corporate-owned life insurance approximates its fair value.

Deposits**:** The fair values disclosed for demand deposits (for example, interest-bearing checking accounts and savings accounts) are, by definition, equal to the amount payable on demand at the reporting date (that is, their carrying amounts). The fair values for certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated contractual maturities on such time deposits. The carrying amount of accrued interest payable approximates its fair value.

Borrowings from Federal Home Loan Bank and Notes Payable**:** The fair values for long-term borrowings are estimated using discounted cash flow analyses based on the current incremental borrowing rates for similar types of borrowing arrangements.

Comprehensive Income

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

Note 1 Summary of Significant Accounting Policies, continued

Reclassifications

Certain accounts have been reclassified in the financial statements of 2016 to conform to the 2017 presentation.

Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are available to be issued. The Corporation recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Corporation's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before the financial statements are available to be issued. The Corporation has evaluated subsequent events from December 31, 2017 through March 14, 2018, the date the financial statements were available to be issued. Refer to Note 22 for additional information.

New Accounting Standards

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

In April 2015, FASB issued ASU 2015-03, *Interest – Imputation of Interest (Subtopic 835-30)*, which amended its authoritative guidance related to debt issuance costs. The amendment requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the debt liability. However, the recognition and measurement guidance related to debt issuance costs is not affected by this amendment. The amendment is effective for annual and interim reporting periods beginning after December 15, 2015 and is to be applied on a retrospective basis. This amendment became effective in 2016 and did not have a significant impact on the Corporation's consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*. The amendment has a number of provisions including the requirements that public business entities use the exit price notion when measuring the fair value of financial instruments for disclosure purposes, a separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (i.e. securities or loans receivables), and eliminating the requirement for public business entities to disclose the methods and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost. The amendment is effective for annual and interim reporting periods beginning after December 15, 2018. The Corporation is evaluating the potential impact of the

Note 1 Summary of Significant Accounting Policies, continued

New Accounting Standards, continued

amendment on the Corporation's consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326)* intended to improve financial reporting by requiring timelier recording of credit losses on loans and other financial instruments held by financial institutions and other organizations. The standard requires an organization to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. The standard also requires enhanced disclosures to help investors and other financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an organization's portfolio.

These disclosures include qualitative and quantitative requirements that provide additional information about the amounts recorded in the financial statements. Additionally, the standard amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. The amendments in this update are effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. All entities may adopt the amendments in this update earlier as of the fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. An entity will apply the amendments in this update through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (that is, a modified-retrospective approach). The Corporation believes the amendments in this update will have an impact on the Corporation's consolidated financial statements and is working to evaluate the significance of that impact.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. This amendment provides guidance on eight specific cash flow issues, including debt prepayment or debt extinguishment costs, settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies, distributions received from equity method investees, beneficial interests in securitization transactions and separately identifiable cash flows and application of the predominance principle. The amendments in this update are effective for public business entities for fiscal years beginning after December 15, 2017. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2018. Early adoption is permitted. Implementation of this standard is not expected to have a significant impact on the Corporation's consolidated financial statements.

Note 1 Summary of Significant Accounting Policies, continued

New Accounting Standards, continued

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. This amendment simplifies how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with carrying amount of that goodwill. Under this amendment, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. The amendments in this update should be applied on a prospective basis. The amendments in this update are effective for a public entity that is a SEC filer for fiscal years beginning after December 15, 2019. The amendments in this update are effective for a public entity that is not a SEC filer for fiscal years after December 15, 2020. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2021. Implementation of this standard is not expected to have a significant impact on the Corporation's consolidated financial statements.

In March 2017, the FASB issued ASU No. 2017-08, *Receivables – Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities*. The amendments in this update shorten the amortization period for certain callable debt securities held at a premium. Specifically, the amendments require the premium to be amortized to the earliest call date. The amendments do not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. For public entities, the amendments in this update are effective for fiscal years beginning after December 15, 2018. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. The amendments of this update are applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. The Corporation is evaluating the potential impact to the consolidated financial statements regarding implementation of this amendment.

Note 2 Restrictions on Cash and Due From Banks

The Corporation is required to maintain reserve funds in cash or on deposit with the Federal Reserve Bank. The required reserve at December 31, 2017 and 2016 was approximately $1,628,000 and $291,000, respectively.

Note 3 Investment Securities

The amortized cost and fair values of investment securities at December 31, 2017 and 2016 are as follows:

	December 31, 2017			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale:				
Obligations of states and political subdivisions	$ 87,573,384	$ 659,319	$ (460,839)	$ 87,771,864
U.S. Government agency mortgage-backed securities	51,092,336	25,791	(829,894)	50,288,233
Corporate bonds	17,676,713	73,403	(116,369)	17,633,747
Other	156,711	-	-	156,711
Total available-for-sale	$156,499,144	$ 758,513	$ (1,407,102)	$155,850,555

The balance sheet as of December 31, 2017 reflects the fair value of available-for-sale securities in the amount of $155,850,555. A net unrealized loss of $648,589 is included in the available-for-sale investment securities balance. The net unrealized loss is included in shareholders' equity.

	December 31, 2016			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale:				
U.S. Treasury	$ 8,994,877	$ 17,185	$ -	$ 9,012,062
U.S. Government agencies and corporations	2,005,819	10,957	-	2,016,776
Obligations of states and political subdivisions	70,681,449	582,015	(797,461)	70,466,003
U.S. Government agency mortgage-backed securities	52,489,338	139,618	(981,634)	51,647,322
Corporate bonds	8,278,044	21,075	(109,926)	8,189,193
Other	212,404	-	-	212,404
Total available-for-sale	$142,661,931	$ 770,850	$ (1,889,021)	$141,543,760

The balance sheet as of December 31, 2016 reflects the fair value of available-for-sale securities in the amount of $141,543,760. A net unrealized loss of $1,118,171 is included in the available-for-sale investment securities balance. The net unrealized loss is included in shareholders' equity.

Note 3 Investment Securities, continued

The amortized cost and fair values of investments securities at December 31, 2017, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Mortgage-backed securities and other securities are shown separately, since they are not due at a single maturity date.

	Available-for-Sale	
	Amortized Cost	**Fair Value**
Amounts maturing in:		
One year or less	$ 14,928,409	$ 14,924,087
After one year through five years	37,013,723	37,045,691
After five years through ten years	39,078,134	39,191,508
After ten years	14,229,831	14,244,325
	105,250,097	105,405,611
U.S. Government agency mortgage-backed securities	51,092,336	50,288,233
Other	156,711	156,711
Totals	$156,499,144	$155,850,555

Securities with carrying amounts of approximately $63,817,000 and $52,573,000 at December 31, 2017 and 2016, respectively, were pledged to secure public deposits and for other purposes as required or permitted by law.

At December 31, 2017 and 2016, there were sales proceeds totaling $26,423,586 and $9,024,643 received from sales of investment securities which resulted in gross realized gains of $185,230 and $254,958 and gross realized losses of $165,480 and $1,729, respectively.

Note 3 Investment Securities, continued

Information pertaining to securities with gross unrealized losses at December 31, 2017 and 2016, aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows:

	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
December 31, 2017:						
Federal agencies	$ 27,637,610	$ (339,238)	$ 18,811,874	$ (490,656)	$ 46,449,484	$ (829,894)
State and municipal governments	32,710,467	(207,440)	10,775,565	(253,399)	43,486,032	(460,839)
Corporate bonds	8,592,345	(102,419)	990,779	(13,950)	9,583,124	(116,369)
Totals	$ 68,940,422	$ (649,097)	$ 30,578,218	$ (758,005)	$ 99,518,640	$ (1,407,102)
December 31, 2016:						
Federal agencies	$ 41,966,456	$ (981,634)	$ -	$ -	$ 41,966,456	$ (981,634)
State and municipal governments	34,669,844	(797,461)	-	-	34,669,844	(797,461)
Corporate bonds	6,163,721	(109,926)	-	-	6,163,721	(109,926)
Totals	$ 82,800,021	$ (1,889,021)	$ -	$ -	$ 82,800,021	$ (1,889,021)

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

At December 31, 2017, the 131 debt securities with unrealized losses have depreciated 1.41% from the Corporation's amortized cost basis. These securities are guaranteed by either the U.S. Government or other governments. These unrealized losses relate principally to current interest rates for similar types of securities. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition. As management has the ability to hold 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 4 Loans and Allowance for Loan Losses

An analysis of loan categories at December 31, 2017 and 2016 is as follows:

	2017	2016
Commercial, agricultural and industrial loans	$ 29,450,155	$ 31,203,552
Real estate (RE) loans:		
Construction, land and land development	29,600,973	28,783,163
Residential 1-4 family	40,588,754	43,647,833
Commercial RE	11,399,306	13,190,730
Consumer and other loans	12,946,491	14,311,066
Overdrafts	123,273	153,275
	124,108,952	131,289,619
Less: Net deferred loan costs	49,693	52,566
Allowance for loan losses	(1,886,905)	(1,366,866)
Loans, Net	$122,271,740	$129,975,319

As of December 31, 2017 and 2016, the totals for the loan categories presented above are net of purchase discounts totaling $1,640 and $3,043, respectively.

Note 4 Loans and Allowance for Loan Losses, continued

Transactions in the allowance for loan losses in 2017 are summarized as follows:

	Commercial, Agricultural and Industrial	Construction, Land and Land Development	Residential 1-4 Family	Commercial Real Estate	Consumer and Other	Unallocated	2017 Total
Allowance for Loan Losses:							
Balance, beginning of year	$ 297,095	$ 155,464	$ 314,720	$ 104,840	$ 124,468	$ 370,279	$ 1,366,866
Provisions, charged (credited) to income	236,214	463,550	144,231	34,786	93,330	(359,611)	612,500
	533,309	619,014	458,951	139,626	217,798	10,668	1,979,366
Loans charged-off	(130,531)	-	(7,339)	-	(120,311)	-	(258,181)
Recoveries of loans previously charged-off	43,916	-	9,648	200	111,956	-	165,720
Net (charge-offs) recoveries	(86,615)	-	2,309	200	(8,355)	-	(92,461)
Balance, end of year	$ 446,694	$ 619,014	$ 461,260	$ 139,826	$ 209,443	$ 10,668	$ 1,886,905
Ending balance: Individually evaluated for impairment	$ 81,936	$ 17,111	$ 44,890	$ 50,718	$ 9,320	$ -	$ 203,975
Ending balance: Collectively evaluated for impairment	364,758	601,903	416,370	89,108	200,123	10,668	1,682,930
Balance, end of year	$ 446,694	$ 619,014	$ 461,260	$ 139,826	$ 209,443	$ 10,668	$ 1,886,905
Loans:							
Ending balance: Individually evaluated for impairment	$ 911,665	$ 220,786	$ 807,120	$ 966,056	$ 26,380		$ 2,932,007
Ending balance: Collectively evaluated for impairment	28,538,490	29,380,187	39,781,634	10,433,250	13,043,384		121,176,945
Ending balance total loans	$ 29,450,155	$ 29,600,973	$ 40,588,754	$ 11,399,306	$ 13,069,764		$ 124,108,952

Note 4 Loans and Allowance for Loan Losses, continued

Transactions in the allowance for loan losses in 2016 are summarized as follows:

	Commercial, Agricultural and Industrial	Construction, Land and Land Development	Residential 1-4 Family	Commercial Real Estate	Consumer and Other	Unallocated	2016 Total
Allowance for Loan Losses:							
Balance, beginning of year	$ 296,943	$ 148,128	$ 295,672	$ 132,161	$ 167,430	$ 567	$ 1,040,901
Provisions, charged (credited) to income	101,494	7,336	31,289	(27,321)	26,990	369,712	509,500
	398,437	155,464	326,961	104,840	194,420	370,279	1,550,401
Loans charged-off	(152,863)	-	(15,183)	-	(247,670)	-	(415,716)
Recoveries of loans previously charged-off	51,521	-	2,942	-	177,718	-	232,181
Net charge-offs	(101,342)	-	(12,241)	-	(69,952)	-	(183,535)
Balance, end of year	$ 297,095	$ 155,464	$ 314,720	$ 104,840	$ 124,468	$ 370,279	$ 1,366,866
Ending balance: Individually evaluated for impairment	$ 15,244	$ 2,719	$ 2,884	$ 8,124	$ 16,472	$ -	$ 45,443
Ending balance: Collectively evaluated for impairment	281,851	152,745	311,836	96,716	107,996	370,279	1,321,423
Balance, end of year	$ 297,095	$ 155,464	$ 314,720	$ 104,840	$ 124,468	$ 370,279	$ 1,366,866
Loans:							
Ending balance: Individually evaluated for impairment	$ 131,947	$ 663,024	$ 400,506	$ 1,015,573	$ 58,475		$ 2,269,525
Ending balance: Collectively evaluated for impairment	31,071,605	28,120,139	43,247,327	12,175,157	14,405,866		129,020,094
Ending balance total loans	$ 31,203,552	$ 28,783,163	$ 43,647,833	$ 13,190,730	$ 14,464,341		$ 131,289,619

Note 4 Loans and Allowance for Loan Losses, continued

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

Loans by credit quality risk rating at December 31, 2017 and 2016 are as follows:

	Pass	Other Assets Especially Mentioned	Substandard	Doubtful	Total
December 31, 2017:					
Commercial, agricultural and industrial loans	$ 27,000,045	$ 1,038,568	$ 1,411,542	$ -	$ 29,450,155
Real estate (RE) loans:					
Construction, land and land development	24,759,440	393,091	4,448,442	-	29,600,973
Residential 1-4 family	37,954,802	558,878	2,075,074	-	40,588,754
Commercial RE	10,009,501	341,010	1,048,795	-	11,399,306
Consumer and other loans	12,881,866	1,000	186,898	-	13,069,764
Subtotal	$ 112,605,654	$ 2,332,547	$ 9,170,751	$ -	124,108,952
Less: Net deferred loan costs					49,693
Total loans					$ 124,158,645
December 31, 2016:					
Commercial, agricultural and industrial loans	$ 30,286,308	$ 352,054	$ 565,190	$ -	$ 31,203,552
Real estate (RE) loans:					
Construction, land and land development	27,865,696	-	917,467	-	28,783,163
Residential 1-4 family	42,205,931	358,358	1,083,544	-	43,647,833
Commercial RE	12,822,290	90,007	278,433	-	13,190,730
Consumer and other loans	14,326,803	2,591	134,947	-	14,464,341
Subtotal	$ 127,507,028	$ 803,010	$ 2,979,581	$ -	131,289,619
Less: Net deferred loan costs					52,566
Total loans					$ 131,342,185

Note 4 Loans and Allowance for Loan Losses, continued

An analysis of nonaccrual loans by category at December 31, 2017 and 2016 is as follows:

	2017	2016
Commercial, agricultural and industrial loans	$ 853,315	$ 109,858
Real estate (RE) loans:		
Construction, land and land development	220,786	106,606
Residential 1-4 family	776,265	400,506
Commercial RE	966,056	180,870
Consumer and other loans	12,176	21,956
Total nonaccrual loans	$ 2,828,598	$ 819,796

At December 31, 2017 and 2016, a summary of information pertaining to impaired loans is as follows:

	Unpaid Contractual Principal Balance	Recorded Investment with No Allowance	Recorded Investment with Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment	Interest Income Recognized
December 31, 2017							
Commercial, agricultural and industrial loans	$ 957,805	$ -	$ 911,665	$ 911,665	$ 81,936	$ 521,806	$ 4,569
Real estate (RE) loans:							
Construction, land and land development	258,868	-	220,786	220,786	17,111	441,905	-
Residential 1-4 family	858,437	-	807,120	807,120	44,890	603,813	1,743
Commercial RE	1,006,440	-	966,056	966,056	50,718	990,815	18,287
Consumer and other loans	28,705	-	26,380	26,380	9,320	42,427	3,227
Total	$ 3,110,255	$ -	$ 2,932,007	$ 2,932,007	$ 203,975	$ 2,600,766	$ 27,826
December 31, 2016							
Commercial, agricultural and industrial loans	$ 247,917	$ -	$ 131,947	$ 131,947	$ 15,244	$ 199,991	$ 1,656
Real estate (RE) loans:							
Construction, land and land development	672,303	-	663,024	663,024	2,719	339,325	12,074
Residential 1-4 family	413,573	-	400,506	400,506	2,884	214,218	-
Commercial RE	1,027,448	-	1,015,573	1,015,573	8,124	528,987	33,042
Consumer and other loans	58,815	-	58,475	58,475	16,472	98,794	4,775
Total	$ 2,420,056	$ -	$ 2,269,525	$ 2,269,525	$ 45,443	$ 1,381,315	$ 51,547

The Corporation has no commitments to loan additional funds to borrowers whose loans are impaired.

Note 4 Loans and Allowance for Loan Losses, continued

Troubled Debt Restructurings

The restructuring of a loan is considered a "troubled debt restructuring" if both (i) the borrower is experiencing financial difficulties and (ii) the creditor has granted a concession. Concessions may include interest rate reductions or below market interest rates, principal forgiveness, restructuring amortization schedules and other actions intended to minimize potential losses. Troubled debt restructurings during 2017 are set forth as follows:

	Number of Contracts	Balance at Restructuring Date	Balance at December 31, 2017
Commercial, agriculture and industrial loans	4	$ 129,624	$ 121,504
Consumer and other loans	1	8,639	5,347
Total troubled debt restructurings	5	$ 138,263	$ 126,851

Concessions granted on these loans include reduction of interest rates, payments of interest only and restructuring payments to match borrower's cash flow. At December 31, 2017, there were two of the commercial, agriculture and industrial loans totaling $75,384 and the consumer loan totaling $5,347 that were on nonaccrual. The other loans restructured during 2017 were paying in accordance to the restructured terms as of December 31, 2017. At December 31, 2017, there were two consumer loans totaling $4,332 which was restructured prior to 2017 and were past due 30-89 days. At December 31, 2017, there was one commercial real estate loan totaling $812,732 which was restructured prior to 2017 that was on nonaccrual. At December 31, 2017, all other loans restructured prior to 2017 were paying in accordance with the restructured terms.

Troubled debt restructurings during 2016 are set forth as follows:

	Number of Contracts	Balance at Restructuring Date	Balance at December 31, 2016
Construction, land and land development	1	$ 556,419	$ 556,419
Commercial RE	1	839,493	834,703
Total troubled debt restructurings	2	$ 1,395,912	$ 1,391,122

Concessions granted on these loans include reduction of interest rates, payments of interest only and restructuring payments to match borrower's cash flow. These loans were paying in accordance with the restructured terms as of December 31, 2016. At December 31, 2016, there were four consumer loans totaling $11,748 which was restructured prior to 2016 and were past due 30-89 days. At December 31, 2016, all other loans restructured prior to 2016 were paying in accordance with the restructured terms.

Note 4 Loans and Allowance for Loan Losses, continued

The following table illustrates an age analysis of past due loans as of December 31, 2017:

	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	Recorded Investment 90 Days or More and Still Accruing
Commercial agricultural and industrial loans	$ 821,872	$ -	$ 821,872	$ 28,628,283	$ 29,450,155	$ -
Real estate (RE) loans:						
Construction, land and land development	78,548	-	78,548	29,522,425	29,600,973	-
Residential 1-4 family	648,195	96,377	744,572	39,844,182	40,588,754	-
Commercial RE	36,293	-	36,293	11,363,013	11,399,306	-
Consumer and other loans	164,657	1,714	166,371	12,903,393	13,069,764	8
Less: Net deferred loan costs	-	-	-	-	49,693	-
Total	$ 1,749,565	$ 98,091	$ 1,847,656	$ 122,261,296	$124,158,645	$ 8

The following table illustrates an age analysis of past due loans as of December 31, 2016:

	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	Recorded Investment 90 Days or More and Still Accruing
Commercial agricultural and industrial loans	$ 306,003	$ -	$ 306,003	$ 30,897,549	$ 31,203,552	$ -
Real estate (RE) loans:						
Construction, land and land development	96,051	-	96,051	28,687,112	28,783,163	-
Residential 1-4 family	840,964	128,872	969,836	42,677,997	43,647,833	28,277
Commercial RE	29,371	-	29,371	13,161,359	13,190,730	-
Consumer and other loans	260,888	13,635	274,523	14,189,818	14,464,341	9
Less: Net deferred loan costs	-	-	-	-	52,566	-
Total	$ 1,533,277	$ 142,507	$ 1,675,784	$ 129,613,835	$131,342,185	$ 28,286

Note 5 Premises and Equipment

The investment in premises and equipment stated at cost at December 31, 2017 and 2016 is as follows:

	2017	2016
Land	$ 378,965	$ 378,965
Buildings and improvements	4,519,908	4,124,338
Furniture and equipment	2,713,716	2,456,050
Remodeling in process	-	20,000
	7,612,589	6,979,353
Less accumulated depreciation and amortization	(4,141,447)	(3,871,011)
Premises and equipment, net	$ 3,471,142	$ 3,108,342

Depreciation on premises and equipment charged to expense totaled $270,436 and $235,746 for the years ended December 31, 2017 and 2016, respectively.

Note 6 Goodwill and Other Intangible Assets

On September 20, 2012, Mills County State Bank purchased selected assets and liabilities from a branch of another financial institution. A premium of $213,003 was paid by the Bank which was identified as core deposit intangibles. The core deposit intangibles are being amortized using a straight line method over their estimated useful life of five years. Accumulated amortization at December 31, 2017 and 2016 was $213,003 and $181,053, respectively. Amortization expense on the core deposit intangibles was $31,950 and $42,601 during 2017 and 2016, respectively.

On September 13, 2013, the Corporation acquired First National Bancshares of Hico. A premium of $2,594,852 was paid by the Corporation, of which $437,872 was identified as core deposit intangibles. The remaining $2,156,980 was recorded as goodwill. In accordance with authoritative guidance issued by the FASB, the goodwill will not be amortized and is evaluated for impairment annually. No impairment loss was recorded in 2017 or 2016. The core deposit intangibles are being amortized using a straight line method over their estimated useful life of seven years. Accumulated amortization at December 31, 2017 and 2016 was $271,051 and $208,501, respectively. Amortization expense on the core deposit intangibles was $62,550 in 2017 and 2016.

As of December 31, 2017, amortization expense for the core deposit intangibles for the next five years is as follows:

2018	$ 62,553
2019	62,553
2020	41,715
2021	-
2022	-
Total	$ 166,821

Note 7 Corporate-Owned Life Insurance

During 2016, the Corporation purchased new life insurance policies for a total cost of $448,396. The Corporation is the beneficiary of these policies which insure the lives of selected key officers and directors. The carrying amount of corporate-owned life insurance totaled $6,940,790 and $6,807,504 at December 31, 2017 and 2016, respectively. Net earnings on corporate-owned life insurance totaling $141,106 and $147,755 were recorded through non-interest income during 2017 and 2016, respectively.

Note 8 Other Real Estate

At December 31, 2017, there was no other real estate held. At December 31, 2016, the Corporation held other real estate totaling $131,738 which consists of two 1-4 family residential properties.

Note 9 Deposits

The carrying amount of deposits at December 31, 2017 and 2016 are as follows:

	2017	2016
Demand	$ 86,185,848	$ 76,742,425
Interest-bearing transaction accounts	81,636,085	75,834,404
Savings	35,810,039	32,624,518
Certificates of deposit up to $250,000	62,976,920	66,249,564
Certificates of deposit over $250,000	20,724,658	13,135,000
Total deposits	$287,333,550	$264,585,911

Maturities of certificates of deposit for each of the next five years are:

2018	$ 73,818,094
2019	3,689,606
2020	1,643,198
2021	2,274,574
2022	2,276,106
Total	$ 83,701,578

Note 10 Notes Payable and Borrowings from the Federal Home Loan Bank

In December 2014, the Corporation purchased the property that houses its Hamilton branch location which had previously been leased. As part of the purchase negotiations, the seller financed $270,000 of the purchase price. This note has a term of 15 years and an interest rate of 6.00%. Monthly principal and interest payments totaling $2,278 were due beginning January 31, 2015. The balance on this note was $233,568 and $246,475 at December 31, 2017 and 2016, respectively.

As part of the acquisition of First National Bancshares of Hico ("Hico"), the principal shareholder of Hico financed part of the sale via a promissory note between herself and the Corporation. The loan agreement is dated September 13, 2013 with an original amount of $2,897,853. The maturity date of this loan is September 30, 2020. The loan agreement provides for 27 consecutive quarterly principal payments of $103,495 plus accrued interest beginning December 31, 2013. The initial interest rate is 4.00% through September 30, 2014 and thereafter the rate is determined quarterly based on the Wall Street Journal Prime rate plus .75% with a floor rate of 4.00%. This loan was paid off during 2017. The rate at December 31, 2016 was 4.50%. The balance on this note was $1,552,418 at December 31, 2016.

During 2017, the Corporation obtained a loan from another financial institution in the amount of $1,350,000. The proceeds of this loan were used to pay off the Hico loan discussed above. The interest rate on this loan is based on the Wall Street Journal Prime rate plus .25%. The initial interest rate was 4.50%. At December 31, 2017, the interest rate was 4.75%. The loan agreement provides for quarterly principal payments of $168,750 plus accrued interest beginning January 29, 2018. The maturity date is October 29, 2019. The loan agreement contains various covenants regarding levels of classified assets, regulatory capital and return on average assets. As of December 31, 2017, the Corporation was in compliance with these covenants. The balance on this loan was $1,350,000 at December 31, 2017.

During 2016, the Corporation borrowed $3,000,000 from the Federal Home Loan Bank. Interest rates on these borrowings ranged from .90% to 1.14%. These borrowings were repaid during 2017. At December 31, 2017, there were no outstanding borrowings from the Federal Home Loan Bank. At December 31, 2016, outstanding borrowings from the Federal Home Loan Bank totaled $3,000,000. Refer to Note 11 for additional information.

Principal payments due on notes payable for the next five years and in the aggregate thereafter are:

2018	$ 687,564
2019	689,474
2020	15,367
2021	16,315
2022	17,321
Thereafter	157,527
Total	$ 1,583,568

Note 11 Lines of Credit

The Corporation has established a $10,000,000 unsecured line of credit for overnight purchase of federal funds. The line may be cancelled without any prior notification. There were no outstanding balances on this line at December 31, 2017 and 2016.

In addition to this line of credit, the Corporation has a line of credit with the Federal Home Loan Bank. At December 31, 2017, the Corporation had approximately $51,857,000 available for additional borrowings under this line of credit. This line of credit is collateralized by a blanket pledge of certain loans with a carrying amount of approximately $111,089,000 at December 31, 2017. At December 31, 2017, there were no outstanding borrowings on this line of credit. At December 31, 2016, the Corporation had outstanding borrowings on this line of credit totaling $3,000,000. Refer to Note 10 for additional information.

Note 12 Related Party Transactions

During 2017 and 2016, the Corporation had transactions made in the ordinary course of business with certain of its officers, directors and principal shareholders. All loans included in such transactions were made on substantially the same terms, including interest rate and collateral, as those prevailing at the time for comparable transactions with other persons, and did not, in the opinion of management, involve more than normal credit risk or present other unfavorable features.

A summary of these approximate transactions for 2017 and 2016 follows:

	Balance Beginning of Year	**Additions**	**Amounts Collected**	**Balance End of Year**
For year ended:				
December 31, 2017	$ 806,000	$ 50,000	$ (233,000)	$ 623,000
December 31, 2016	$ 530,000	$ 671,000	$ (395,000)	$ 806,000

The Corporation held deposits of approximately $4,858,000 and $4,633,000 for related parties at December 31, 2017 and 2016, respectively.

Note 13 Financial Instruments with Off-Balance-Sheet Risk

In the normal course of business, the Corporation has outstanding commitments and contingent liabilities, such as commitments to extend credit and standby letters of credit, which are not included in the accompanying financial statements. The Corporation'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 or notional amount of those instruments. The Corporation uses the same credit policies in making such commitments as it does for instruments that are included in the balance sheet.

Financial instruments whose contract amount represents credit risk were approximately as follows:

	2017	2016
Commitments to extend credit	$ 18,844,000	$ 17,236,000
Standby letters of credit	257,000	312,000

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

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

The Corporation has not been required to perform on any financial guarantees during the past two years. The Corporation has not incurred any losses on its commitments in either 2017 or 2016.

Note 14 Commitments and Contingent Liabilities

The Corporation is subject to claims and lawsuits which arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the consolidated financial position of the Corporation.

Note 15 Employee Benefit Plans

The Corporation has a non-contributory profit-sharing retirement plan which covers substantially all employees. Contributions to this plan are determined annually by the Corporation's Board of Directors. Contributions were $55,000 and $115,020 for the years ended December 31, 2017 and 2016, respectively.

Effective January 1, 1999, the Corporation adopted a defined contribution 401(k) plan that covers substantially all employees. Contributions under this plan are discretionary and determined annually by the Board of Directors. During 2017 and 2016, the Corporation matched 100% of the first 3% employee contribution and 50% of the next 2% employee contribution. The charge to operations under this plan was $106,363 and $43,574 for the years ended December 31, 2017 and 2016, respectively.

During 2016, the Corporation adopted a deferred salary continuation plan and a deferred cash incentive plan which were set up for selected officers. At December 31, 2017 and 2016, accruals totaled $149,744 and $69,364, respectively, for these plans and are included in accrued expenses and other liabilities on the balance sheet. The related expense totaled $80,380 and $69,364 for 2017 and 2016, respectively, and is included in salaries and employee benefits.

Note 16 Compensated Absences

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

Note 17 Concentrations of Credit Risk

The Corporation maintains its cash accounts with several correspondent banks. Generally, accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per bank. At December 31, 2017 and 2016, the Corporation had deposits in other financial institutions totaling approximately $13,508,600 and $3,708,500, respectively, which exceeded the FDIC insurance limits. Furthermore, federal funds sold are essentially uncollateralized loans to other financial institutions. Management regularly evaluates the credit risk associated with the counterparties to these transactions and believes that the Corporation is not exposed to any significant credit risks on cash and cash equivalents.

The Corporation grants agribusiness, commercial and real estate loans to customers within Mills County, Texas and the surrounding area. A substantial portion of its debtors' ability to honor their contracts is dependent upon the agribusiness and real estate economic sectors in that geographic area. Concentrations of credit by loan type are set forth in Note 4.

Note 18 Restrictions on Dividends

In the ordinary course of business, the Corporation is dependent upon dividends from Mills County State Bank to provide funds for the payment of dividends to shareholders and to provide for other cash requirements. Banking regulations may limit the amount of dividends that may be paid. Approval by regulatory authorities is required if the effect of dividends declared would cause the regulatory capital of Mills County State Bank to fall below specified minimum levels.

Note 19 Regulatory Matters

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

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of: Total Risk-Based capital, Tier 1 capital and Common Equity Tier 1 capital to risk-weighted assets (as defined in the regulations), and Leverage capital, which is Tier 1 capital to adjusted total assets (as defined). Management believes, as of December 31, 2017 and 2016, that the Bank meets all capital adequacy requirements to which it is subject.

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

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

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

Management believes that, as of December 31, 2017 and 2016, the Bank would meet all capital adequacy requirements under the Basel III Capital rules on a fully phased-in basis as if such requirements were currently in effect; however, final rules are subject to regulatory discretion and could result in the need for additional capital levels in the future.

Note 19 Regulatory Matters, continued

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

	Actual		Minimum Required for Capital Adequacy Purposes		Required to be Well Capitalized under the Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2017:						
Total Risk-based Capital (to Risk-weighted Assets)	$ 31,307	18.40%	$ 13,609	8.00%	$ 17,011	10.00%
Tier 1 Capital (to Risk-weighted Assets)	$ 29,390	17.28%	$ 10,207	6.00%	$ 13,609	8.00%
Common Equity Tier 1 Capital (to Risk-weighted Assets)	$ 29,390	17.28%	$ 7,655	4.50%	$ 11,057	6.50%
Leverage Capital (to Adjusted Total Assets)	$ 29,390	9.33%	$ 12,594	4.00%	$ 15,743	5.00%
As of December 31, 2016:						
Total Risk-based Capital (to Risk-weighted Assets)	$ 29,963	18.45%	$ 12,993	8.00%	$ 16,242	10.00%
Tier 1 Capital (to Risk-weighted Assets)	$ 28,596	17.61%	$ 9,745	6.00%	$ 12,993	8.00%
Common Equity Tier 1 Capital (to Risk-weighted Assets)	$ 28,596	17.61%	$ 7,309	4.50%	$ 10,557	6.50%
Leverage Capital (to Adjusted Total Assets)	$ 28,596	9.86%	$ 11,598	4.00%	$ 14,497	5.00%

Note 20 Fair Value Measurements

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

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

Note 20 Fair Value Measurements, continued

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

- ***Level 1 Inputs* :** Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

- ***Level 2 Inputs:*** Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These might include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (such as interest rates, volatilities, prepayment speeds, credit risks, etc.) or inputs that are derived principally from or corroborated by market data by correlation or other means.

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

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

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

Note 20 Fair Value Measurements, continued

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

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

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

The following table summarizes financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2017 and 2016, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure the fair value:

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
December 31, 2017:				
Available-for-Sale				
Obligations of states and political subdivisions	$ -	$ 87,771,864	$ -	$ 87,771,864
U.S. Government agency mortgage-backed securities	-	50,288,233	-	50,288,233
Corporate bonds	-	17,633,747	-	17,633,747
Other	-	156,711	-	156,711
Totals	$ -	$155,850,555	$ -	$155,850,555
December 31, 2016:				
Available-for-Sale				
U.S. Treasury	$ 9,012,062	$ -	$ -	$ 9,012,062
U.S. Government agencies and corporations	-	2,016,776	-	2,016,776
Obligations of states and political subdivisions	-	70,466,003	-	70,466,003
U.S. Government agency mortgage-backed securities	-	51,647,322	-	51,647,322
Corporate bonds	-	8,189,193	-	8,189,193
Other	-	212,404	-	212,404
Totals	$ 9,012,062	$132,531,698	$ -	$141,543,760

Note 20 Fair Value Measurements, continued

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

The following table summarizes financial assets measured at fair value on a non-recurring basis as of December 31, 2017 and 2016, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure the fair value:

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
December 31, 2017:				
Impaired loans	$ -	$ 2,932,007	$ -	$ 2,932,007
Less specific valuation allowance for possible loan losses	-	(203,975)	-	(203,975)
Impaired loans, net	$ -	$ 2,728,032	$ -	$ 2,728,032
December 31, 2016:				
Impaired loans	$ -	$ 2,269,525	$ -	$ 2,269,525
Less specific valuation allowance for possible loan losses	-	(45,443)	-	(45,443)
Impaired loans, net	$ -	$ 2,224,082	$ -	$ 2,224,082

Certain nonfinancial assets are measured at fair value on a non-recurring basis. Nonfinancial assets measured at fair value on a non-recurring basis include other real estate which, upon initial recognition, were remeasured and reported at fair value through a charge-off to the allowance for loan losses and certain other real estate, which subsequent to their initial recognition, were remeasured at fair value through a writedown included in other non-interest expense. The fair value of other real estate is estimated using Level 2 inputs based on observable market data or Level 3 inputs based on customized discounting criteria. At December 31, 2017, there was no other real estate held by the Corporation. At December 31, 2016, the Corporation had other real estate totaling $131,738. Fair values were determined using Level 2 measurements.

Note 20 Fair Value Measurements, continued

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

	2017	2016
Foreclosed assets remeasured at initial recognition:		
Carrying value of foreclosed assets prior to remeasurement	$ 26,338	$ 140,913
Charge-offs recognized in the allowance for loan losses	-	(6,375)
Fair Value	$ 26,338	$ 134,538
Foreclosed assets remeasured subsequent to initial recognition:		
Carrying value of foreclosed assets prior to remeasurement	$ -	$ 134,538
Writedowns included in other non-interest expense	-	(2,800)
Fair Value	$ -	$ 131,738

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

Note 21 Fair Values of Financial Instruments

The estimated fair values of financial instruments that are reported in the Corporation's consolidated balance sheets at December 31, 2017 and 2016 are as follows:

	2017		2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash and cash equivalents	$ 27,023,435	$ 27,023,435	$ 12,547,420	$ 12,547,420
Investment securities	155,850,555	155,850,555	141,543,760	141,543,760
Other investments	314,800	314,800	309,800	309,800
Loans, net	122,271,740	125,321,000	129,975,319	132,997,000
Corporate-owned life insurance	6,940,790	6,940,790	6,807,504	6,807,504
Accrued interest receivable	2,003,368	2,003,368	1,819,968	1,819,968
Financial liabilities:				
Deposits	287,333,550	287,080,000	264,585,911	264,865,000
Notes payable	1,583,568	1,659,000	1,798,893	1,798,893
Borrowings from FHLB	-	-	3,000,000	3,000,000
Accrued interest payable	141,716	141,716	80,884	80,884

The carrying amounts in the preceding table are included in the balance sheets under the applicable captions.

**GOLDTHWAITE BANCSHARES, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
(CONSOLIDATED AND BANK ONLY)
DECEMBER 31, 2017 AND 2016**

Note 22 Subsequent Event

The Board of Directors of the Corporation approved a Stock Repurchase Program which allows a maximum of 15,000 shares of voting stock to be repurchased at a repurchase price of $210.00 per share. This program began on February 1, 2018 and runs through May 1, 2018.

OTHER FINANCIAL INFORMATION

GOLDTHWAITE BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2017

	GOLDTHWAITE BANCSHARES INC.	MILLS COUNTY STATE BANK	ELIMINATIONS	CONSOLIDATED
ASSETS				
Cash and cash equivalents:				
Cash and due from banks	$ 139,700	$ 10,179,024	$ (139,700)	$ 10,179,024
Interest-bearing deposits in other financial institutions maturing in less than three months	501,755	16,342,656	-	16,844,411
Total cash and cash equivalents	641,455	26,521,680	(139,700)	27,023,435
Investment securities	-	155,850,555	-	155,850,555
Other investments, at cost	-	314,800	-	314,800
Investment in subsidiary, at equity in net assets	31,031,618		(31,031,618)	-
Loans, net of purchase discounts, net deferred loan fees and costs, and allowance for loans losses	-	122,271,740	-	122,271,740
Premises and equipment, net of accumulated depreciation	-	3,471,142	-	3,471,142
Foreclosed and repossessed assets	-	15,000	-	15,000
Accrued interest receivable	-	2,003,368	-	2,003,368
Dividends receivable	440,391	-	(440,391)	-
Goodwill	-	2,156,980	-	2,156,980
Other intangible assets, net	-	166,821	-	166,821
Corporate-owned life insurance	687,195	6,253,595	-	6,940,790
Other assets	-	587,319	-	587,319
Total Assets	$ 32,800,659	$ 319,613,000	$ (31,611,709)	$ 320,801,950
LIABILITIES				
Deposits	$ -	$ 287,473,250	$ (139,700)	$ 287,333,550
Other liabilities:				
Dividends payable	440,391	440,391	(440,391)	440,391
Notes payable	1,350,000	233,568	-	1,583,568
Accrued interest payable	15,684	126,032	-	141,716
Accrued expenses and other liabilities	-	308,141	-	308,141
Total other liabilities	1,806,075	1,108,132	(440,391)	2,473,816
Total Liabilities	1,806,075	288,581,382	(580,091)	289,807,366
SHAREHOLDERS' EQUITY				
Common stock - non-voting, par value - $25 a share: Authorized and issued - 17,312 shares	432,800	-	-	432,800
Common stock, par value $.05 a share: Authorized - 1,000,000 shares Issued - 173,120 shares	8,656	1,500,000	(1,500,000)	8,656
Capital surplus	852,216	13,784,526	(13,784,526)	852,216
Retained earnings	30,495,394	16,395,681	(16,395,681)	30,495,394
Accumulated other comprehensive loss	(648,589)	(648,589)	648,589	(648,589)
	31,140,477	31,031,618	(31,031,618)	31,140,477
Less common stock - voting held in treasury, 81 shares, at cost	(12,622)	-	-	(12,622)
Less common stock - non-voting held in treasury, 1,379 shares, at cost	(133,271)	-	-	(133,271)
Total Shareholders' Equity	30,994,584	31,031,618	(31,031,618)	30,994,584
Total Liabilities and Shareholders' Equity	$ 32,800,659	$ 319,613,000	$ (31,611,709)	$ 320,801,950

See Independent Auditor's Report.

GOLDTHWAITE BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017

	GOLDTHWAITE BANCSHARES INC.	MILLS COUNTY STATE BANK	ELIMINATIONS	CONSOLIDATED
Interest income				
Interest and fees on loans	$ -	$ 6,917,802	$ -	$ 6,917,802
Interest on investment securities:				
Taxable	-	1,663,366	-	1,663,366
Exempt from federal income taxes	-	1,337,926	-	1,337,926
	-	3,001,292	-	3,001,292
Interest on federal funds sold and interest-bearing deposits with financial institutions	1,756	82,354	-	84,110
Total interest income	1,756	10,001,448	-	10,003,204
Interest expense				
On deposits	-	808,848	-	808,848
On borrowed funds	69,437	42,889	-	112,326
Total interest expense	69,437	851,737	-	921,174
Net interest income (expense)	(67,681)	9,149,711	-	9,082,030
Provision for loan losses	-	612,500	-	612,500
Net interest income (expense) after provision for loan losses	(67,681)	8,537,211	-	8,469,530
Non-interest income				
Service charges on deposit accounts	-	1,517,040	-	1,517,040
Net gain on sales of investment securities	-	19,750	-	19,750
Net gain on sales of other real estate	-	52,993	-	52,993
Loss on sales of premises and equipment	-	(1,100)	-	(1,100)
Earnings (loss) on corporate-owned life insurance	(29,399)	170,505	-	141,106
Dividend income from subsidiary	2,107,355	-	(2,107,355)	-
Equity in undistributed income of subsidiary	770,719	-	(770,719)	-
Other	-	755,557	-	755,557
Total non-interest income	2,848,675	2,514,745	(2,878,074)	2,485,346
Non-interest expense				
Salaries and employee benefits	-	4,468,435	-	4,468,435
Occupancy and furniture and equipment expense	-	883,180	-	883,180
Other	43,356	2,822,267	-	2,865,623
Total non-interest expense	43,356	8,173,882	-	8,217,238
Net Income	$ 2,737,638	$ 2,878,074	$ (2,878,074)	$ 2,737,638

See Independent Auditor's Report.

MILLS COUNTY STATE BANK
NON-INTEREST EXPENSE
(BANK ONLY)
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Salaries and employee benefits:		
Salaries	$ 3,561,891	$ 3,507,592
Payroll taxes	266,899	266,300
Insurance	397,902	405,854
Deferred compensation plans	80,380	69,364
Contributions to employee benefit plans	161,363	158,594
Totals	4,468,435	4,407,704
Occupancy and furniture and equipment expense:		
Utilities	64,833	72,168
Janitorial service and supplies	43,188	29,885
Taxes - ad valorem	85,599	76,550
Repairs, maintenance and rental	387,817	347,534
Insurance	31,307	31,789
Depreciation	270,436	235,746
Totals	883,180	793,672
Other:		
Directors' fees	221,950	221,900
Advertising and public relations	196,582	217,265
Stationery and supplies	191,283	209,909
Postage	133,728	112,239
Telephone	57,161	55,154
Taxes - franchise	5,715	4,606
Contributions	12,000	9,808
FDIC assessment	73,986	149,737
Travel and conventions	55,968	66,529
Legal and professional expense	376,966	274,557
Dues, memberships and subscriptions	55,747	55,838
Miscellaneous	234,951	189,603
Bank club expenses	81,783	78,011
Other real estate expenses	11,764	11,569
Examination fees	43,641	47,945
Insurance	30,474	27,566
Employee education	33,690	16,733
Data processing fees	571,118	530,234
Bank card expense	130,742	143,928
Loan and repossession expense	37,263	33,201
Service charge - banks	35,251	40,817
Internet banking expense	74,678	67,720
Amortization of core deposit intangibles	94,500	105,151
ATM card expense	61,326	54,846
Totals	2,822,267	2,724,866
Total Non-Interest Expense	$ 8,173,882	$ 7,926,242

See Independent Auditor's Report.

Results: A list of branches for your depository institution: MILLS COUNTY STATE BANK (ID_RSSD: 522753).
This depository institution is held by GOLDTHWAITE BANCSHARES, INC. (1103999) of GOLDTHWAITE, TX.
The data are as of 12/31/2017. Data reflects information that was received and processed through 01/04/2018.

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

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

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

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

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

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

Data Action	Effective Date	Branch Service Type	Branch ID_RSSD*	Popular Name	Street Address	City	State	Zip Code	County	Country	FDIC UNINUM*	Office Number*	Head Office	Head Office ID_RSSD*	Comments
OK		Full Service (Head Office)	522753	MILLS COUNTY STATE BANK	1017 PARKER STREET	GOLDTHWAITE	TX	76844	MILLS	UNITED STATES	Not Required	Not Required	MILLS COUNTY STATE BANK	522753	
OK		Full Service	2030010	BROWNWOOD BRANCH	3101 AUSTIN AVENUE	BROWNWOOD	TX	76801	BROWN	UNITED STATES	Not Required	Not Required	MILLS COUNTY STATE BANK	522753	
OK		Full Service	2322425	EARLY BRANCH	411 EARLY BLVD.	EARLY	TX	76802	BROWN	UNITED STATES	Not Required	Not Required	MILLS COUNTY STATE BANK	522753	
OK		Full Service	3387243	HAMILTON BRANCH	1005 EAST MAIN ST	HAMILTON	TX	76531-1500	HAMILTON	UNITED STATES	Not Required	Not Required	MILLS COUNTY STATE BANK	522753	
OK		Full Service	183051	HICO BRANCH	135 N. PECAN	HICO	TX	76457	HAMILTON	UNITED STATES	Not Required	Not Required	MILLS COUNTY STATE BANK	522753	