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, Stacey Morris-Potter
Name of the Holding Company Director and Official

Secretary
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.*

Stacey Morris-Potter, COO
Signature of Holding Company Director and Official

12/17/2018
Date of Signature

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

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

**For Federal Reserve Bank Use Only**

RSSD ID ____________
C.I. ____________

**Date of Report** (top-tier holding company's fiscal year-end):

September 30, 2018
Month / Day / Year

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

Reporter's Name, Street, and Mailing Address

Plains Bancorp, Inc.
Legal Title of Holding Company

P.O. Box 929
(Mailing Address of the Holding Company) Street / P.O. Box

| Dimmitt | TX | 79027 |
|---|---|---|
| City | State | Zip Code |

201 N. Broadway
Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

| Stacey Morris-Potter | Chief Operations Officer |
|---|---|
| Name | Title |

806-797-9960
Area Code / Phone Number / Extension

806-795-2250
Area Code / FAX Number

smpotter@firstunited.net
E-mail Address

www.firstunited.net
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."

## For Use By Tiered Holding Companies

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

Legal Title of Subsidiary Holding Company

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

City State Zip Code

Physical Location (if different from mailing address)

Legal Title of Subsidiary Holding Company

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

City State Zip Code

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City State Zip Code

Physical Location (if different from mailing address)

# PLAINS BANCORP, INC. AND SUBSIDIARY

## DIMMITT, TEXAS

## CONSOLIDATED FINANCIAL STATEMENTS

## WITH CONSOLIDATING INFORMATION

## FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

## AND

## REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

**PLAINS BANCORP, INC. AND SUBSIDIARY**
**DIMMITT, TEXAS**

**CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

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**PLAINS BANCORP, INC. AND SUBSIDIARY**
**DIMMITT, TEXAS**

**CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

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Briggs & Veselka Co.
A PROFESSIONAL CORPORATION
Certified Public Accountants and Business Advisors

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Management of
Plains Bancorp, Inc. and Subsidiary
Dimmit, Texas

We have audited the accompanying consolidated financial statements of Plains Bancorp, Inc. (a Texas corporation) and Subsidiary, which comprise the consolidated statement of financial condition as of September 30, 2018, and the related consolidated statements of income and comprehensive income, changes in stockholders' equity, and cash flows for the year then ended and the related notes to the consolidated financial statements. We also have audited Plains Bancorp, Inc.'s internal control over financial reporting, including controls over the preparation of regulatory consolidated financial statements in accordance with the instructions for the Consolidated Financial Statements for Bank Holding Companies (Form FR Y-9C), as of September 30, 2018 based on criteria established in the *2013 Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

**Management's Responsibility for the Financial Statements and Internal Control Over Financial Reporting**

Plains Bancorp, Inc. and Subsidiary's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. Management is also responsible for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying report on management's Assessment of Internal Control Over Financial Reporting.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements and an opinion on the Plains Bancorp, Inc. and Subsidiary's internal control over financial reporting based on our audit. We conducted our audit 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 and whether effective internal control over financial reporting was maintained in all material respects.

An audit of the financial statements involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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. An audit of financial statements also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

HOUSTON OFFICE 713.667.9147 Tel. ▪ 713.667.1697 Fax
Nine Greenway Plaza, Suite 1700 ▪ Houston, Texas 77046 ▪ www.bvccpa.com

An audit of internal control over financial reporting involves performing procedures to obtain evidence about whether a material weakness exists. The procedures selected depend on the auditors' judgment, including the assessment of the risk that a material weakness exists. An audit of internal control over financial reporting also involves obtaining an understanding of internal control over financial reporting and testing and evaluating the design and operating effectiveness of internal control over financial reporting based on the assessed risk.

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

**Definition and Inherent Limitations of Internal Control Over Financial Reporting**

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. Because management's assessment and our audit were conducted to meet the reporting requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA), our audit of Plains Bancorp Inc. and Subsidiary's internal control over financial reporting included controls over the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America with the instructions to the Consolidated Financial Statements for Bank Holding Companies (Form FR Y-9C). An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction, of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Opinions**

In our opinion, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Plains Bancorp, Inc. and Subsidiary as of September 30, 2018, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Also in our opinion, Plains Bancorp, Inc. and Subsidiary maintained, in all material respects, effective internal control over financial reporting as of September 30, 2018 based on criteria established in the 2013 Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

**Prior Period Financial Statements**

The financial statements of Plains Bancorp, Inc. and Subsidiary as of September 30, 2017, were audited by other auditors whose report dated November 27, 2017, expressed an unmodified opinion on those statements.

To the Board of Directors and Management of
Plains Bancorp, Inc. and Subsidiary
Re: Independent Auditors' Report

**Other Matters**

*Supplementary Information* – Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information, the Computation of Adjusted Net Worth, and the Computation of Liquidity Requirements in Schedules 1 through Schedules 18 are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United Stated of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Other Reporting Required by Government Auditing Standards* – In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2018, on our consideration of Plains Bancorp Inc. and Subsidiary's, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Plains Bancorp Inc. and Subsidiary's internal control over financial reporting and compliance

Briggs & Veselka Co.

Briggs & Veselka Co.
Houston, Texas

December 7, 2018

**PLAINS BANCORP, INC. AND SUBSIDIARY**

## CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
## SEPTEMBER 30, 2018 AND 2017

| | September 30, 2018 | September 30, 2017 |
|---|---|---|
| **ASSETS** | | |
| Cash and Cash Equivalents | $ 38,648,394 | $ 34,633,833 |
| Investment Securities (Available-for-Sale) | 271,957,045 | 269,868,329 |
| Investment Securities (Held-to-Maturity) | 25,138,531 | 32,448,140 |
| Other Investments | 11,420,913 | 9,526,916 |
| Loans Held for Sale | 1,806,331 | 1,606,630 |
| Loans Receivable (Net of Allowance for Loan Losses) | 878,196,400 | 831,760,179 |
| Accrued Interest Receivable | 9,256,465 | 8,521,229 |
| Premises and Equipment (Net of Accumulated Depreciation) | 31,365,875 | 31,280,632 |
| Cash Surrender Value - Life Insurance | 8,299,167 | 8,112,232 |
| Prepaid Expenses | 1,303,514 | 1,214,585 |
| Other Assets | 830,135 | 35,830 |
| Intangible Assets (Net of Accumulated Amortization) | 523,610 | 640,277 |
| Goodwill (Net of Accumulated Amortization) | 8,557,108 | 8,557,108 |
| | $ 1,287,303,488 | $ 1,238,205,920 |
| **LIABILITIES** | | |
| Deposits | | |
| Non-interest Bearing | $ 301,427,339 | $ 254,431,628 |
| Interest Bearing | 732,138,677 | 715,600,534 |
| Borrowings | 115,092,959 | 125,102,002 |
| Subordinated Debentures | 20,619,000 | 20,619,000 |
| Fed Funds Purchased | | 5,200,000 |
| Accounts Payable | 408,738 | 310,970 |
| Accrued Interest Payable | 527,169 | 421,479 |
| Deferred Compensation | 6,537,631 | 5,995,832 |
| Accrued Property Taxes Payable | 446,400 | 424,457 |
| Accrued Employee Compensation | 1,314,475 | 1,306,075 |
| Accrued Retirement Funds | 509,400 | 472,500 |
| Other Accrued Liabilities | 173,703 | 238,794 |
| | $ 1,179,195,491 | $ 1,130,123,271 |
| **STOCKHOLDERS' EQUITY** | | |
| Capital Stock - Common: Par Value $1; 250,000 Shares Authorized, 44,085 Shares Issued and 19,835 Shares Outstanding for 2018; and 250,000 Shares Authorized, 44,065 Shares Issued and 20,080 Shares Outstanding for 2017 | $ 44,085 | $ 44,065 |
| Additional Paid-in-Capital | 19,258,565 | 19,147,425 |
| Retained Earnings | 136,686,868 | 127,151,341 |
| Treasury Stock - 24,250 Shares in 2018 and 23,985 Shares in 2017 | (40,464,297) | (38,875,079) |
| Accumulated Other Comprehensive Income (Loss) | (7,417,224) | 614,897 |
| | $ 108,107,997 | $ 108,082,649 |
| | $ 1,287,303,488 | $ 1,238,205,920 |

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

**PLAINS BANCORP, INC. AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**
**FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

| | September 30, 2018 | September 30, 2017 |
|---|---|---|
| Interest Income | | |
| Interest and Fees on Loans | $ 47,876,073 | $ 41,492,382 |
| Interest and Dividends on Cash and Investments | 7,148,637 | 6,449,414 |
| Interest on Fed Funds Sold | 36,178 | 10,587 |
| | $ 55,060,888 | $ 47,952,383 |
| Interest Expense | | |
| Interest on Deposits | $ 7,383,299 | $ 4,972,427 |
| Interest on Borrowed Funds | 1,385,232 | 668,987 |
| Interest on Subordinated Debentures | 717,981 | 551,397 |
| | $ 9,486,512 | $ 6,192,811 |
| Net Interest Income | $ 45,574,376 | $ 41,759,572 |
| Less: Provision for Loan Losses | 1,675,000 | 1,200,000 |
| Net Interest Income After Provision for Loan Losses | $ 43,899,376 | $ 40,559,572 |
| Non-interest Income | | |
| Service Charges on Deposit Accounts | $ 5,305,407 | $ 5,321,207 |
| Gain on Sale of Loans | 1,658,265 | 1,734,336 |
| Gain on Sale of Assets | 16,296 | 193,815 |
| Gain on Sale of Investments | | 85,995 |
| Other Income | 710,182 | 690,352 |
| | $ 7,690,150 | $ 8,025,705 |
| Other Expenses | | |
| Compensation and Benefits | $ 18,633,726 | $ 18,018,323 |
| Occupancy | 2,930,985 | 2,743,476 |
| Operations | 2,839,761 | 2,919,530 |
| Outside and Professional Services | 2,476,014 | 2,249,330 |
| Equipment | 2,375,848 | 2,176,540 |
| Advertising | 1,677,705 | 1,858,824 |
| Deposit Insurance | 381,050 | 333,110 |
| Postage and Freight | 195,572 | 195,314 |
| Amortization of Intangible Assets | 116,667 | 116,667 |
| | $ 31,627,328 | $ 30,611,114 |
| Net Income | $ 19,962,198 | $ 17,974,163 |
| Other Comprehensive Income | | |
| Unrealized Losses on AFS Securities During the Period | (8,032,121) | (3,352,808) |
| Reclassification Adjustment for AFS Gains Realized | | (69,243) |
| Total Comprehensive Income | $ 11,930,077 | $ 14,552,112 |

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

**PLAINS BANCORP, INC. AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**
**FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

| | Capital Stock | Additional Paid-in-Capital | Retained Earnings | Treasury Stock | Accum. Other Comp. Income(Loss) | Total Stockholders' Equity |
|---|---|---|---|---|---|---|
| Balance - October 1, 2016 | $ 43,865 | $ 18,101,625 | $ 117,808,556 | $ (21,175,079) | $ 4,036,948 | $ 118,815,915 |
| Comprehensive Income: | | | | | | |
| Net Income | 0 | 0 | 17,974,163 | 0 | 0 | 17,974,163 |
| Net Change in Unrealized Gain (Loss) on Available-for-Sale Securities | | | | | (3,422,051) | (3,422,051) |
| Total Comprehensive Income (Loss) | $ 0 | $ 0 | $ 17,974,163 | $ 0 | $ (3,422,051) | $ 14,552,112 |
| Shareholder Distributions | | | (8,631,378) | | | (8,631,378) |
| Treasury Stock Purchased (2,550 Shares) | | | | (17,700,000) | | (17,700,000) |
| Common Stock Issued (200 Shares) | 200 | 1,045,800 | | | | 1,046,000 |
| Balance - September 30, 2017 | $ 44,065 | $ 19,147,425 | $ 127,151,341 | $ (38,875,079) | $ 614,897 | $ 108,082,649 |
| Comprehensive Income: | | | | | | |
| Net Income | 0 | 0 | 19,962,198 | 0 | 0 | 19,962,198 |
| Net Change in Unrealized Gain (Loss) on Available-for-Sale Securities | | | | | (8,032,121) | (8,032,121) |
| Total Comprehensive Income (Loss) | $ 0 | $ 0 | $ 19,962,198 | $ 0 | $ (8,032,121) | $ 11,930,077 |
| Stockholder Distributions | | | (10,426,671) | | | (10,426,671) |
| Treasury Stock Purchased (265 Shares) | | | | (1,589,218) | | (1,589,218) |
| Common Stock Issued (20 Shares) | 20 | 111,140 | | | | 111,160 |
| Balance - September 30, 2018 | $ 44,085 | $ 19,258,565 | $ 136,686,868 | $ (40,464,297) | $ (7,417,224) | $ 108,107,997 |

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

**PLAINS BANCORP, INC. AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

| | September 30, 2018 | September 30, 2017 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net Income | $ 19,962,198 | $ 17,974,163 |
| Adjustments to Reconcile Net Income to Net Cash Provided by (used in) Operating Activities | | |
| Depreciation and Amortization | 2,445,254 | 2,335,507 |
| Provision for Loan Losses | 1,675,000 | 1,200,000 |
| Net Amortization of Premiums on Investment Securities | 2,232,504 | 2,722,881 |
| Gain on Sale of Loans | (1,658,265) | (1,734,336) |
| Gain on Sale of Assets | (16,296) | (193,815) |
| Gain on Sale of Investments | | (85,995) |
| Originations of Loans Held for Sale | (53,820,967) | (57,365,253) |
| Proceeds from Loans Held for Sale | 55,279,531 | 60,491,806 |
| Accrued Interest Receivable | (735,236) | (596,216) |
| Prepaid Expenses | (88,930) | (81,342) |
| Other Assets and Other Real Estate Owned | (794,305) | (1,015) |
| Accounts Payable and Other Liabilities | 747,409 | 626,036 |
| Net Change in Cash From Operating Activities | $ 25,227,897 | $ 25,292,421 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Change in Other Investments | $ (1,893,997) | $ (1,002,405) |
| Proceeds from Sales of Debt Securities Available-for-Sale | | 4,716,584 |
| Proceeds from Sales of Debt Securities Held-to-Maturity | | 827,463 |
| Purchase of Debt Securities Available-for-Sale | (56,256,472) | (82,050,547) |
| Maturities, Calls and Prepayments of Debt Securities Available-for-Sale | 44,279,386 | 45,606,748 |
| Maturities, Calls and Prepayments of Debt Securities Held-to-Maturity | 6,933,354 | 9,582,396 |
| Change in Loans (Net) | (48,467,819) | (56,434,006) |
| Cash Surrender Value - Life Insurance | (186,935) | (202,839) |
| Recoveries on Charged-off Loans | 356,598 | 330,054 |
| Proceeds from Sale of Property and Equipment | 19,256 | 382,670 |
| Purchases of Property and Equipment | (2,416,789) | (3,468,016) |
| Net Change in Cash From Investing Activities | $ (57,633,418) | $ (81,711,898) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Change in Deposits (Net) | $ 63,533,854 | $ 62,287,161 |
| Treasury Stock Purchased | (1,589,218) | (17,700,000) |
| Common Stock Issued | 111,160 | 1,046,000 |
| Distributions Paid to Stockholders | (10,426,671) | (8,631,378) |
| Borrowings (Net) | (10,009,043) | 4,991,434 |
| Fed Funds Purchased (Net) | (5,200,000) | 5,200,000 |
| Net Change in Cash From Financing Activities | $ 36,420,082 | $ 47,193,217 |
| CHANGE IN CASH AND CASH EQUIVALENTS | $ 4,014,561 | $ (9,226,260) |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | 34,633,833 | 43,860,093 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | $ 38,648,394 | $ 34,633,833 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Interest Paid | $ 9,380,822 | $ 6,138,781 |

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

## 1. Summary of Significant Accounting Policies

Nature of Operations

Plains Bancorp, Inc. (PBI) is a Texas corporation and registered bank holding company with headquarters located in Dimmitt, Texas. PBI owns 100% of the outstanding stock of First United Bank (the Bank). PBI provides commercial and retail banking services through its majority owned subsidiary.

The Bank is a Texas state chartered bank originally formed in 1907. The Bank's headquarters office is located in Dimmitt, Texas. Branch locations are included in the Texas cities of Amarillo, Canyon, Earth, Lamesa, Littlefield, Lubbock, Seagraves, Seminole, Sudan and Wichita Falls. The principal activities of the Bank include the provision of commercial and retail banking services. The Bank is also the sole member of FUB Air, L.L.C. (FUB Air).

FUB Air is a Texas limited liability corporation formed in 2006 for the purpose of ownership of aircraft and the provision of air transportation services for bank personnel.

Reporting Policies

The accounting and reporting policies of Plains Bancorp, Inc. and Subsidiary (the Company) conform with accounting principles generally accepted in the United States of America and prevailing practices within the banking industry.

Principles of Consolidation

The consolidated financial statements include the accounts of PBI and its wholly-owned subsidiary, First United Bank. The accounts of the Bank include the accounts of its wholly-owned subsidiary, FUB Air. All material intercompany transactions have been eliminated.

Use of Estimates in the Preparation of Financial Statements

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

Cash and Cash Equivalents

The Company considers all cash and amounts due from depository institutions, and interest-bearing deposits in other banks to be cash and cash equivalents for purposes of the statements of cash flows.

Investment Securities

Investment securities are classified into the following categories:

Available-for-sale investment securities, reported at fair value, with unrealized gains and losses excluded from earnings and reported as accumulated other comprehensive income (loss) within stockholders' equity.

Held-to-maturity investment securities, which management has the positive intent and ability to hold, reported at amortized cost, adjusted for the accretion of discounts and amortization of premiums.

Management determines the appropriate classification of its investments at the time of purchase and may only change the classification in certain limited circumstances. Gains and losses on the sale of securities are computed using the specific identification method. Interest earned on investment securities is reported in interest income, net of applicable adjustments for accretion of discounts and amortization of premiums. In addition, unrealized losses that are other-than-temporary are recognized in earnings for all investments.

Investment securities are evaluated for other-than-temporary impairment when economic or market conditions warrant such an evaluation to determine whether a decline in their value is other than temporary. Management utilizes criteria such as the magnitude and duration of the decline and the intent and ability of the Company to retain its investment in the securities for a period of time sufficient to allow for an anticipated recovery in fair value, in addition to the reasons underlying the decline, to determine whether the loss in value is other-than-temporary. The term "other-than-temporary" is not intended to indicate that the decline is permanent, but indicates that the prospects for a near term recovery of value is not necessarily favorable, or that there is a lack of evidence to support a realizable value equal to or greater than the carrying value of the investment. Once a decline in value is determined to be other-than-temporary and management will not be required to sell the security before recovery, only the portion of the impairment loss representing credit exposure is recognized as a charge to earnings, with the balance recognized as a charge to other comprehensive loss. If management intends to sell the security or it is more-likely-than-not that management will be required to sell the security before recovering its forecasted costs, the entire impairment loss is recognized as a charge to earnings. There were no items evaluated as having an other-than-temporary decline as of September 30, 2018 or 2017.

Fair Value Hierarchy

FASB ASC 820, *Fair Value Measurements,* defines fair value, establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America, and expands disclosures about fair value measurements. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted market prices for identical instruments traded in active exchange markets.

Level 2 – Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable or can be corroborated by observable market data.

Level 3 – Model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect the Company's estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include management judgment and estimation which may be significant.

There were no transfers between levels during the year ended September 30, 2018 or 2017.

Loans Held for Sale

Loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated fair value in the aggregate. Net unrealized losses, if any, are recognized through a valuation allowance by charges to noninterest income. Gains and losses recognized upon the sale of the loans are determined on a specific identification method and are recorded in noninterest income.

Loans Receivable

Loans receivable are stated at unpaid principal balances, less the allowance for loan losses and net deferred loan fees and unearned discounts. Unearned discounts and deferred loan fees are recognized using a method that approximates the interest method. Interest is accrued daily based upon outstanding loan balances. However, when, in the opinion of management, loans are considered to be impaired and the future collectability of interest and principal is in serious doubt, loans are placed on non-accrual status and the accrual of interest income is suspended. Any interest accrued but unpaid is charged against income. Payments received are applied to reduce principal to the extent necessary to ensure collection. Subsequent payments on these loans, or payments received on non-accrual loans for which the ultimate collectability of principal is not in doubt, are applied first to earned but unpaid interest and then to principal.

Significant loan origination fees, commitment fees, direct loan origination costs and purchase premiums and discounts on loans are deferred and recognized as an adjustment of yield, to be amortized to interest income over the contractual term of the loan. The net unamortized balance of deferred fees and costs amounted to $716,164 and $790,388 as of September 30, 2018 and 2017, respectively. The unamortized balances are reported as a component of net loans.

The Company serviced loans that have been participated with other financial institutions totaling $49,762,922 and $54,666,867 at September 30, 2018 and 2017, respectively. The loan participations were sold without recourse and are not included on the Company's statement of financial condition.

Allowance for Loan Losses

The allowance for loan losses is maintained to provide for losses related to impaired loans and other loan losses than can be expected to occur in the normal course of business. The determination of the allowance is based on estimates made by management to include consideration of the character of the loan portfolio, specifically identified problem loans, potential losses inherent in the portfolio taken as a whole, and economic conditions in the Company's service area.

Loans determined to be impaired are individually evaluated by management for specific risk of loss. In addition, reserve factors are assigned to currently performing loans based on management's assessment of the following for each identified loan type: (1) inherent credit risk, (2) historical losses and, where the Company has not experienced losses, the loss experience of peer banks and (3) qualitative factors such as changes in the local economies, nature and volume of the loan portfolio, volume and severity of past due loans, and levels of concentrations. These estimates are particularly susceptible to changes in the economic environment and market conditions.

The allowance is established through a provision for loan losses which is charged to expense. Additions to the allowance are expected to maintain the adequacy of the total allowance after credit losses and loan growth. The allowance for loan losses at September 30, 2018 and 2017 reflects management's estimate of probable losses inherent in the portfolio. Although management believes the allowance for loans losses to be adequate, ultimate losses may vary from their estimates. In addition, the FDIC and the Texas Department of Banking, as an integral part of their examination process, review the adequacy of the allowance for loan losses. These agencies may require additions to the allowance for loan losses based on their judgment about information available at the time of their examinations.

Loans are charged-off when they are deemed to have identifiable loss potential and the borrower and/or guarantor do not have other resources sufficient to reasonably assure repayment.

Premises and Equipment

Land is carried at cost. Other premises and equipment are carried at cost, less accumulated depreciation and amortization. These assets are depreciated using the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are expensed as incurred while major additions and improvements are capitalized. Gains and losses on dispositions are included in current operations. The Company evaluates premises and equipment for financial impairment as events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable.

Other Real Estate

Real estate properties acquired through, or in lieu of, loan foreclosure are expected to be sold and are initially recorded at the fair value of the property, less estimated costs to sell. The excess, if any, of the loan amount over the fair value less costs to sell is charged to the allowance for loan losses. Subsequent declines in the fair value of other real estate, along with related revenue and expenses from operations, are charged to noninterest expense as incurred. The Company did not hold any other real estate at September 30, 2018 or 2017. When the Company holds other real estate it is considered to be valued using Level 2 valuation as referenced in the Fair Value Hierarchy.

Goodwill

Goodwill is evaluated annually for impairment or more frequently if impairment indicators are present. If the implied fair value of goodwill is lower than its carrying amount, a goodwill impairment is indicated and goodwill is written down to its implied fair value. Subsequent increases in goodwill value are not recognized in the consolidated financial statements.

Intangible Assets

Intangible assets with finite lives are amortized on the straight-line basis over periods ranging from ten to fifteen years. Such assets are periodically evaluated as to the recoverability of their carrying values.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense totaled $1,677,705 for 2018 and $1,858,824 for 2017.

Income Taxes

The Company is classified as an S Corporation under the Internal Revenue Code. As such, the results of operations are individually reported at the stockholder level.

The Company accounts for income taxes in accordance with ASC 740 "*Income Taxes*". Due to the complexities of the tax code, actual payment of taxes could be different from the current estimate of tax liabilities. At September 30, 2018 and 2017 the Company does not believe that there are any uncertain tax positions that would adversely impact the financial position or results of operations. Any interest and penalties on income tax assessments for income tax refunds are a component of the provision for income taxes. There were no penalties or interest recognized during the years ending September 30, 2018 or 2017. Income tax returns remain open for examination generally for tax year 2015 and forward.

The Company is subject to Texas Franchise Tax which is a privilege tax imposed on each entity organized in Texas or doing business in Texas. Franchise tax expense included in operations expense amounted to $68,401 and $58,801 for the years ended September 30, 2018 and 2017, respectively.

Accounting for Transfers and Servicing of Financial Assets

The Company accounts for transfers and servicing of financial assets in accordance with FASB ASC 860, *Transfers and Servicing*. Transfers of financial assets are accounted for as sales only when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Pension Plan

The Company offers the First United Bank 401(k) Defined Contribution Plan (the Plan) to its eligible employees. All employees age 21 and over are eligible for participation in the Plan after completing six months of service and one hour of service each month, or with 1,000 hours of service in their first year of employment. Under the Plan, the participant and the Company are both allowed to make contributions. The participants are allowed to contribute a portion of their salary to the Plan subject to those limitations provided for in Section 401(k) of the Internal Revenue Code.

The Company contributes a matching contribution of up to 50% of the first 6% of the participant's salary deferral contributions. In addition, the Company makes discretionary contributions to the Plan. An employee does not have to make 401(k) contributions in order to receive a discretionary contribution. The total cost to the Company related to the Plan amounted to $954,485 and $877,155 for the years ended September 30, 2018 and 2017, respectively. During the fiscal year 2012, the Company amended the Plan to include an Employee Stock Ownership Plan (ESOP) feature whereby employees were permitted to make a one-time election to acquire PBI stock. Currently, the shares of PBI stock held within the Plan represent 5.27% of the outstanding stock of PBI.

Deferred Compensation

The Company administers a nonqualified deferred compensation plan for certain executive officers and directors. The purpose of the plan is to allow participants an opportunity to elect to defer receipt of compensation. Benefits under the plan are payable over various terms following the participant reaching retirement age or upon death of the participant. Deferred compensation expense of $733,260 and $675,386 was recorded in 2018 and 2017, respectively. Deferred compensation payable totaled $6,537,631 and $5,995,832 as of September 30, 2018 and 2017, respectively.

The Company purchased life insurance policies on the plan participants in order to fund future plan obligations. These policies had an aggregate cash surrender value of $8,299,167 and $8,112,232 as of September 30, 2018 and 2017, respectively.

Concentrations of Credit Risk

Most of the Company's lending activity occurs within the state of Texas and in other markets to a lesser degree. The Company maintains cash balances in various correspondent financial institutions. At times during the year, and at year-end, the balances exceeded the applicable FDIC insurance coverage. Management regularly evaluates the credit risk associated with its correspondent financial institutions and does not believe the Company is exposed to any significant risks related to these correspondent accounts.

Comprehensive Income

Comprehensive income is a more inclusive financial reporting methodology that includes disclosure of other comprehensive income that historically has not been recognized in the calculation of net income. Sources of other comprehensive income include unrealized gains and losses on available-for-sale investment securities. Total comprehensive income and components of accumulated other comprehensive income are presented in the consolidated statements of income and comprehensive income.

Reclassifications

Certain reclassifications have been made to the prior year balances to conform to the presentation in the current year consolidated financial statements. These reclassifications had no impact on net income.

## 2. Investment Securities

The following summarizes the investments in securities that are reflected in the financial statements at their fair value at September 30, 2018:

| Available-for-Sale | Amortized Cost | Gross Unrealized Gain | Gross Unrealized Loss | Fair Value | Fair Value Hierarchy Level |
|---|---|---|---|---|---|
| Federal Agency Securities | $ 89,291,440 | $ | $ (2,583,258) | $ 86,708,182 | 2 |
| CMOs - Fixed Rate | 53,761,578 | 15,356 | (1,598,345) | 52,178,589 | 2 |
| Mortgage-backed Securities | 95,968,746 | 25,395 | (3,672,621) | 92,321,520 | 2 |
| Municipal Govt. - Taxable | 2,790,000 | | (113,553) | 2,676,447 | 3 |
| Municipal Govt. - Tax Exempt | 13,710,181 | 192,617 | (2,665) | 13,900,133 | 2 |
| Municipal Govt. - Tax Exempt | 23,852,324 | 397,198 | (77,348) | 24,172,174 | 3 |
| | $ 279,374,269 | $ 630,566 | $ (8,047,790) | $ 271,957,045 | |

The following summarizes the investments in securities that are reflected in the financial statements at their amortized cost at September 30, 2018:

| Held-to-Maturity | Amortized Cost | Gross Unrealized Gain | Gross Unrealized Loss | Fair Value | Fair Value Hierarchy Level |
|---|---|---|---|---|---|
| Mortgage-backed Securities | $ 25,138,531 | $ 2,718 | $ (833,881) | $ 24,307,368 | 2 |

The following summarizes the investments in securities that are reflected in the financial statements at their fair value at September 30, 2017:

| Available-for-Sale | Amortized Cost | Gross Unrealized Gain | Gross Unrealized Loss | Fair Value | Fair Value Hierarchy Level |
|---|---|---|---|---|---|
| Federal Agency Securities | $ 95,275,593 | $ 47,247 | $ (978,837) | $ 94,344,003 | 2 |
| CMOs - Fixed Rate | 33,886,032 | 119,826 | (228,765) | 33,777,093 | 2 |
| Mortgage-backed Securities | 96,906,032 | 272,918 | (876,421) | 96,302,529 | 2 |
| Municipal Govt. - Taxable | 2,945,000 | 502,076 | | 3,447,076 | 3 |
| Municipal Govt. - Tax Exempt | 15,323,216 | 553,348 | (437) | 15,876,127 | 2 |
| Municipal Govt. - Tax Exempt | 24,917,559 | 1,219,131 | (15,189) | 26,121,501 | 3 |
| | $ 269,253,432 | $ 2,714,546 | $ (2,099,649) | $ 269,868,329 | |

The following summarizes the investments in securities that are reflected in the financial statements at their amortized cost at September 30, 2017:

| Held-to-Maturity | Amortized Cost | Gross Unrealized Gain | Gross Unrealized Loss | Fair Value | Fair Value Hierarchy Level |
|---|---|---|---|---|---|
| Mortgage-backed Securities | $ 32,448,140 | $ 136,672 | $ (204,355) | $ 32,380,457 | 2 |

Net unrealized losses on available-for-sale investment securities totaling $7,417,224 and net unrealized gains on available-for-sale investment securities totaling $614,897 were recorded as accumulated other comprehensive income within the consolidated statements of changes in stockholders' equity at September 30, 2018 and 2017, respectively.

Sales of securities available-for-sale were as follows:

| | September 30, 2018 | September 30, 2017 |
|---|---|---|
| Proceeds from sales of available-for-sale securities | $ | $ 4,716,584 |
| Gross realized gains | $ | $ 71,976 |
| Gross realized losses | $ | $ 2,733 |

During the year ended September 30, 2017 the Company sold three mortgage-backed held-to-maturity securities for which a substantial portion (85% or more) of the principal outstanding at acquisition had been collected.

Sales of securities held-to-maturity were as follows:

| | September 30, 2018 | September 30, 2017 |
|---|---|---|
| Proceeds from sales of held-to-maturity securities | $ | $ 827,463 |
| Net carrying amount of held-to-maturity securities sold | $ | $ 810,711 |
| Gross realized gains | $ | $ 16,752 |

The amortized cost and estimated fair value of investment securities by contractual maturity as of September 30, 2018 are reflected below. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without penalties.

| | Amortized Cost | Fair Value |
|---|---|---|
| Due Within One Year | $ 20,715,368 | $ 20,676,428 |
| After One Year through Five Years | 250,897,363 | 242,798,820 |
| After Five Years through Ten Years | 13,998,864 | 13,774,714 |
| After Ten Years | 18,901,205 | 19,014,450 |
| | $ 304,512,800 | $ 296,264,412 |

Securities with a carrying value of approximately $198,106,967 and $230,892,178 were pledged to secure certain deposits as of September 30, 2018 and 2017, respectively.

Securities with gross unrealized losses, aggregated by investment category and length of time that individual securities have been in a continuous loss position as of September 30, 3018 are as follows:

| | Continuous Unrealized losses existing for less than 12 months | | Continuous Unrealized losses existing for 12 months and greater | | Totals | |
|---|---|---|---|---|---|---|
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| Federal Agency Securities | $ 5,884,824 | $ 103,413 | $ 80,823,358 | $ 2,479,845 | $ 86,708,182 | $ 2,583,258 |
| CMOs - Fixed Rate | 29,980,799 | 803,455 | 20,486,601 | 794,890 | 50,467,400 | 1,598,345 |
| Mortgage-backed Securities | 35,029,339 | 950,133 | 78,385,832 | 3,556,369 | 113,415,171 | 4,506,502 |
| Municipal Govt. - Tax Exempt | 4,726,953 | 139,137 | 921,014 | 54,429 | 5,647,967 | 193,566 |
| Total Temporarily Impaired Securities | $ 75,621,915 | $ 1,996,138 | $ 180,616,805 | $ 6,885,533 | $ 256,238,720 | $ 8,881,671 |

Securities with gross unrealized losses, aggregated by investment category and length of time that individual securities have been in a continuous loss position as of September 30, 3017 are as follows:

| | Continuous Unrealized losses existing for less than 12 months | | Continuous Unrealized losses existing for 12 months and greater | | Totals | |
|---|---|---|---|---|---|---|
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| Federal Agency Securities | $ 28,175,799 | $ 213,480 | $ 57,141,600 | $ 765,357 | $ 85,317,399 | $ 978,837 |
| CMOs - Fixed Rate | 13,277,139 | 138,938 | 9,378,908 | 89,827 | 22,656,047 | 228,765 |
| Mortgage-backed Securities | 68,189,795 | 607,525 | 31,037,928 | 473,251 | 99,227,723 | 1,080,776 |
| Municipal Govt. - Tax Exempt | 960,017 | 15,189 | 429,003 | 437 | 1,389,020 | 15,626 |
| Total Temporarily Impaired Securities | $ 110,602,750 | $ 975,132 | $ 97,987,439 | $ 1,328,872 | $ 208,590,189 | $ 2,304,004 |

The Company had 119 investment securities that had been in a loss position for more than 12 months at September 30, 2018, and the Company had 46 investment securities that had been in a loss position for more than 12 months at September 30, 2017. The unrealized losses are considered by management to be temporary as management has the ability to hold debt securities for the foreseeable future. No declines are deemed to be other-than-temporary.

The following table presents changes in the Company's Level 3 other investment assets measured at fair value on a recurring basis for the years ended September 30, 2018 and 2017:

| | September 30, 2018 | September 30, 2017 |
|---|---|---|
| Balance, Beginning of Year (Fair Market Value) | $ 29,568,577 | $ 20,866,815 |
| Purchases, Sales and Settlements | (1,158,823) | 8,849,085 |
| Change In Unrealized Gain (Loss) | (1,561,133) | (147,323) |
| Balance, End of Year (Fair Market Value) | $ 26,848,621 | $ 29,568,577 |

## 3. Other Investments

Other investments, which are carried at cost due to their limited marketability, are summarized as follows:

| | September 30, 2018 | September 30, 2017 |
|---|---|---|
| Federal Home Loan Bank Stock (Restricted) | $ 5,790,617 | $ 5,662,793 |
| Common Stock - Plains Statutory Trust II | 619,000 | 619,000 |
| Valesco Commerce Street Capital, L.P. | 917,611 | 618,591 |
| Valesco Fund II, L.P. | 278,375 | |
| Bluehenge Capital Secured Debt SBIC, L.P. | 3,582,685 | 2,393,907 |
| Other Corporate Stock | 232,625 | 232,625 |
| | $ 11,420,913 | $ 9,526,916 |

As a member of the Federal Home Loan Bank (FHLB), the Company is required to own capital stock in an amount specified by regulation. The stock is carried at cost and is redeemable at par with certain restrictions. The amount of stock required to be held is adjusted periodically based on a determination made by the FHLB.

See Note 12 for information regarding the Plains Statutory Trust II common stock.

The investment in the Valesco Commerce Street Capital, L.P. (Valesco) represents the Company's investment in a Small Business Investment Company (SBIC) licensed by the United States Small Business Administration (SBA). Valesco serves as a private investment fund targeting subordinated debt and equity investments in middle market businesses in the south-central United States. The Company has committed to invest up to $3,000,000 in Valesco, which represents a 4.36% partnership interest.

The investment in the Valesco Fund II, L.P. (Valesco II) represents the Company's investment in an SBIC licensed by the United States SBA. Valesco II serves as a private investment fund targeting subordinated debt and equity investments in middle market businesses in the south-central United States. The Company has committed to invest up to $1,000,000 in Valesco II, which represents a .60% partnership interest.

The investment in the Bluehenge Capital Secured Debt SBIC, L.P. (Bluehenge) represents the Company's investment in an SBIC licensed by the United States SBA. Bluehenge serves as a private investment fund targeting subordinated debt and equity investments in middle market businesses in the south-central and eastern United States. The Company has committed to invest up to $5,000,000 in Bluehenge, which represents a 7.93% partnership interest.

## 4. Loans Receivable and Allowance for Loan Losses

The composition of loans receivable is summarized as follows:

| | September 30, 2018 | September 30, 2017 |
|---|---|---|
| Commercial | $ 176,895,688 | $ 158,655,963 |
| Real Estate | 574,124,772 | 547,564,275 |
| Agricultural | 132,845,826 | 131,386,371 |
| Consumer | 7,424,162 | 6,637,069 |
| Overdrafts | 224,428 | 491,589 |
| | $ 891,514,876 | $ 844,735,267 |
| Less: Allowance for Loan Losses | 13,318,476 | 12,975,088 |
| | $ 878,196,400 | $ 831,760,179 |

Approximately $573,634,000 and $533,940,000 of loans were pledged, under a blanket lien, to secure the FHLB borrowing arrangements discussed in Note 10 to the consolidated financial statements as of September 30, 2018 and 2017, respectively.

<u>Loan Portfolio Segments</u>

Below is a summary of the segments of the Company's loan portfolio:

Commercial – The commercial portfolio segment consists of business purpose loans that are both unsecured and secured, but not secured by real estate. Commercial loans are made available for general operating purposes; acquisition of fixed assets, such as machinery and equipment; lines of credit collateralized by inventory and accounts receivable; as well as other purposes. Tax exempt loans to various taxing authorities, including counties, cities, school districts, and hospital districts are also included in this portfolio segment. Risks inherent to this portfolio segment include fluctuations in the local and national economy.

Real Estate – The real estate portfolio segment consists of all loans that are secured by real estate. This segment includes commercial real estate loans, 1-4 family residential loans as well as loans secured by agricultural real estate. Risks inherent in this portfolio segment include fluctuations in property values as well as adverse changes to local and national economic conditions.

Agricultural – The agricultural portfolio segment consists of operating loans and term loans to agricultural producers in our market areas. Included in this segment are annual crop production loans for crops including, but not limited to, cotton, corn and wheat. Equipment financing loans are also included in this portfolio segment. Risks inherent to the agricultural portfolio segment include adverse weather conditions, declines in commodity prices, and changes to government farm programs.

Consumer – The consumer portfolio segment consists of loans to consumers for personal, family or household purposes excluding loans secured by 1-4 family residential real estate. This segment includes personal loans and lines of credit provided to consumers for various purposes; such as the purchase of automobiles, boats, and other recreational vehicles; as well as personal investments. The risks inherent in this portfolio segment include local and national economic factors, such as unemployment and inflation, which could affect the borrower's abilities to meet their obligations.

Credit Quality Indicators

The Company monitors the credit quality of the loans in the various segments by identifying and evaluating credit quality indicators specific to each segment. This information is incorporated into management's analysis of the adequacy of the allowance for loan losses. There were no changes to the Company's defined credit quality indicators for either year covered by this report. The following is a discussion of the primary credit quality indicators most closely monitored for the respective portfolio segment classes:

Commercial – In assessing risk associated with commercial loans as part of our credit underwriting process, management carefully evaluates the borrower's industry, operating performance, liquidity and financial condition. Management underwrites credits based on multiple repayment sources, including operating cash flow, liquidation of collateral and guarantor support, if any.

Real Estate – In underwriting commercial real estate loans, management considers the borrower's financial strength, cash flow, liquidity, and credit history. In the event there is more than one borrower on the loan, management analyzes global cash flow of all borrowers.

Agricultural – In assessing risk associated with agricultural loans, management considers the borrower's cash flows, the value of the underlying collateral, and secondary sources of repayments.

Consumer – When assessing risk in consumer loans, management considers the value of the collateral used to secure the loan, the borrower's credit score, credit history, debt to income ratio, the availability of other credit to the borrower as well as the borrower's past-due history.

Credit Quality

The Company monitors economic conditions and loan performance trends in order to manage and evaluate the exposure to credit risk. The Company's credit quality classification system is as follows:

Pass

Loans that exhibit acceptable credit risk, indicate repayment ability, tolerable collateral coverage, and reasonable performance history are rated as "Pass".

Watch

The Watch category is used to denote loans with the potential for future deterioration which, if continued, would result in criticism and/or classification. While still protected by the current net worth and overall repayment capacity of the borrower, the loans have one or more deficiencies that require additional monitoring. These loans may have potential weaknesses and negative trends that include declining profitability or cash flow, tightening liquidity, increasing leverage and/or declining net worth. A primary difference between Watch and Other Assets Especially Mentioned (OAEM) involves the severity and imminence of the potential weaknesses.

OAEM

Loans carried in OAEM are characterized as adequately covered by collateral and/or the paying capacity of the borrower, but are subject to one or more material adverse trends. OAEM loans are generally current on all payments of principal and interest. These are not problem loans, rather, they are potential problems.

Substandard

The Substandard classification is generally characterized by loans which are deemed to be collectible, but the normal repayment of the loan is jeopardized by one or more adverse trends (financial, managerial, economic or political).

Substandard loans are generally not adequately covered by the borrower's cash flow from operations. In some instances, credits may be adequately secured/collateralized, but the borrower's financial condition may necessitate delays in payments, restructuring or a workout of the loan. A Substandard loan is a problem, but one in which management feels the asset value is protected.

Doubtful

The Doubtful classification is generally characterized by inadequate collateral and paying capacity to ensure full repayment of the loan. This category is differentiated from the Substandard category by virtue of identified loss potential.

The following table summarizes the credit exposure in the loan portfolio as of September 30, 2018:

| | Pass | Watch | OAEM | Sub-Standard | Doubtful | Ending Balance |
|---|---|---|---|---|---|---|
| Commercial | $ 170,989,514 | $ 166,766 | $ | $ 5,739,408 | $ | $ 176,895,688 |
| Real Estate | 561,902,638 | 2,558,605 | | 9,663,529 | | 574,124,772 |
| Agricultural | 126,203,952 | 5,188,996 | | 1,452,878 | | 132,845,826 |
| Consumer | 7,424,162 | | | | | 7,424,162 |
| Overdrafts | 224,428 | | | | | 224,428 |
| | $ 866,744,694 | $ 7,914,367 | $ 0 | $ 16,855,815 | $ 0 | $ 891,514,876 |

The following table summarizes the credit exposure in the loan portfolio as of September 30, 2017:

| | Pass | Watch | OAEM | Sub-Standard | Doubtful | Ending Balance |
|---|---|---|---|---|---|---|
| Commercial | $ 140,847,430 | $ 6,299,098 | $ | $ 11,509,435 | $ | $ 158,655,963 |
| Real Estate | 533,200,186 | 4,879,755 | | 9,484,334 | | 547,564,275 |
| Agricultural | 127,995,078 | 259,285 | | 3,132,008 | | 131,386,371 |
| Consumer | 6,637,069 | | | | | 6,637,069 |
| Overdrafts | 491,589 | | | | | 491,589 |
| | $ 809,171,352 | $ 11,438,138 | $ 0 | $ 24,125,777 | $ 0 | $ 844,735,267 |

Past Due and Nonaccrual Loans

Loans are considered past due if the required principal and interest payments have not been received as of the date such payments were due. When principal or interest is delinquent for 90 days or more, the Company evaluates the loan for nonaccrual status. After a loan is placed on nonaccrual status, all interest previously accrued but not collected is reversed against current period interest income. Subsequent collections of interest payments on nonaccrual loans are recognized as interest income unless ultimate collectability of the loan is in doubt. Cash collections on loans where ultimate collectability remains in doubt are applied as reductions of the loan principal balance and no interest income is recognized until the principal balance has been collected. Loans on nonaccrual status may be reinstated to accrual status only after all past due principal and interest payments are brought current and reasonable prospects for continued satisfactory performance exist.

A summary of loans by delinquent status by segment is as follows for September 30, 2018:

| | Current | Over 30 days | Over 60 days | Over 90 days | Total |
|---|---|---|---|---|---|
| Commercial | $ 176,846,269 | $ 49,419 | $ | $ | $ 176,895,688 |
| Real Estate | 573,493,309 | 465,797 | | 165,666 | 574,124,772 |
| Agricultural | 132,763,313 | 82,513 | | | 132,845,826 |
| Consumer | 7,417,094 | 7,068 | | | 7,424,162 |
| Overdrafts | 209,416 | 14,714 | 298 | | 224,428 |
| | $ 890,729,401 | $ 619,511 | $ 298 | $ 165,666 | $ 891,514,876 |

A summary of loans by delinquent status by segment is as follows for September 30, 2017:

| | Current | Over 30 days | Over 60 days | Over 90 days | Total |
|---|---|---|---|---|---|
| Commercial | $ 153,013,504 | $ 463,947 | $ 13,088 | $ 5,165,424 | $ 158,655,963 |
| Real Estate | 545,631,016 | 1,764,496 | 168,763 | | 547,564,275 |
| Agricultural | 129,739,500 | | 920,177 | 726,694 | 131,386,371 |
| Consumer | 6,635,728 | 169 | 1,172 | | 6,637,069 |
| Overdrafts | 472,256 | 14,099 | 5,201 | 33 | 491,589 |
| | $ 835,492,004 | $ 2,242,711 | $ 1,108,401 | $ 5,892,151 | $ 844,735,267 |

A summary of nonaccrual loans by segment is as follows:

| | September 30, | |
|---|---|---|
| | 2018 | 2017 |
| Commercial | $ 50,549 | $ 5,202,744 |
| Real Estate | 534,489 | 1,899,801 |
| Agricultural | 108,239 | 1,073,675 |
| | $ 693,277 | $ 8,176,220 |

Foregone interest on nonaccrual loans amounted to an estimated $175,617 and $660,384 for the years ended September 30, 2018 and 2017, respectively. At September 30, 2018 and 2017, the total recorded investment in loans past due 90 days or more and still accruing interest amounted to $165,666 and $0, respectively.

Impaired Loans

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due (including both principal and interest) in accordance with the contractual terms of the loan agreement. An impaired loan is measured based on the present value of expected future cash flows discounted at the loan's effective rate or, as a practical matter, at the loan's observable market price or the fair value of collateral if the loan is collateral dependent.

Impaired loans include loans that have been classified as substandard or worse. However, certain loans have been paying as agreed and have remained current, with some financial issues related to cash flow that have caused some concern as to the ability of the borrower to perform in accordance with the current loan terms but not to such an extent as to require the loan be put into a nonaccrual status. Interest payments on impaired loans are typically applied to principal unless collectability of the principal amount is reasonably assured, in which case interest income is generally recognized as received.

The following table presents information about the Company's impaired loans at September 30, 2018:

| | Recorded Investment | Unpaid Principal Balance | Related Allowance | Average Recorded Investment | Interest Income Recognized |
|---|---|---|---|---|---|
| Commercial | $ 2,206,553 | $ 2,206,553 | $ 336,389 | $ 2,634,637 | $ 159,830 |
| Real Estate | 730,444 | 730,444 | 62,132 | 763,031 | 43,245 |
| Agricultural | 25,549 | 25,549 | 15,148 | 31,435 | 2,994 |
| | $ 2,962,546 | $ 2,962,546 | $ 413,669 | $ 3,429,102 | $ 206,069 |

The following table presents information about the Company's impaired loans at September 30, 2017:

| | Recorded Investment | Unpaid Principal Balance | Related Allowance | Average Recorded Investment | Interest Income Recognized |
|---|---|---|---|---|---|
| Commercial | $ 7,251,401 | $ 7,251,401 | $ 2,461,578 | $ 7,678,862 | $ 186,874 |
| Real Estate | 1,059,071 | 1,059,071 | 70,245 | 1,101,076 | 58,971 |
| Agricultural | 1,133,383 | 1,133,383 | 492,405 | 1,890,556 | 55,159 |
| | $ 9,443,855 | $ 9,443,855 | $ 3,024,228 | $ 10,670,494 | $ 301,004 |

All loans considered to be impaired have a specific related allowance. The Company does not have loans that it considers impaired without having a specific related allowance.

Troubled Debt Restructuring

The restructuring of a loan constitutes a troubled debt restructuring (TDR) 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.

Information on TDRs by segment is as follows for September 30, 2018:

| | Number of Loans | Pre-modification Outstanding Recorded Investment | Post-modification Outstanding Recorded Investment |
|---|---|---|---|
| Real Estate | 1 | $ 415,855 | $ 415,855 |
| Agricultural | 1 | 108,239 | 108,239 |
| | | $ 524,094 | $ 524,094 |

The TDR loans shown in the table were modified during 2018 with the following terms: one real estate loan was re-amortized over 20 years and one agricultural loan that was due in full was amortized over 7 years.

There were no TDR loans during the year ending September 30, 2017.

There were no loans as of September 30, 2018 that had been modified as TDRs during 2017 that subsequently defaulted in 2018.

At September 30, 2018 there were no commitments to lend additional funds to any borrower whose loan terms have been modified in a TDR.

Allowance for Loan Losses Methodology

The Company strives to maintain an Allowance for Loan Losses at a level that is adequate to absorb inherent estimated losses within the loan portfolio. The Allowance for Loan Losses is increased by charges to income and decreased by charge-offs (net of recoveries). The level of the allowance reflects the Company's periodic evaluation of internal and external factors or conditions that may reasonably affect future loan losses.

The Allowance for Loan Losses is comprised of three elements: (1) specific reserves on probable losses on specific loans; (2) general reserves determined based on historical loss rates, loan classifications, and other factors; and (3) a qualitative reserve based upon general economic conditions and other qualitative risk factors both internal and external to the Company.

Determining and Measuring Impairment

All loans on nonaccrual or rated as doubtful are individually reviewed for impairment. All substandard loan relationships greater than or equal to $75,000 are also individually reviewed for impairment. Generally, substandard loan relationships less than $75,000 are not reviewed for impairment. A loan is considered impaired when, based on current financial information and events, it is probable that a creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement. If the individual loan is determined to be impaired, then the impairment amount is calculated in accordance with generally accepted accounting principles in the United States of America. Generally, it is the Company's policy to measure the allowance for an impaired loan based on the fair value of the collateral. Other methods may be employed including methods based on present value of expected future cash flows and the loans observable market price.

Historical Loss Estimates

All loans not considered to be individually impaired are segmented into groups of loans with similar risk characteristics. These groups of loans are collectively evaluated for impairment. The Company groups loans into five major categories that include: (1) consumer loans; (2) agricultural loans; (3) commercial loans; (4) real estate loans; and (5) overdrafts. A historical loss rate is determined by applying historical loss rates by each loan category. Historical loss estimates may be adjusted based on current internal or external factors affecting the overall collectability of each loan category.

Loans classified substandard and not evaluated for impairment are also grouped together. Historical loss rates with adjusted risk factors are applied to these substandard loan totals. A historical risk factor is determined and adjusted based on the internal and external risk factors in the current environment.

Contingent Loss Estimates

Contingent loss estimates are made by the Company in calculating the general reserve. These qualitative facts include internal and external risk factors. These risk factors will periodically change based on the current environment.

Acceptable Estimated Range for the Allowance for Loan Losses

The Allowance for Loan Losses methodology can only provide the Company's best estimate of loan losses and in order to arrive at the proper allowance a high degree of management judgment is required. Due to the fact that estimating loan losses and determining the Allowance for Loan Losses is inevitably imprecise, management has determined that a range of estimated losses be allowed in evaluating the adequacy of the Allowance for Loan Losses. If the Allowance for Loan Losses does not fall within the range, the level of reserves along with the Company's qualitative internal and external risk factor assumptions is reviewed.

The following table presents the activity in the Allowance for Loan Losses and the recorded investment in loans based on portfolio segment and impairment method for the year ending September 30, 2018.

| | 2018 | | | | | |
|---|---|---|---|---|---|---|
| | Commercial | Real Estate | Agriculture | Consumer | Overdrafts | Total |
| **Allowance for Loan Losses:** | | | | | | |
| Beginning Balance | $ 4,068,942 | $ 6,170,963 | $ 2,525,139 | $ 84,959 | $ 125,085 | $ 12,975,088 |
| Provision for Loan Losses | 224,629 | 1,841,646 | (404,367) | (2,090) | 15,182 | 1,675,000 |
| Loans Charged-off | (1,535,175) | 0 | (17,190) | (2,605) | (133,241) | (1,688,211) |
| Recoveries | 213,766 | 35,182 | 39,941 | 21,237 | 46,473 | 356,599 |
| Ending Balance | $ 2,972,162 | $ 8,047,791 | $ 2,143,523 | $ 101,501 | $ 53,499 | $ 13,318,476 |
| Ending Balance Individually Evaluated for Impairment | $ 351,537 | $ 62,132 | $ | $ | $ | $ 413,669 |
| Ending Balance Collectively Evaluated for Impairment | 2,620,625 | 7,985,659 | 2,143,523 | 101,501 | 53,499 | 12,904,807 |
| Total Ending Balance | $ 2,972,162 | $ 8,047,791 | $ 2,143,523 | $ 101,501 | $ 53,499 | $ 13,318,476 |
| **Loans:** | | | | | | |
| Ending Balance Individually Evaluated for Impairment | $ 3,033,665 | $ 2,005,715 | $ 241,370 | $ | $ | $ 5,280,750 |
| Ending Balance Collectively Evaluated for Impairment | 173,862,023 | 572,119,057 | 132,604,456 | 7,424,162 | 224,428 | 886,234,126 |
| Total Ending Balance | $ 176,895,688 | $ 574,124,772 | $ 132,845,826 | $ 7,424,162 | $ 224,428 | $ 891,514,876 |

The following table presents the activity in the Allowance for Loan Losses and the recorded investment in loans based on portfolio segment and impairment method for the year ending September 30, 2017.

| | 2017 | | | | | |
|---|---|---|---|---|---|---|
| | Commercial | Real Estate | Agriculture | Consumer | Overdrafts | Total |
| **Allowance for Loan Losses:** | | | | | | |
| Beginning Balance | $ 1,495,976 | $ 6,142,941 | $ 3,917,991 | $ 91,240 | $ 96,446 | $ 11,744,594 |
| Provision for Loan Losses | 2,541,905 | 14,731 | (1,524,050) | 6,344 | 161,070 | 1,200,000 |
| Loans Charged-off | (1,051) | (80,223) | (5,889) | (24,968) | (187,429) | (299,560) |
| Recoveries | 32,112 | 93,514 | 137,087 | 12,343 | 54,998 | 330,054 |
| Ending Balance | $ 4,068,942 | $ 6,170,963 | $ 2,525,139 | $ 84,959 | $ 125,085 | $ 12,975,088 |
| Ending Balance Individually Evaluated for Impairment | $ 2,461,578 | $ 70,245 | $ 492,405 | $ | $ | $ 3,024,228 |
| Ending Balance Collectively Evaluated for Impairment | 1,607,364 | 6,100,718 | 2,032,734 | 84,959 | 125,085 | 9,950,860 |
| Total Ending Balance | $ 4,068,942 | $ 6,170,963 | $ 2,525,139 | $ 84,959 | $ 125,085 | $ 12,975,088 |
| **Loans:** | | | | | | |
| Ending Balance Individually Evaluated for Impairment | $ 12,441,962 | $ 2,173,222 | $ 1,261,016 | $ | $ | $ 15,876,200 |
| Ending Balance Collectively Evaluated for Impairment | 146,214,001 | 545,391,053 | 130,125,355 | 6,637,069 | 491,589 | 828,859,067 |
| Total Ending Balance | $ 158,655,963 | $ 547,564,275 | $ 131,386,371 | $ 6,637,069 | $ 491,589 | $ 844,735,267 |

## 5. Accrued Interest Receivable

Accrued interest receivable consisted of the following:

| | September 30, | |
|---|---|---|
| | 2018 | 2017 |
| Investments | $ 973,442 | $ 965,470 |
| Loans Receivable | 8,283,023 | 7,555,759 |
| | $ 9,256,465 | $ 8,521,229 |

## 6. Premises and Equipment

Premises and equipment consisted of the following:

| | September 30, 2018 | September 30, 2017 |
|---|---|---|
| Land | $ 3,475,188 | $ 3,172,268 |
| Work-in-Progress | $ 219,202 | $ 4,476,802 |
| Depreciable and Amortizable Assets | | |
| Buildings and Improvements | $ 36,669,600 | $ 31,871,031 |
| Furniture and Fixtures | 15,042,467 | 13,767,527 |
| Automobiles | 542,772 | 694,617 |
| Computer Software | 2,944,124 | 2,738,718 |
| Aircraft | 1,628,003 | 1,628,003 |
| Aircraft Improvements | 1,063,814 | 1,063,814 |
| Less: Accumulated Depreciation and Amortization | (30,219,295) | (28,132,148) |
| Net Depreciable and Amortizable Assets | $ 27,671,485 | $ 23,631,562 |
| Total Premises and Equipment | $ 31,365,875 | $ 31,280,632 |

Depreciation and amortization expense on these assets amounted to $2,328,587 and $2,218,840 for the years ended September 30, 2018 and 2017, respectively.

## 7. Intangible Assets

Intangible assets consisted of the following:

| | September 30, 2018 | September 30, 2017 |
|---|---|---|
| Naming Rights - West Texas A&M University | $ 1,000,000 | $ 1,000,000 |
| Accumulated Amortization | (872,223) | (805,556) |
| Naming Rights - LCISD | 500,000 | 500,000 |
| Accumulated Amortization | (104,167) | (54,167) |
| | $ 523,610 | $ 640,277 |

The Naming Rights – West Texas A&M University represents amounts paid for naming rights on a facility at West Texas A&M University in Canyon, Texas. The cost of the naming rights is being amortized over 15 years. Amortization for the years ended September 30, 2018 and 2017 amounted to $66,667 for each year.

The Naming Rights – Lubbock Cooper Independent School District (LCISD) represents amounts paid for naming rights on facilities at LCISD. The cost of the naming rights is being amortized over 10 years. Amortization for the years ended September 30, 2018 and 2017 amounted to $50,000 for each year.

Amortization expense for the next five years is as follows:

| | |
|---|---|
| 9/30/2019 | $ 116,667 |
| 9/30/2020 | 111,110 |
| 9/30/2021 | 50,000 |
| 9/30/2022 | 50,000 |
| 9/30/2023 | 50,000 |
| Total | $ 377,777 |

## 8. Goodwill

Goodwill consisted of the following as September 30, 2018 and 2017:

| | September 30, 2018 | September 30, 2017 |
|---|---|---|
| Bank Asset Acquisitions | $ 9,483,134 | $ 9,483,134 |
| Less: Accumulated Amortization | (926,026) | (926,026) |
| | $ 8,557,108 | $ 8,557,108 |

The goodwill recognized in bank asset acquisitions was originally established to be amortized over a 15-year period. Effective January 1, 2002, the Company adopted the provisions of financial accounting standards that require the cessation of the amortization of goodwill. Financial accounting standards also require that the fair value of the goodwill be determined and properly reflected in the financial statements on an annual basis. As such, no amortization of goodwill has been recognized since 2001. Due to fair value determinations that support the balances of goodwill, no amounts have been reflected as impairment losses related to these assets.

## 9. Deposits

Deposits consisted of the following:

| | September 30, 2018 | September 30, 2017 |
|---|---|---|
| Non interest-bearing Demand | $ 301,427,339 | $ 254,431,628 |
| Interest-bearing Demand and Savings | 451,693,558 | 422,383,855 |
| Certificates of Deposit | 262,911,043 | 275,465,441 |
| IRA Certificates | 17,534,076 | 17,751,238 |
| | $ 1,033,566,016 | $ 970,032,162 |

At September 30, 2018, scheduled maturities of certificates of deposit and IRA certificates are as follows:

| | | |
|---|---|---|
| Maturing Within One Year | $ | 194,692,054 |
| Maturing From One to Three Years | | 77,211,795 |
| Maturing After Three Years | | 8,541,270 |
| | $ | 280,445,119 |

Total time deposits of more than $250,000 amounted to approximately $114,101,547 and $117,527,967 at September 30, 2018 and 2017, respectively. Demand deposit overdraft balances reclassified as loans amounted to $224,428 and $491,589 at September 30, 2018 and 2017, respectively.

## 10. Borrowings

The Company has a line of credit with the FHLB totaling approximately $275,000,000 that is secured by the Company's FHLB stock and a blanket lien on most of its real estate loan portfolio. Borrowings under the FHLB line of credit can be structured as either short-term or long-term borrowings, depending on the Company's particular funding or liquidity needs at the time of the advance.

Outstanding FHLB borrowings consisted of the following at September 30, 2018 and 2017:

| | September 30, | | | |
|---|---|---|---|---|
| | | 2018 | | 2017 |
| Long-Term Advance (Due 9/1/2026) 5.412% | $ | 92,959 | $ | 102,002 |
| Short-Term Advance (Due 10/19/2017) 1.15% | | | | 20,000,000 |
| Short-Term Advance (Due 10/20/2017) 1.26% | | | | 15,000,000 |
| Short-Term Advance (Due 10/27/2017) 1.26% | | | | 30,000,000 |
| Short-Term Advance (Due 11/24/2017) 1.17% | | | | 25,000,000 |
| Short-Term Advance (Due 12/08/2017) 1.17% | | | | 35,000,000 |
| Short-Term Advance (Due 10/25/2018) 2.19% | | 15,000,000 | | |
| Short-Term Advance (Due 11/01/2018) 2.06% | | 35,000,000 | | |
| Short-Term Advance (Due 11/21/2018) 2.31% | | 20,000,000 | | |
| Short-Term Advance (Due 12/24/2018) 2.30% | | 45,000,000 | | |
| | $ | 115,092,959 | $ | 125,102,002 |

Interest expense incurred on FHLB advances amounted to $1,276,419 and $627,383 for the years ended September 30, 2018 and 2017, respectively.

Principal and interest payments on the long-term advances are made monthly. Principal amounts (including balloon payments) due to the FHLB for the next five years are as follows:

| | |
|---|---|
| 9/30/2019 | $ 115,009,545 |
| 9/30/2020 | 10,075 |
| 9/30/2021 | 10,634 |
| 9/30/2022 | 11,224 |
| 9/30/2023 | 11,846 |
| Thereafter | 39,635 |
| Total | $ 115,092,959 |

## 11. Fed Funds Purchased

The Company has established Fed Funds Purchased lines of credit through its two correspondent bank relationships whereby the Company may purchase up to $35,000,000 in federal funds on an overnight, unsecured basis. Outstanding balances under the Fed Funds Purchased arrangements amounted to $0 and $5,200,000 for the years ended September 30, 2018 and 2017, respectively.

Interest expense incurred on Fed Funds Purchased amounted to $108,813 and $41,604 for the years ended September 30, 2018 and 2017, respectively.

## 12. Subordinated Debentures

On September 21, 2006, PBI issued through a wholly-owned statutory trust, Plains Statutory Trust II, $20,000,000 of preferred beneficial interest in the PBI's unsecured junior subordinated debentures (trust preferred securities) that qualify as Tier I capital under Federal Reserve Board guidelines within certain limitations. PBI owns all of the common stock of the trust. This stock is reflected as other investments in the amount of $619,000. The sole purpose of the Plains Statutory Trust II is to issue these securities and use the proceeds to acquire subordinated debentures of PBI. The debentures are payable over a thirty-year period through the Wilmington Trust Company. The rate paid is the 3-Month LIBOR (Floating) rate plus 1.65%. The effective interest rate was 3.98% and 2.97% at September 30, 2018 and 2017, respectively. Interest expense related to these debentures amounted to $717,981 and $551,397 for the years ended September 30, 2018 and 2017, respectively.

## 13. Regulatory Capital

The Company is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum regulatory capital requirements can initiate certain mandatory - and possibly additional discretionary - actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. Under the regulatory capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company must meet specific capital guidelines that involve quantitative measures of the Company's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Company's capital amounts and classification 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 Company to maintain minimum amounts and ratios (set forth in the tables below) of total 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 average assets (as defined). Management believes, as of September 30, 2018 and 2017, that the Company meets all of the capital adequacy requirements to which it is subject.

As of September 30, 2018 and 2017, the Bank is categorized as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total capital, common equity Tier 1 capital, Tier 1 capital and leverage capital ratios as set forth in the tables below. There are no conditions or events that management believes have changed the Bank's prompt corrective action category.

The Bank's actual and required capital amounts and ratios are as follows at September 30, 2018:

| | Actual | | Fully Phased-In Regulatory Guidelines Minimum | | To Be Well Capitalized | |
|---|---|---|---|---|---|---|
| | Amount | Ratio | Amount | Ratio >= | Amount | Ratio >= |
| Total Capital | $ 135,260,000 | 13.62% | $ 106,555,000 | 10.50% | $ 101,481,000 | 10.00% |
| Tier 1 Capital | $ 125,568,000 | 12.37% | $ 86,259,000 | 8.50% | $ 81,185,000 | 8.00% |
| Common Equity Tier 1 Capital | $ 125,568,000 | 12.37% | $ 71,037,000 | 7.00% | $ 65,963,000 | 6.50% |
| Tier 1 Leverage | $ 125,568,000 | 9.83% | $ 51,112,000 | 4.00% | $ 63,890,000 | 5.00% |

The Bank's actual and required capital amounts and ratios are as follows at September 30, 2017:

| | Actual | | Fully Phased-In Regulatory Guidelines Minimum | | To Be Well Capitalized | |
|---|---|---|---|---|---|---|
| | Amount | Ratio | Amount | Ratio >= | Amount | Ratio >= |
| Total Capital | $ 129,237,000 | 13.47% | $ 100,775,000 | 10.50% | $ 95,977,000 | 10.00% |
| Tier 1 Capital | $ 117,228,000 | 12.21% | $ 81,580,000 | 8.50% | $ 76,781,000 | 8.00% |
| Common Equity Tier 1 Capital | $ 117,228,000 | 12.21% | $ 67,184,000 | 7.00% | $ 62,385,000 | 6.50% |
| Tier 1 Leverage | $ 117,228,000 | 9.61% | $ 48,779,000 | 4.00% | $ 60,974,000 | 5.00% |

The holding company (PBI) consolidated required capital amounts and ratios are as follows at September 30, 2018:

| | Actual | | Fully Phased-In Regulatory Guidelines Minimum | | To Be Well Capitalized | |
|---|---|---|---|---|---|---|
| | Amount | Ratio | Amount | Ratio >= | Amount | Ratio >= |
| Total Capital | $ 139,185,000 | 13.70% | $ 106,713,000 | 10.50% | $ N/A | N/A |
| Tier 1 Capital | $ 126,474,000 | 12.44% | $ 86,386,000 | 8.50% | $ N/A | N/A |
| Common Equity Tier 1 Capital | $ 106,474,000 | 10.48% | $ 71,142,000 | 7.00% | $ N/A | N/A |
| Tier 1 Leverage | $ 126,474,000 | 9.88% | $ 51,189,000 | 4.00% | $ N/A | N/A |

The holding company (PBI) consolidated required capital amounts and ratios are as follows at September 30, 2017:

| | Actual | | Fully Phased-In Regulatory Guidelines Minimum | | To Be Well Capitalized | |
|---|---|---|---|---|---|---|
| | Amount | Ratio | Amount | Ratio >= | Amount | Ratio >= |
| Total Capital | $ 130,457,000 | 13.57% | $ 100,965,000 | 10.50% | $ N/A | N/A |
| Tier 1 Capital | $ 118,426,000 | 12.32% | $ 81,733,000 | 8.50% | $ N/A | N/A |
| Common Equity Tier 1 Capital | $ 98,426,000 | 10.24% | $ 67,310,000 | 7.00% | $ N/A | N/A |
| Tier 1 Leverage | $ 118,426,000 | 9.70% | $ 48,848,000 | 4.00% | $ N/A | N/A |

## 14. Related Party Transactions

The Company conducts transactions with its executive officers, directors, stockholders, and companies in which it has beneficial interests. Such transactions were made in the ordinary course of business on substantially the same terms and conditions, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other customers, and did not, in the opinion of management, involve more than normal credit risk or present other unfavorable features.

A summary of the related party loan activity is as follows:

| | September 30, 2018 | September 30, 2017 |
|---|---|---|
| Balance - Beginning of Year | $ 16,137,779 | $ 19,119,533 |
| Loan Advances | 8,412,328 | 5,560,496 |
| Amounts Repaid | (8,304,545) | (8,542,250) |
| Balance - End of Year | $ 16,245,562 | $ 16,137,779 |
| Undisbursed Commitments | $ 2,714,820 | $ 3,195,074 |

The Company held related party deposits of $7,817,236 and $5,593,647 at September 30, 2018 and 2017, respectively.

## 15. Operations Expense

Operations expense reflected on the consolidated statements of income and comprehensive income is summarized as follows:

| | 2018 | 2017 |
|---|---|---|
| Travel, Auto and Meals & Entertainment | $ 712,941 | $ 616,798 |
| Insurance | 133,388 | 116,246 |
| Banking Fees | 67,775 | 75,340 |
| Stationery and Supplies | 251,326 | 250,567 |
| Dues and Subscriptions | 261,265 | 243,887 |
| Telecommunications | 460,907 | 446,229 |
| Data Processing and Supplies | 328,032 | 367,517 |
| Contributions | 365,375 | 201,698 |
| Franchise Taxes | 68,401 | 58,801 |
| Training, Meetings and Conferences | 79,393 | 78,445 |
| Other Operations Expense | 110,958 | 464,002 |
| | $ 2,839,761 | $ 2,919,530 |

## 16. Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of financial instruments. For cash and due from banks, variable rate loans, accrued interest receivable and payable, other investments, cash surrender value of bank owned life insurance, demand deposits, short-term borrowings and subordinated debentures, the carrying amount is estimated to be fair value. For available-for-sale investment securities, fair values are based on quoted market prices, quoted market prices for similar securities and indications of value provided by brokers.

The fair values for fixed-rate loans are estimated using discounted cash flow analysis, using interest rates currently being offered at each reporting date for loans with similar terms to borrowers of comparable creditworthiness. Fair values for fixed-rate certificates of deposit are estimated using discounted cash flow analysis using interest rates offered at each reporting date by the Company for certificates with similar remaining maturities. The fair values of commitments are estimated using the fees currently charged to enter into similar agreements and are not significant and, therefore, not included in the table below.

These estimates do not reflect any premium or discount that could result from offering the Company's entire holdings of a particular financial instrument for sale at one time, nor do they attempt to estimate the value of anticipated future business related to the instruments.

The carrying amount and estimated fair values of the Company's financial instruments are as follows:

| | September 30, 2018 | |
|---|---|---|
| | Carrying Value | Fair Value |
| Financial Assets | | |
| Cash and Cash Equivalents | $ 38,648,394 | $ 38,648,394 |
| Investment Securities | 297,095,576 | 296,264,413 |
| Other Investments | 11,420,913 | 11,420,913 |
| Loans Held for Sale | 1,806,331 | 1,806,331 |
| Loans Receivable | 878,196,400 | 868,742,206 |
| Accrued Interest Receivable | 9,256,465 | 9,256,465 |
| | $ 1,227,167,614 | $ 1,216,882,257 |
| Less: Allowance for Loan Losses | 13,318,476 | 13,318,476 |
| | $ 1,213,849,138 | $ 1,203,563,781 |
| Financial Liabilities | | |
| Deposit Accounts with No Maturity | $ 753,120,897 | $ 753,120,897 |
| Certificates of Deposit and IRA Certificates | 280,445,119 | 280,766,065 |
| Borrowings and Subordinated Debentures | 135,711,959 | 135,711,959 |
| Accrued Interest Payable | 527,169 | 527,169 |
| | $ 1,169,277,975 | $ 1,169,598,921 |
| Off-Balance-Sheet Financial Instruments | | |
| Commitments to Extend Credit | $ 171,972,059 | $ 171,972,059 |
| Standby Letters of Credit | 2,290,916 | 2,290,916 |
| | $ 174,262,975 | $ 174,262,975 |

| | September 30, 2017 | |
|---|---|---|
| | Carrying Value | Fair Value |
| Financial Assets | | |
| Cash and Cash Equivalents | $ 34,633,833 | $ 34,633,833 |
| Investment Securities | 302,316,469 | 302,248,786 |
| Other Investments | 9,526,916 | 9,526,916 |
| Loans Held for Sale | 1,606,630 | 1,606,630 |
| Loans Receivable | 831,760,179 | 834,095,257 |
| Accrued Interest Receivable | 8,521,229 | 8,521,229 |
| | $ 1,179,844,027 | $ 1,182,111,422 |
| Less: Allowance for Loan Losses | 12,975,088 | 12,975,088 |
| | $ 1,166,868,939 | $ 1,169,136,334 |
| Financial Liabilities | | |
| Deposit Accounts with No Maturity | $ 676,815,483 | $ 676,815,483 |
| Certificates of Deposit and IRA Certificates | 293,216,679 | 291,014,304 |
| Borrowings and Subordinated Debentures | 145,721,002 | 145,721,002 |
| Fed Funds Purchased | 5,200,000 | 5,200,000 |
| Accrued Interest Payable | 421,479 | 421,479 |
| | $ 1,120,953,164 | $ 1,118,750,789 |
| Off-Balance-Sheet Financial Instruments | | |
| Commitments to Extend Credit | $ 187,761,000 | $ 187,761,000 |
| Standby Letters of Credit | 3,647,000 | 3,647,000 |
| | $ 191,408,000 | $ 191,408,000 |

## 17. Fair Value Measurements

An asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques need to maximize the use of observable inputs and minimize the use of unobservable inputs. Valuation methodologies used for financial assets measured at fair value are described in Note 16. There have been no changes in the methodologies used at September 30, 2018 and 2017.

Certain financial assets are measured at fair value on a nonrecurring 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. Financial assets such as other real estate owned and repossessed collateral, are measured at fair value on a nonrecurring basis, but are subject to fair value adjustments in certain circumstances. These assets are valued at the date of repossession based on appraisals of the underlying property performed by third-party appraisers. Financial assets such as impaired loans are valued when there is evidence of impairment. Financial assets measured at fair value on a nonrecurring basis are included in the tables below as of the periods indicated for which a nonrecurring change in fair value has been recorded during the reporting period.

The following tables summarize quantitative disclosures about the fair value measurements for each category of financial assets carried at fair value as of September 30, 2018 and 2017.

The Company had no financial liabilities carried at fair value at September 30, 2018 and 2017.

Fair value measurements for each category of financial assets carried at fair value at September 30, 2018 are as follows:

| | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Other Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| Federal Agency Securities | $ 86,708,182 | $ | $ 86,708,182 | $ |
| CMO - Fixed Rate | 52,178,589 | | 52,178,589 | |
| Mortgage-Backed Securities | 92,321,520 | | 92,321,520 | |
| Municipal Securities | 40,748,754 | | 13,900,133 | 26,848,621 |
| Loans Held For Sale | 1,806,331 | | 1,806,331 | |
| Total Assets at Fair Value on a Recurring Basis | $ 273,763,376 | $ 0 | $ 246,914,755 | $ 26,848,621 |
| Impaired Loans | 2,962,546 | | 2,962,546 | |
| Total Assets at Fair Value on a Nonrecurring Basis | $ 2,962,546 | $ 0 | $ 2,962,546 | $ 0 |
| Total | $ 276,725,922 | $ 0 | $ 249,877,301 | $ 26,848,621 |

Fair value measurements for each category of financial assets carried at fair value at September 30, 2017 are as follows:

| | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Other Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| Federal Agency Securities | $ 94,344,003 | $ | $ 94,344,003 | $ |
| CMO - Fixed Rate | 33,777,093 | | 33,777,093 | |
| Mortgage-Backed Securities | 96,302,529 | | 96,302,529 | |
| Municipal Securities | 45,444,704 | | 15,876,127 | 29,568,577 |
| Loans Held For Sale | 1,606,630 | | 1,606,630 | |
| Total Assets at Fair Value on a Recurring Basis | $ 271,474,959 | $ 0 | $ 241,906,382 | $ 29,568,577 |
| Impaired Loans | 9,443,855 | | 9,443,855 | |
| Total Assets at Fair Value on a Nonrecurring Basis | $ 9,443,855 | $ 0 | $ 9,443,855 | $ 0 |
| Total | $ 280,918,814 | $ 0 | $ 251,350,237 | $ 29,568,577 |

## 18. Commitments, Contingencies and Risk

Litigation

The Company is a party to various legal actions associated with the financial institution's operating environment. The effects of these legal actions are not anticipated to be material to the financial statement as a whole. Management is not aware of any claims or assessments, asserted or unasserted, which would have a material impact on the financial condition of the Company.

Operating Leases

The Company is a party to various leases related to ATM space rent, storage buildings, and banking office locations. Lease terms vary and the Company has renewal options for most of its operating leases. Lease expense recognized under these various lease agreements amounted to $163,506 and $159,874 for the years ended September 30, 2018 and 2017, respectively.

Future minimum lease payments under all non-cancelable leases as of September 30, 2018 are as follows:

| | |
|---|---|
| 9/30/2019 | $ 82,063 |
| 9/30/2020 | 52,804 |
| 9/30/2021 | 7,609 |
| 9/30/2022 | 5,100 |
| 9/30/2023 | 5,100 |

Securities

The Company invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the accompanying consolidated financial statements.

## 19. Financial Instruments with Off-Balance-Sheet Risk

In the normal course of business, the Company 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 Company'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 Company uses the same credit policies in making such commitments as it does for instruments that are included in the statement of financial condition.

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

| | September 30, 2018 | September 30, 2017 |
|---|---|---|
| Commitments to Extend Credit | $ 171,972,000 | $ 187,761,000 |
| Standby Letters of Credit | 2,291,000 | 3,647,000 |
| | $ 174,263,000 | $ 191,408,000 |

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 could expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation. Collateral held varies but may include accounts receivable, inventory, property and equipment, and income-producing commercial properties.

Standby letters of credit are conditional lending commitments issued by the Company to guarantee the performance of a customer to a third party. Standby letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee.

The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company's policy for obtaining collateral, and the nature of such collateral, is essentially the same as that involved in making commitments to extend credit.

The total amount of the guarantee liability associated with standby letters of credit amounted to the total of standby letters of credit of $2,291,000 and $3,647,000 at September 30, 2018 and 2017, respectively.

## 20. Subsequent Events

The Company has evaluated subsequent events for recognition and disclosure through December 7, 2018, which is the date the consolidated financial statements were available to be issued. There have been no subsequent events that would have a material impact on the financial statements.

## 21. Recently Issued Authoritative Accounting Guidance

In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments—Credit Losses* (Topic 326), effective for annual reporting periods beginning after December 15, 2021. This new guidance replaces the current impairment model, which reflects incurred credit events, with a current expected credit loss (CECL) model that recognizes expected credit risks and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The standard will require an entity to impair its financial assets based on the current estimate of contractual cash flows not expected to be collected. The impairment will be reflected as an allowance for expected credit losses. The estimate of expected credit losses will be based on information about past events, including historical loss experience, current conditions, and reasonable and supportable forecasts that affect the expected collectability of remaining contractual cash flows. It is not yet known what impact ASU 2016-13 will have on the Company's consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities, effective for annual reporting periods beginning after December 15, 2018. This ASU requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. However, an entity may choose to measure equity investments that do not have readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. ASU 2016-01 is not expected to have a significant impact Company's consolidated financial statements.

In February 2016, the FASB issued Accounting Standards Update 2016-02, *Leases.* The new standard establishes a right-of-use (ROU) model that requires a lessee to record an ROU asset and a lease liability on the statement of financial condition for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of income and comprehensive income. The new standard requires a lessor to classify leases as either sales-type, finance or operating. A lease will be treated as a sale if it transfers all of the risks and rewards, as well as control of the underlying asset, to the lessee. If risks and rewards are conveyed without the transfer of control, the lease is treated as a financing. If the lessor doesn't convey risks and rewards or control, an operating lease results.

A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. A modified retrospective transition approach is also required for lessors for sales-type, direct financing, and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The new standard is effective for nonpublic entities for fiscal years beginning after December 15, 2019. ASU 2016-02 is not expected to have a significant impact Company's consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, "Intangibles – Goodwill and Other." ASU 2017-04 will amend and simplify current goodwill impairment testing to eliminate Step 2 from the current provisions. Under the new guidance, an entity should perform the goodwill impairment test by comparing the fair value of a reporting unit with its carrying value and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if a quantitative impairment test is necessary. The new standard is effective for nonpublic entities for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2021. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. ASU 2017-04 is not expected to have a significant impact on the Company's financial statements.

## CONSOLIDATING INFORMATION

**PLAINS BANCORP, INC. AND SUBSIDIARY**

**Schedule 1**

**CONSOLIDATING STATEMENT OF FINANCIAL CONDITION**
**SEPTEMBER 30, 2018**

| | Plains Bancorp, Inc. | First United Bank and Subsidiary | Total | Eliminating Entries | Consolidated Total |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and Cash Equivalents | $ 76,803 | $ 38,648,394 | $ 38,725,197 | $ (76,803) | $ 38,648,394 |
| Investment Securities (Available-for-Sale) | | 271,957,045 | 271,957,045 | | 271,957,045 |
| Investment Securities (Held-to-Maturity) | | 25,138,531 | 25,138,531 | | 25,138,531 |
| Other Investments | 644,000 | 10,776,913 | 11,420,913 | | 11,420,913 |
| Investment in Subsidiary Companies | 126,725,323 | | 126,725,323 | (126,725,323) | |
| Loans Held for Sale | | 1,806,331 | 1,806,331 | | 1,806,331 |
| Loans Receivable (Net of Allowance for Loan Losses) | 795,784 | 877,400,616 | 878,196,400 | | 878,196,400 |
| Accrued Interest Receivable | 10,710 | 9,245,755 | 9,256,465 | | 9,256,465 |
| Premises and Equipment (Net of Accumulated Depreciation) | | 31,365,875 | 31,365,875 | | 31,365,875 |
| Cash Surrender Value - Life Insurance | | 8,299,167 | 8,299,167 | | 8,299,167 |
| Prepaid Expenses | | 1,303,514 | 1,303,514 | | 1,303,514 |
| Other Assets | | 830,135 | 830,135 | | 830,135 |
| Intangible Assets (Net of Accumulated Amortization) | | 523,610 | 523,610 | | 523,610 |
| Goodwill (Net of Accumulated Amortization) | 506,324 | 8,050,784 | 8,557,108 | | 8,557,108 |
| | $ 128,758,944 | $ 1,285,346,670 | $ 1,414,105,614 | $ (126,802,126) | $ 1,287,303,488 |
| **LIABILITIES** | | | | | |
| Deposits | | | | | |
| Non-interest Bearing | $ | $ 301,504,142 | $ 301,504,142 | $ (76,803) | $ 301,427,339 |
| Interest Bearing | | 732,138,677 | 732,138,677 | | 732,138,677 |
| Borrowings | | 115,092,959 | 115,092,959 | | 115,092,959 |
| Subordinated Debentures | 20,619,000 | | 20,619,000 | | 20,619,000 |
| Accounts Payable | | 408,738 | 408,738 | | 408,738 |
| Accrued Interest Payable | 31,947 | 495,222 | 527,169 | | 527,169 |
| Deferred Compensation | | 6,537,631 | 6,537,631 | | 6,537,631 |
| Accrued Property Taxes Payable | | 446,400 | 446,400 | | 446,400 |
| Accrued Employee Compensation | | 1,314,475 | 1,314,475 | | 1,314,475 |
| Accrued Retirement Funds | | 509,400 | 509,400 | | 509,400 |
| Other Accrued Liabilities | | 173,703 | 173,703 | | 173,703 |
| | $ 20,650,947 | $ 1,158,621,347 | $ 1,179,272,294 | $ (76,803) | $ 1,179,195,491 |
| **STOCKHOLDERS' EQUITY** | | | | | |
| Capital Stock - Common: Par Value $1; 250,000 Shares Authorized 44,085 Shares Issued and 19,835 Outstanding | $ 44,085 | $ | $ 44,085 | $ | $ 44,085 |
| Additional Paid-in-Capital | 19,258,565 | | 19,258,565 | | 19,258,565 |
| Capital Stock - Common: Par Value $10; 150,000 Shares Issued and Outstanding | | 1,500,000 | 1,500,000 | (1,500,000) | |
| Surplus | | 38,110,500 | 38,110,500 | (38,110,500) | |
| Retained Earnings | 136,686,868 | 94,532,047 | 231,218,915 | (94,532,047) | 136,686,868 |
| Treasury Stock - 24,250 Shares | (40,464,297) | | (40,464,297) | | (40,464,297) |
| Accumulated Other Comprehensive Income (Loss) | (7,417,224) | (7,417,224) | (14,834,448) | 7,417,224 | (7,417,224) |
| | $ 108,107,997 | $ 126,725,323 | $ 234,833,320 | $ (126,725,323) | $ 108,107,997 |
| | $ 128,758,944 | $ 1,285,346,670 | $ 1,414,105,614 | $ (126,802,126) | $ 1,287,303,488 |

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

**PLAINS BANCORP, INC. AND SUBSIDIARY**

**Schedule 2**

**CONSOLIDATING STATEMENT OF INCOME AND COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

| | Plains Bancorp, Inc. | First United Bank and Subsidiary | Total | Eliminating Entries | Consolidated Total |
|---|---|---|---|---|---|
| Interest Income | | | | | |
| Interest and Fees on Loans | $ 42,244 | $ 47,833,829 | $ 47,876,073 | $ | $ 47,876,073 |
| Interest and Dividends on Cash and Investments | | 7,148,637 | 7,148,637 | | 7,148,637 |
| Interest on Fed Funds Sold | | 36,178 | 36,178 | | 36,178 |
| Equity Method Income in Subsidiaries | 20,747,304 | | 20,747,304 | (20,747,304) | |
| | $ 20,789,548 | $ 55,018,644 | $ 75,808,192 | $ (20,747,304) | $ 55,060,888 |
| Interest Expense | | | | | |
| Interest on Deposits | $ | $ 7,383,299 | $ 7,383,299 | $ | $ 7,383,299 |
| Interest on Borrowed Funds | | 1,385,232 | 1,385,232 | | 1,385,232 |
| Interest on Subordinated Debentures | 717,981 | | 717,981 | | 717,981 |
| | $ 717,981 | $ 8,768,531 | $ 9,486,512 | $ 0 | $ 9,486,512 |
| Net Interest Income | $ 20,071,567 | $ 46,250,113 | $ 66,321,680 | $ (20,747,304) | $ 45,574,376 |
| Less: Provision for Loan Losses | | 1,675,000 | 1,675,000 | | 1,675,000 |
| Net Interest Income After Provision for Loan Losses | $ 20,071,567 | $ 44,575,113 | $ 64,646,680 | $ (20,747,304) | $ 43,899,376 |
| Non-interest Income | | | | | |
| Service Charges on Deposit Accounts | $ | $ 5,305,407 | $ 5,305,407 | $ | $ 5,305,407 |
| Gain on Sale of Loans | | 1,658,265 | 1,658,265 | | 1,658,265 |
| Gain on Sale of Assets | | 16,296 | 16,296 | | 16,296 |
| Other Income | | 710,182 | 710,182 | | 710,182 |
| | $ 0 | $ 7,690,150 | $ 7,690,150 | $ 0 | $ 7,690,150 |
| Other Expenses | | | | | |
| Compensation and Benefits | $ 76,000 | $ 18,557,726 | $ 18,633,726 | $ | $ 18,633,726 |
| Occupancy | | 2,930,985 | 2,930,985 | | 2,930,985 |
| Operations | | 2,839,761 | 2,839,761 | | 2,839,761 |
| Outside and Professional Services | 33,369 | 2,442,645 | 2,476,014 | | 2,476,014 |
| Equipment | | 2,375,848 | 2,375,848 | | 2,375,848 |
| Advertising | | 1,677,705 | 1,677,705 | | 1,677,705 |
| Deposit Insurance | | 381,050 | 381,050 | | 381,050 |
| Postage and Freight | | 195,572 | 195,572 | | 195,572 |
| Amortization of Intangible Assets | | 116,667 | 116,667 | | 116,667 |
| | $ 109,369 | $ 31,517,959 | $ 31,627,328 | $ 0 | $ 31,627,328 |
| Net Income | $ 19,962,198 | $ 20,747,304 | $ 40,709,502 | $ (20,747,304) | $ 19,962,198 |
| Other Comprehensive Income | | | | | |
| Unrealized Losses on AFS Securities During the Period | (8,032,121) | (8,032,121) | (16,064,242) | 8,032,121 | (8,032,121) |
| Total Comprehensive Income | $ 11,930,077 | $ 12,715,183 | $ 24,645,260 | $ (12,715,183) | $ 11,930,077 |

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

**PLAINS BANCORP, INC. AND SUBSIDIARY**

**Schedule 3**

**CONSOLIDATING STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

| | Plains Bancorp, Inc. | First United Bank and Subsidiary | Total | Eliminating Entries | Consolidated Total |
|---|---|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Net Income | $ 19,962,198 | $ 20,747,304 | $ 40,709,502 | $ (20,747,304) | $ 19,962,198 |
| Adjustments to Reconcile Net Income to Net Cash Provided by (Used in) Operating Activities | | | | | |
| Depreciation and Amortization | | 2,445,254 | 2,445,254 | | 2,445,254 |
| Provision for Loan Losses | | 1,675,000 | 1,675,000 | | 1,675,000 |
| Net Premium Amortization on Investment Securities | | 2,232,504 | 2,232,504 | | 2,232,504 |
| Income from Equity Method Subsidiary Investments | (20,747,304) | | (20,747,304) | 20,747,304 | |
| Gain on Sale of Loans | | (1,658,265) | (1,658,265) | | (1,658,265) |
| Gain on Sale of Assets | | (16,296) | (16,296) | | (16,296) |
| Originations of Loans Held for Sale | | (53,820,967) | (53,820,967) | | (53,820,967) |
| Proceeds from Loans Held for Sale | | 55,279,531 | 55,279,531 | | 55,279,531 |
| Accrued Interest Receivable | 4,010 | (739,246) | (735,236) | | (735,236) |
| Prepaid Expenses | | (88,930) | (88,930) | | (88,930) |
| Other Assets and Other Real Estate Owned | | (794,305) | (794,305) | | (794,305) |
| Accounts Payable and Other Liabilities | 4,730 | 742,679 | 747,409 | | 747,409 |
| Net Change in Cash From Operating Activities | $ (776,366) | $ 26,004,263 | $ 25,227,897 | $ 0 | $ 25,227,897 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Change in Other Investments | $ | $ (1,893,997) | $ (1,893,997) | $ | $ (1,893,997) |
| Purchase of Debt Securities Available-for-Sale | | (56,256,472) | (56,256,472) | | (56,256,472) |
| Maturities, Calls and Prepayments of Debt Securities Available-for-Sale | | 44,279,386 | 44,279,386 | | 44,279,386 |
| Maturities, Calls and Prepayments of Debt Securities Held-to-Maturity | | 6,933,354 | 6,933,354 | | 6,933,354 |
| Change in Loans (Net) | 299,090 | (48,766,909) | (48,467,819) | | (48,467,819) |
| Cash Surrender Value - Life Insurance | | (186,935) | (186,935) | | (186,935) |
| Recoveries on Charged-off Loans | | 356,598 | 356,598 | | 356,598 |
| Proceeds from Sale of Property and Equipment | | 19,256 | 19,256 | | 19,256 |
| Purchases of Property and Equipment | | (2,416,789) | (2,416,789) | | (2,416,789) |
| Net Change in Cash From Investing Activities | $ 299,090 | $ (57,932,508) | $ (57,633,418) | $ 0 | $ (57,633,418) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| Change in Deposits (Net) | $ | $ 63,546,849 | $ 63,546,849 | $ (12,995) | $ 63,533,854 |
| Treasury Stock Purchased | (1,589,218) | | (1,589,218) | | (1,589,218) |
| Common Stock Issued | 111,160 | | 111,160 | | 111,160 |
| Dividends Paid to Stockholder | | (12,395,000) | (12,395,000) | 12,395,000 | |
| Distributions Paid to Stockholders | (10,426,671) | | (10,426,671) | | (10,426,671) |
| Dividends Received | 12,395,000 | | 12,395,000 | (12,395,000) | |
| Borrowings (Net) | | (10,009,043) | (10,009,043) | . | (10,009,043) |
| Fed Funds Purchased (Net) | | (5,200,000) | (5,200,000) | | (5,200,000) |
| Net Change in Cash From Financing Activities | $ 490,271 | $ 35,942,806 | $ 36,433,077 | $ (12,995) | $ 36,420,082 |
| CHANGE IN CASH AND CASH EQUIVALENTS | $ 12,995 | $ 4,014,561 | $ 4,027,556 | $ (12,995) | $ 4,014,561 |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | 63,808 | 34,633,833 | 34,697,641 | (63,808) | 34,633,833 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | $ 76,803 | $ 38,648,394 | $ 38,725,197 | $ (76,803) | $ 38,648,394 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | | | | |
| Interest Paid | $ 713,251 | $ 8,667,571 | $ 9,380,822 | $ 0 | $ 9,380,822 |

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

**PLAINS BANCORP, INC. AND SUBSIDIARY**

**Schedule 4**

**CONSOLIDATING STATEMENT OF FINANCIAL CONDITION**
**SEPTEMBER 30, 2017**

| | Plains Bancorp, Inc. | First United Bank and Subsidiary | Total | Eliminating Entries | Consolidated Total |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and Cash Equivalents | $ 63,808 | $ 34,633,833 | $ 34,697,641 | $ (63,808) | $ 34,633,833 |
| Investment Securities (Available-for-Sale) | | 269,868,329 | 269,868,329 | | 269,868,329 |
| Investment Securities (Held-to-Maturity) | | 32,448,140 | 32,448,140 | | 32,448,140 |
| Other Investments | 644,000 | 8,882,916 | 9,526,916 | | 9,526,916 |
| Investment in Subsidiary Companies | 126,405,140 | | 126,405,140 | (126,405,140) | |
| Loans Held for Sale | | 1,606,630 | 1,606,630 | | 1,606,630 |
| Loans Receivable (Net of Allowance for Loan Losses) | 1,094,874 | 830,665,305 | 831,760,179 | | 831,760,179 |
| Accrued Interest Receivable | 14,720 | 8,506,509 | 8,521,229 | | 8,521,229 |
| Premises and Equipment (Net of Accumulated Depreciation) | | 31,280,632 | 31,280,632 | | 31,280,632 |
| Cash Surrender Value - Life Insurance | | 8,112,232 | 8,112,232 | | 8,112,232 |
| Prepaid Expenses | | 1,214,585 | 1,214,585 | | 1,214,585 |
| Other Assets | | 35,830 | 35,830 | | 35,830 |
| Intangible Assets (Net of Accumulated Amortization) | | 640,277 | 640,277 | | 640,277 |
| Goodwill (Net of Accumulated Amortization) | 506,324 | 8,050,784 | 8,557,108 | | 8,557,108 |
| | $ 128,728,866 | $ 1,235,946,002 | $ 1,364,674,868 | $ (126,468,948) | $ 1,238,205,920 |
| **LIABILITIES** | | | | | |
| Deposits | | | | | |
| Non-interest Bearing | $ | $ 254,495,436 | $ 254,495,436 | $ (63,808) | $ 254,431,628 |
| Interest Bearing | | 715,600,534 | 715,600,534 | | 715,600,534 |
| Borrowings | | 125,102,002 | 125,102,002 | | 125,102,002 |
| Subordinated Debentures | 20,619,000 | | 20,619,000 | | 20,619,000 |
| Fed Funds Purchased | | 5,200,000 | 5,200,000 | | 5,200,000 |
| Accounts Payable | | 310,970 | 310,970 | | 310,970 |
| Accrued Interest Payable | 27,217 | 394,262 | 421,479 | | 421,479 |
| Deferred Compensation | | 5,995,832 | 5,995,832 | | 5,995,832 |
| Accrued Property Taxes Payable | | 424,457 | 424,457 | | 424,457 |
| Accrued Employee Compensation | | 1,306,075 | 1,306,075 | | 1,306,075 |
| Accrued Retirement Funds | | 472,500 | 472,500 | | 472,500 |
| Other Accrued Liabilities | | 238,794 | 238,794 | | 238,794 |
| | $ 20,646,217 | $ 1,109,540,862 | $ 1,130,187,079 | $ (63,808) | $ 1,130,123,271 |
| **STOCKHOLDERS' EQUITY** | | | | | |
| Capital Stock - Common: Par Value $1; 250,000 Shares Authorized 44,065 Shares Issued and 20,080 Outstanding | $ 44,065 | $ | $ 44,065 | $ | $ 44,065 |
| Additional Paid-in-Capital | 19,147,425 | | 19,147,425 | | 19,147,425 |
| Capital Stock - Common: Par Value $10; 150,000 Shares Issued and Outstanding | | 1,500,000 | 1,500,000 | (1,500,000) | |
| Surplus | | 38,110,500 | 38,110,500 | (38,110,500) | |
| Retained Earnings | 127,151,341 | 86,179,743 | 213,331,084 | (86,179,743) | 127,151,341 |
| Treasury Stock - 23,985 Shares | (38,875,079) | | (38,875,079) | | (38,875,079) |
| Accumulated Other Comprehensive Income | 614,897 | 614,897 | 1,229,794 | (614,897) | 614,897 |
| | $ 108,082,649 | $ 126,405,140 | $ 234,487,789 | $ (126,405,140) | $ 108,082,649 |
| | $ 128,728,866 | $ 1,235,946,002 | $ 1,364,674,868 | $ (126,468,948) | $ 1,238,205,920 |

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

**PLAINS BANCORP, INC. AND SUBSIDIARY**

**Schedule 5**

**CONSOLIDATING STATEMENT OF INCOME AND COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

| | Plains Bancorp, Inc. | First United Bank and Subsidiary | Total | Eliminating Entries | Consolidated Total |
|---|---|---|---|---|---|
| Interest Income | | | | | |
| Interest and Fees on Loans | $ 46,400 | $ 41,445,982 | $ 41,492,382 | $ | $ 41,492,382 |
| Interest and Dividends on Cash and Investments | | 6,449,414 | 6,449,414 | | 6,449,414 |
| Interest on Fed Funds Sold | | 10,587 | 10,587 | | 10,587 |
| Equity Method Income in Subsidiaries | 18,591,159 | | 18,591,159 | (18,591,159) | |
| | $ 18,637,559 | $ 47,905,983 | $ 66,543,542 | $ (18,591,159) | $ 47,952,383 |
| Interest Expense | | | | | |
| Interest on Deposits | $ | $ 4,972,427 | $ 4,972,427 | $ | $ 4,972,427 |
| Interest on Borrowed Funds | | 668,987 | 668,987 | | 668,987 |
| Interest on Subordinated Debentures | 551,397 | | 551,397 | | 551,397 |
| | $ 551,397 | $ 5,641,414 | $ 6,192,811 | $ 0 | $ 6,192,811 |
| Net Interest Income | $ 18,086,162 | $ 42,264,569 | $ 60,350,731 | $ (18,591,159) | $ 41,759,572 |
| Less: Provision for Loan Losses | | 1,200,000 | 1,200,000 | | 1,200,000 |
| Net Interest Income After Provision for Loan Losses | $ 18,086,162 | $ 41,064,569 | $ 59,150,731 | $ (18,591,159) | $ 40,559,572 |
| Non-interest Income | | | | | |
| Service Charges on Deposit Accounts | $ | $ 5,321,207 | $ 5,321,207 | $ | $ 5,321,207 |
| Gain on Sale of Loans | | 1,734,336 | 1,734,336 | | 1,734,336 |
| Gain on Sale of Assets | | 193,815 | 193,815 | | 193,815 |
| Gain on Sale of Investments | | 85,995 | 85,995 | | 85,995 |
| Other Income | | 690,352 | 690,352 | | 690,352 |
| | $ 0 | $ 8,025,705 | $ 8,025,705 | $ 0 | $ 8,025,705 |
| Other Expenses | | | | | |
| Compensation and Benefits | $ 77,000 | $ 17,941,323 | $ 18,018,323 | $ | $ 18,018,323 |
| Occupancy | | 2,743,476 | 2,743,476 | | 2,743,476 |
| Operations | | 2,919,530 | 2,919,530 | | 2,919,530 |
| Outside and Professional Services | 34,999 | 2,214,331 | 2,249,330 | | 2,249,330 |
| Equipment | | 2,176,540 | 2,176,540 | | 2,176,540 |
| Advertising | | 1,858,824 | 1,858,824 | | 1,858,824 |
| Deposit Insurance | | 333,110 | 333,110 | | 333,110 |
| Postage and Freight | | 195,314 | 195,314 | | 195,314 |
| Amortization of Intangible Assets | | 116,667 | 116,667 | | 116,667 |
| | $ 111,999 | $ 30,499,115 | $ 30,611,114 | $ 0 | $ 30,611,114 |
| Net Income | $ 17,974,163 | $ 18,591,159 | $ 36,565,322 | $ (18,591,159) | $ 17,974,163 |
| Other Comprehensive Income | | | | | |
| Unrealized Losses on AFS Securities During the Period | (3,352,808) | (3,352,808) | (6,705,616) | 3,352,808 | (3,352,808) |
| Reclassification Adjustment for AFS Gains Realized | (69,243) | (69,243) | (138,486) | 69,243 | (69,243) |
| Total Comprehensive Income | $ 14,552,112 | $ 15,169,108 | $ 29,721,220 | $ (15,169,108) | $ 14,552,112 |

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

**PLAINS BANCORP, INC. AND SUBSIDIARY**

**Schedule 6**

**CONSOLIDATING STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

| | Plains Bancorp, Inc. | First United Bank and Subsidiary | Total | Eliminating Entries | Consolidated Total |
|---|---|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Net Income | $ 17,974,163 | $ 18,591,159 | $ 36,565,322 | $ (18,591,159) | $ 17,974,163 |
| Adjustments to Reconcile Net Income to Net Cash Provided by (Used in) Operating Activities | | | | | |
| Depreciation and Amortization | | 2,335,507 | 2,335,507 | | 2,335,507 |
| Provision for Loan Losses | | 1,200,000 | 1,200,000 | | 1,200,000 |
| Net Premium Amortization on Investment Securities | | 2,722,881 | 2,722,881 | | 2,722,881 |
| Income from Equity Method Subsidiary Investments | (18,591,159) | | (18,591,159) | 18,591,159 | |
| Gain on Sale of Loans | | (1,734,336) | (1,734,336) | | (1,734,336) |
| Gain on Sale of Assets | | (193,815) | (193,815) | | (193,815) |
| Gain on Sale of Investments | | (85,995) | (85,995) | | (85,995) |
| Originations of Loans Held for Sale | | (57,365,253) | (57,365,253) | | (57,365,253) |
| Proceeds from Loans Held for Sale | | 60,491,806 | 60,491,806 | | 60,491,806 |
| Accrued Interest Receivable | 853 | (597,069) | (596,216) | | (596,216) |
| Prepaid Expenses | | (81,342) | (81,342) | | (81,342) |
| Other Assets and Other Real Estate Owned | | (1,015) | (1,015) | | (1,015) |
| Accounts Payable and Other Liabilities | 3,859 | 622,177 | 626,036 | | 626,036 |
| Net Change in Cash From Operating Activities | $ (612,284) | $ 25,904,705 | $ 25,292,421 | $ 0 | $ 25,292,421 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Change in Other Investments | $ | $ (1,002,405) | $ (1,002,405) | $ | $ (1,002,405) |
| Proceeds from Sales of Debt Securities Available-for-Sale | | 4,716,584 | 4,716,584 | | 4,716,584 |
| Proceeds from Sales of Debt Securities Held-to-Maturity | | 827,463 | 827,463 | | 827,463 |
| Purchase of Debt Securities Available-for-Sale | | (82,050,547) | (82,050,547) | | (82,050,547) |
| Maturities, Calls and Prepayments of Debt Securities Available-for-Sale | | 45,606,748 | 45,606,748 | | 45,606,748 |
| Maturities, Calls and Prepayments of Debt Securities Held-to-Maturity | | 9,582,396 | 9,582,396 | | 9,582,396 |
| Change in Loans (Net) | 211,470 | (56,645,476) | (56,434,006) | | (56,434,006) |
| Cash Surrender Value - Life Insurance | | (202,839) | (202,839) | | (202,839) |
| Recoveries on Charged-off Loans | | 330,054 | 330,054 | | 330,054 |
| Proceeds from Sale of Property and Equipment | | 382,670 | 382,670 | | 382,670 |
| Purchases of Property and Equipment | | (3,468,016) | (3,468,016) | | (3,468,016) |
| Net Change in Cash From Investing Activities | $ 211,470 | $ (81,923,368) | $ (81,711,898) | $ 0 | $ (81,711,898) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| Change in Deposits (Net) | $ | $ 62,350,969 | $ 62,350,969 | $ (63,808) | $ 62,287,161 |
| Treasury Stock Purchased | (17,700,000) | | (17,700,000) | | (17,700,000) |
| Common Stock Issued | 1,046,000 | | 1,046,000 | | 1,046,000 |
| Dividends Paid to Stockholder | | (25,750,000) | (25,750,000) | 25,750,000 | |
| Distributions Paid to Stockholders | (8,631,378) | | (8,631,378) | | (8,631,378) |
| Dividends Received | 25,750,000 | | 25,750,000 | (25,750,000) | |
| Borrowings (Net) | | 4,991,434 | 4,991,434 | | 4,991,434 |
| Fed Funds Purchased (Net) | | 5,200,000 | 5,200,000 | | 5,200,000 |
| Net Change in Cash From Financing Activities | $ 464,622 | $ 46,792,403 | $ 47,257,025 | $ (63,808) | $ 47,193,217 |
| CHANGE IN CASH AND CASH EQUIVALENTS | $ 63,808 | $ (9,226,260) | $ (9,162,452) | $ (63,808) | $ (9,226,260) |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | 0 | 43,860,093 | 43,860,093 | | 43,860,093 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | $ 63,808 | $ 34,633,833 | $ 34,697,641 | $ (63,808) | $ 34,633,833 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | | | | |
| Interest Paid | $ 546,239 | $ 5,592,542 | $ 6,138,781 | $ 0 | $ 6,138,781 |

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

**FIRST UNITED BANK AND SUBSIDIARY**

**Schedule 7**

**CONSOLIDATING STATEMENT OF FINANCIAL CONDITION**
**SEPTEMBER 30, 2018**

| | First United Bank | FUB Air, L.L.C. | Total | Eliminating Entries | Consolidated Total |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and Cash Equivalents | $ 38,648,394 | $ 157,729 | $ 38,806,123 | $ (157,729) | $ 38,648,394 |
| Investment Securities (Available-for-Sale) | 271,957,045 | | 271,957,045 | | 271,957,045 |
| Investment Securities (Held-to-Maturity) | 25,138,531 | | 25,138,531 | | 25,138,531 |
| Other Investments | 10,776,913 | | 10,776,913 | | 10,776,913 |
| Investment in FUB Air, L.L.C. | 1,325,000 | | 1,325,000 | (1,325,000) | |
| Loans Held for Sale | 1,806,331 | | 1,806,331 | | 1,806,331 |
| Loans Receivable (Net of Allowance for Loan Losses) | 877,400,616 | | 877,400,616 | | 877,400,616 |
| Accrued Interest Receivable | 9,245,755 | | 9,245,755 | | 9,245,755 |
| Premises and Equipment (Net of Accumulated Depreciation) | 30,195,129 | 1,170,746 | 31,365,875 | | 31,365,875 |
| Cash Surrender Value - Life Insurance | 8,299,167 | | 8,299,167 | | 8,299,167 |
| Prepaid Expenses | 1,298,889 | 4,625 | 1,303,514 | | 1,303,514 |
| Other Assets | 830,135 | | 830,135 | | 830,135 |
| Intangible Assets (Net of Accumulated Amortization) | 523,610 | | 523,610 | | 523,610 |
| Goodwill (Net of Accumulated Amortization) | 8,050,784 | | 8,050,784 | | 8,050,784 |
| | $ 1,285,496,299 | $ 1,333,100 | $ 1,286,829,399 | $ (1,482,729) | $ 1,285,346,670 |
| **LIABILITIES** | | | | | |
| Deposits | | | | | |
| Non-interest Bearing | $ 301,661,871 | $ | $ 301,661,871 | $ (157,729) | $ 301,504,142 |
| Interest Bearing | 732,138,677 | | 732,138,677 | | 732,138,677 |
| Borrowings | 115,092,959 | | 115,092,959 | | 115,092,959 |
| Accounts Payable | 408,738 | | 408,738 | | 408,738 |
| Accrued Interest Payable | 495,222 | | 495,222 | | 495,222 |
| Deferred Compensation | 6,537,631 | | 6,537,631 | | 6,537,631 |
| Accrued Property Taxes Payable | 438,300 | 8,100 | 446,400 | | 446,400 |
| Accrued Employee Compensation | 1,314,475 | | 1,314,475 | | 1,314,475 |
| Accrued Retirement Funds | 509,400 | | 509,400 | | 509,400 |
| Other Accrued Liabilities | 173,703 | | 173,703 | | 173,703 |
| | $ 1,158,770,976 | $ 8,100 | $ 1,158,779,076 | $ (157,729) | $ 1,158,621,347 |
| **STOCKHOLDERS' EQUITY** | | | | | |
| Capital Stock - Common: Par Value $10; 150,000 Shares Issued and Outstanding | $ 1,500,000 | $ | $ 1,500,000 | $ | $ 1,500,000 |
| Surplus | 38,110,500 | | 38,110,500 | | 38,110,500 |
| Retained Earnings | 94,532,047 | | 94,532,047 | | 94,532,047 |
| Accumulated Other Comprehensive Income (Loss) | (7,417,224) | | (7,417,224) | | (7,417,224) |
| Member's Equity | | 1,325,000 | 1,325,000 | (1,325,000) | |
| | $ 126,725,323 | $ 1,325,000 | $ 128,050,323 | $ (1,325,000) | $ 126,725,323 |
| | $ 1,285,496,299 | $ 1,333,100 | $ 1,286,829,399 | $ (1,482,729) | $ 1,285,346,670 |

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

**FIRST UNITED BANK AND SUBSIDIARY**

**Schedule 8**

**CONSOLIDATING STATEMENT OF INCOME AND COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

| | First United Bank | FUB Air, L.L.C. | Total | Eliminating Entries | Consolidated Total |
|---|---|---|---|---|---|
| Interest Income | | | | | |
| Interest and Fees on Loans | $ 47,833,829 | $ | $ 47,833,829 | $ | $ 47,833,829 |
| Interest and Dividends on Cash and Investments | 7,148,637 | | 7,148,637 | | 7,148,637 |
| Interest on Fed Funds Sold | 36,178 | | 36,178 | | 36,178 |
| | $ 55,018,644 | $ 0 | $ 55,018,644 | $ 0 | $ 55,018,644 |
| Interest Expense | | | | | |
| Interest on Deposits | $ 7,383,299 | $ | $ 7,383,299 | $ | $ 7,383,299 |
| Interest on Borrowed Funds | 1,385,232 | | 1,385,232 | | 1,385,232 |
| | $ 8,768,531 | $ 0 | $ 8,768,531 | $ 0 | $ 8,768,531 |
| Net Interest Income | $ 46,250,113 | $ 0 | $ 46,250,113 | $ 0 | $ 46,250,113 |
| Less: Provision for Loan Losses | 1,675,000 | | 1,675,000 | | 1,675,000 |
| Net Interest Income After Provision for Loan Losses | $ 44,575,113 | $ 0 | $ 44,575,113 | $ 0 | $ 44,575,113 |
| Non-interest Income | | | | | |
| Service Charges on Deposit Accounts | $ 5,305,407 | $ | $ 5,305,407 | $ | $ 5,305,407 |
| Gain on Sale of Loans | 1,658,265 | | 1,658,265 | | 1,658,265 |
| Gain on Sale of Assets | 16,296 | | 16,296 | | 16,296 |
| Lease Income | | 366,339 | 366,339 | (366,339) | |
| Other Income | 710,182 | | 710,182 | | 710,182 |
| | $ 7,690,150 | $ 366,339 | $ 8,056,489 | $ (366,339) | $ 7,690,150 |
| Other Expenses | | | | | |
| Compensation and Benefits | $ 18,557,726 | $ | $ 18,557,726 | $ | $ 18,557,726 |
| Occupancy | 2,924,985 | 6,000 | 2,930,985 | | 2,930,985 |
| Operations | 3,016,208 | 189,892 | 3,206,100 | (366,339) | 2,839,761 |
| Outside and Professional Services | 2,442,645 | | 2,442,645 | | 2,442,645 |
| Equipment | 2,205,401 | 170,447 | 2,375,848 | | 2,375,848 |
| Advertising | 1,677,705 | | 1,677,705 | | 1,677,705 |
| Deposit Insurance Expense | 381,050 | | 381,050 | | 381,050 |
| Postage and Freight | 195,572 | | 195,572 | | 195,572 |
| Amortization of Intangible Assets | 116,667 | | 116,667 | | 116,667 |
| | $ 31,517,959 | $ 366,339 | $ 31,884,298 | $ (366,339) | $ 31,517,959 |
| Net Income | $ 20,747,304 | $ 0 | $ 20,747,304 | $ 0 | $ 20,747,304 |
| Other Comprehensive Income | | | | | |
| Unrealized Losses on AFS Securities During the Period | (8,032,121) | | (8,032,121) | | (8,032,121) |
| Total Comprehensive Income | $ 12,715,183 | $ 0 | $ 12,715,183 | $ 0 | $ 12,715,183 |

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

**FIRST UNITED BANK AND SUBSIDIARY**

**Schedule 9**

**CONSOLIDATING STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

| | First United Bank | FUB Air, L.L.C. | Total | Eliminating Entries | Consolidated Total |
|---|---|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Net Income | $ 20,747,304 | $ | $ 20,747,304 | $ | $ 20,747,304 |
| Adjustments to Reconcile Net Income to Net Cash Provided by (used in) Operating Activities | | | | | |
| Depreciation and Amortization | 2,274,807 | 170,447 | 2,445,254 | | 2,445,254 |
| Provision for Loan Losses | 1,675,000 | | 1,675,000 | | 1,675,000 |
| Net Premium Amortization on Investment Securities | 2,232,504 | | 2,232,504 | | 2,232,504 |
| Gain on Sale of Loans | (1,658,265) | | (1,658,265) | | (1,658,265) |
| Gain on Sale of Assets | (16,296) | | (16,296) | | (16,296) |
| Originations of Loans Held for Sale | (53,820,967) | | (53,820,967) | | (53,820,967) |
| Proceeds from Loans Held for Sale | 55,279,531 | | 55,279,531 | | 55,279,531 |
| Accrued Interest Receivable | (739,246) | | (739,246) | | (739,246) |
| Prepaid Expenses | (88,712) | (218) | (88,930) | | (88,930) |
| Other Assets and Other Real Estate Owned | (794,305) | | (794,305) | | (794,305) |
| Accounts Payable and Other Liabilities | 743,579 | (900) | 742,679 | | 742,679 |
| Net Change in Cash From Operating Activities | $ 25,834,934 | $ 169,329 | $ 26,004,263 | $ 0 | $ 26,004,263 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Change in Other Investments | $ (1,893,997) | $ | $ (1,893,997) | $ | $ (1,893,997) |
| Purchase of Debt Securities Available-for-Sale | (56,256,472) | | (56,256,472) | | (56,256,472) |
| Maturities, Calls and Prepayments of Debt Securities Available-for-Sale | 44,279,386 | | 44,279,386 | | 44,279,386 |
| Maturities, Calls and Prepayments of Debt Securities Held-to-Maturity | 6,933,354 | | 6,933,354 | | 6,933,354 |
| Investment in FUB Air, L.L.C. | 150,000 | | 150,000 | (150,000) | |
| Change in Loans (Net) | (48,766,909) | | (48,766,909) | | (48,766,909) |
| Cash Surrender Value - Life Insurance | (186,935) | | (186,935) | | (186,935) |
| Recoveries on Charged-off Loans | 356,598 | | 356,598 | | 356,598 |
| Proceeds from Sale of Property and Equipment | 19,256 | | 19,256 | | 19,256 |
| Purchases of Property and Equipment | (2,416,789) | | (2,416,789) | | (2,416,789) |
| Net Change in Cash From Investing Activities | $ (57,782,508) | $ 0 | $ (57,782,508) | $ (150,000) | $ (57,932,508) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| Change in Deposits (Net) | $ 63,566,178 | $ | $ 63,566,178 | $ (19,329) | $ 63,546,849 |
| Dividends Paid to Stockholder | (12,395,000) | (150,000) | (12,545,000) | 150,000 | (12,395,000) |
| Borrowings (Net) | (10,009,043) | | (10,009,043) | | (10,009,043) |
| Fed Funds Purchased (Net) | (5,200,000) | | (5,200,000) | | (5,200,000) |
| Net Change in Cash From Financing Activities | $ 35,962,135 | $ (150,000) | $ 35,812,135 | $ 130,671 | $ 35,942,806 |
| CHANGE IN CASH AND CASH EQUIVALENTS | $ 4,014,561 | $ 19,329 | $ 4,033,890 | $ (19,329) | $ 4,014,561 |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | 34,633,833 | 138,400 | 34,772,233 | (138,400) | 34,633,833 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | $ 38,648,394 | $ 157,729 | $ 38,806,123 | $ (157,729) | $ 38,648,394 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | | | | |
| Interest Paid | $ 8,667,571 | $ 0 | $ 8,667,571 | $ 0 | $ 8,667,571 |

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

**FIRST UNITED BANK AND SUBSIDIARY**

**Schedule 10**

**CONSOLIDATING STATEMENT OF FINANCIAL CONDITION**
**SEPTEMBER 30, 2017**

| | First United Bank | FUB Air, L.L.C. | Total | Eliminating Entries | Consolidated Total |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and Cash Equivalents | $ 34,633,833 | $ 138,400 | $ 34,772,233 | $ (138,400) | $ 34,633,833 |
| Investment Securities (Available-for-Sale) | 269,868,329 | | 269,868,329 | | 269,868,329 |
| Investment Securities (Held-to-Maturity) | 32,448,140 | | 32,448,140 | | 32,448,140 |
| Other Investments | 8,882,916 | | 8,882,916 | | 8,882,916 |
| Investment in FUB Air, L.L.C. | 1,475,000 | | 1,475,000 | (1,475,000) | |
| Loans Held for Sale | 1,606,630 | | 1,606,630 | | 1,606,630 |
| Loans Receivable (Net of Allowance for Loan Losses) | 830,665,305 | | 830,665,305 | | 830,665,305 |
| Accrued Interest Receivable | 8,506,509 | | 8,506,509 | | 8,506,509 |
| Premises and Equipment (Net of Accumulated Depreciation) | 29,939,440 | 1,341,192 | 31,280,632 | | 31,280,632 |
| Cash Surrender Value - Life Insurance | 8,112,232 | | 8,112,232 | | 8,112,232 |
| Prepaid Expenses | 1,210,177 | 4,408 | 1,214,585 | | 1,214,585 |
| Other Assets | 35,830 | | 35,830 | | 35,830 |
| Intangible Assets (Net of Accumulated Amortization) | 640,277 | | 640,277 | | 640,277 |
| Goodwill (Net of Accumulated Amortization) | 8,050,784 | | 8,050,784 | | 8,050,784 |
| | $ 1,236,075,402 | $ 1,484,000 | $ 1,237,559,402 | $ (1,613,400) | $ 1,235,946,002 |
| **LIABILITIES** | | | | | |
| Deposits | | | | | |
| Non-interest Bearing | $ 254,633,836 | $ | $ 254,633,836 | $ (138,400) | $ 254,495,436 |
| Interest Bearing | 715,600,534 | | 715,600,534 | | 715,600,534 |
| Borrowings | 125,102,002 | | 125,102,002 | | 125,102,002 |
| Fed Funds Purchased | 5,200,000 | | 5,200,000 | | 5,200,000 |
| Accounts Payable | 310,970 | | 310,970 | | 310,970 |
| Accrued Interest Payable | 394,262 | | 394,262 | | 394,262 |
| Deferred Compensation | 5,995,832 | | 5,995,832 | | 5,995,832 |
| Accrued Property Taxes Payable | 415,457 | 9,000 | 424,457 | | 424,457 |
| Accrued Employee Compensation | 1,306,075 | | 1,306,075 | | 1,306,075 |
| Accrued Retirement Funds | 472,500 | | 472,500 | | 472,500 |
| Other Accrued Liabilities | 238,794 | | 238,794 | | 238,794 |
| | $ 1,109,670,262 | $ 9,000 | $ 1,109,679,262 | $ (138,400) | $ 1,109,540,862 |
| **STOCKHOLDERS' EQUITY** | | | | | |
| Capital Stock - Common: Par Value $10; 150,000 Shares Issued and Outstanding | $ 1,500,000 | $ | $ 1,500,000 | $ | $ 1,500,000 |
| Surplus | 38,110,500 | | 38,110,500 | | 38,110,500 |
| Retained Earnings | 86,179,743 | | 86,179,743 | | 86,179,743 |
| Accumulated Other Comprehensive Income | 614,897 | | 614,897 | | 614,897 |
| Member's Equity | | 1,475,000 | 1,475,000 | (1,475,000) | |
| | $ 126,405,140 | $ 1,475,000 | $ 127,880,140 | $ (1,475,000) | $ 126,405,140 |
| | $ 1,236,075,402 | $ 1,484,000 | $ 1,237,559,402 | $ (1,613,400) | $ 1,235,946,002 |

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

**FIRST UNITED BANK AND SUBSIDIARY**

**Schedule 11**

**CONSOLIDATING STATEMENT OF INCOME AND COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

| | First United Bank | FUB Air, L.L.C. | Total | Eliminating Entries | Consolidated Total |
|---|---|---|---|---|---|
| Interest Income | | | | | |
| Interest and Fees on Loans | $ 41,445,982 | $ | $ 41,445,982 | $ | $ 41,445,982 |
| Interest and Dividends on Cash and Investments | 6,449,414 | | 6,449,414 | | 6,449,414 |
| Interest on Fed Funds Sold | 10,587 | | 10,587 | | 10,587 |
| | $ 47,905,983 | $ 0 | $ 47,905,983 | $ 0 | $ 47,905,983 |
| Interest Expense | | | | | |
| Interest on Deposits | $ 4,972,427 | $ | $ 4,972,427 | $ | $ 4,972,427 |
| Interest on Borrowed Funds | 668,987 | | 668,987 | | 668,987 |
| | $ 5,641,414 | $ 0 | $ 5,641,414 | $ 0 | $ 5,641,414 |
| Net Interest Income | $ 42,264,569 | $ 0 | $ 42,264,569 | $ 0 | $ 42,264,569 |
| Less: Provision for Loan Losses | 1,200,000 | | 1,200,000 | | 1,200,000 |
| Net Interest Income After Provision for Loan Losses | $ 41,064,569 | $ 0 | $ 41,064,569 | $ 0 | $ 41,064,569 |
| Non-interest Income | | | | | |
| Service Charges on Deposit Accounts | $ 5,321,207 | $ | $ 5,321,207 | $ | $ 5,321,207 |
| Gain on Sale of Loans | 1,734,336 | | 1,734,336 | | 1,734,336 |
| Gain on Sale of Assets | 193,815 | | 193,815 | | 193,815 |
| Gain on Sale of Investments | 85,995 | | 85,995 | | 85,995 |
| Lease Income | | 334,890 | 334,890 | (334,890) | |
| Other Income | 690,352 | | 690,352 | | 690,352 |
| | $ 8,025,705 | $ 334,890 | $ 8,360,595 | $ (334,890) | $ 8,025,705 |
| Other Expenses | | | | | |
| Compensation and Benefits | $ 17,941,323 | $ | $ 17,941,323 | $ | $ 17,941,323 |
| Occupancy | 2,737,476 | 6,000 | 2,743,476 | | 2,743,476 |
| Operations | 3,092,777 | 161,643 | 3,254,420 | (334,890) | 2,919,530 |
| Outside and Professional Services | 2,214,331 | | 2,214,331 | | 2,214,331 |
| Equipment | 2,009,293 | 167,247 | 2,176,540 | | 2,176,540 |
| Advertising | 1,858,824 | | 1,858,824 | | 1,858,824 |
| Deposit Insurance | 333,110 | | 333,110 | | 333,110 |
| Postage and Freight | 195,314 | | 195,314 | | 195,314 |
| Amortization of Intangible Assets | 116,667 | | 116,667 | | 116,667 |
| | $ 30,499,115 | $ 334,890 | $ 30,834,005 | $ (334,890) | $ 30,499,115 |
| Net Income | $ 18,591,159 | $ 0 | $ 18,591,159 | $ 0 | $ 18,591,159 |
| Other Comprehensive Income | | | | | |
| Unrealized Losses on AFS Securities During the Period | (3,352,808) | | (3,352,808) | | (3,352,808) |
| Reclassification Adjustment for AFS Gains Realized | (69,243) | | (69,243) | | (69,243) |
| Total Comprehensive Income | $ 15,169,108 | $ 0 | $ 15,169,108 | $ 0 | $ 15,169,108 |

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

**FIRST UNITED BANK AND SUBSIDIARY**

**Schedule 12**

**CONSOLIDATING STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

| | First United Bank | FUB Air, L.L.C. | Total | Eliminating Entries | Consolidated Total |
|---|---|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Net Income | $ 18,591,159 | $ | $ 18,591,159 | $ | $ 18,591,159 |
| Adjustment to Reconcile Net Income to Net Cash Provided by (used in) Operating Activities | | | | | |
| Depreciation and Amortization | 2,168,260 | 167,247 | 2,335,507 | | 2,335,507 |
| Provision for Loan Losses | 1,200,000 | | 1,200,000 | | 1,200,000 |
| Net Premium Amortization on Investment Securities | 2,722,881 | | 2,722,881 | | 2,722,881 |
| Gain on Sale of Loans | (1,734,336) | | (1,734,336) | | (1,734,336) |
| Gain on Sale of Assets | (193,815) | | (193,815) | | (193,815) |
| Gain on Sale of Investments | (85,995) | | (85,995) | | (85,995) |
| Originations of Loans Held for Sale | (57,365,253) | | (57,365,253) | | (57,365,253) |
| Proceeds from Loans Held for Sale | 60,491,806 | | 60,491,806 | | 60,491,806 |
| Accrued Interest Receivable | (597,069) | | (597,069) | | (597,069) |
| Prepaid Expenses | (81,342) | | (81,342) | | (81,342) |
| Other Assets and Other Real Estate Owned | (1,015) | | (1,015) | | (1,015) |
| Accounts Payable and Other Liabilities | 622,177 | | 622,177 | | 622,177 |
| Net Change in Cash From Operating Activities | $ 25,737,458 | $ 167,247 | $ 25,904,705 | $ 0 | $ 25,904,705 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Change in Other Investments | $ (1,002,405) | $ | $ (1,002,405) | $ | $ (1,002,405) |
| Proceeds from Sales of Debt Securities Available-for-Sale | 4,716,584 | | 4,716,584 | | 4,716,584 |
| Proceeds from Sales of Debt Securities Held-to-Maturity | 827,463 | | 827,463 | | 827,463 |
| Purchase of Debt Securities Available-for-Sale | (82,050,547) | | (82,050,547) | | (82,050,547) |
| Maturities, Calls and Prepayments of Debt Securities Available-for-Sale | 45,606,748 | | 45,606,748 | | 45,606,748 |
| Maturities, Calls and Prepayments of Debt Securities Held-to-Maturity | 9,582,396 | | 9,582,396 | | 9,582,396 |
| Investment in FUB Air, L.L.C. | 100,000 | | 100,000 | (100,000) | |
| Change in Loans (Net) | (56,645,476) | | (56,645,476) | | (56,645,476) |
| Cash Surrender Value - Life Insurance | (202,839) | | (202,839) | | (202,839) |
| Recoveries on Charged-off Loans | 330,054 | | 330,054 | | 330,054 |
| Proceeds from Sale of Property and Equipment | 382,670 | | 382,670 | | 382,670 |
| Purchases of Property and Equipment | (3,440,593) | (27,423) | (3,468,016) | | (3,468,016) |
| Net Change in Cash From Investing Activities | $ (81,795,945) | $ (27,423) | $ (81,823,368) | $ (100,000) | $ (81,923,368) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| Change in Deposits (Net) | $ 62,390,793 | $ | $ 62,390,793 | $ (39,824) | $ 62,350,969 |
| Dividends Paid to Stockholder | (25,750,000) | (100,000) | (25,850,000) | 100,000 | (25,750,000) |
| Borrowings (Net) | 4,991,434 | | 4,991,434 | | 4,991,434 |
| Fed Funds Purchased (Net) | 5,200,000 | | 5,200,000 | | 5,200,000 |
| Net Change in Cash From Financing Activities | $ 46,832,227 | $ (100,000) | $ 46,732,227 | $ 60,176 | $ 46,792,403 |
| CHANGE IN CASH AND CASH EQUIVALENTS | $ (9,226,260) | $ 39,824 | $ (9,186,436) | $ (39,824) | $ (9,226,260) |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | 43,860,093 | 98,576 | 43,958,669 | (98,576) | 43,860,093 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | $ 34,633,833 | $ 138,400 | $ 34,772,233 | $ (138,400) | $ 34,633,833 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | | | | |
| Interest Paid | $ 5,592,542 | $ 0 | $ 5,592,542 | $ 0 | $ 5,592,542 |

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

**FIRST UNITED BANK**

**Schedule 13**

**STATEMENTS OF FINANCIAL CONDITION**
**SEPTEMBER 30, 2018 AND 2017**

| | September 30, 2018 | September 30, 2017 |
|---|---|---|
| **ASSETS** | | |
| Cash and Cash Equivalents | $ 38,648,394 | $ 34,633,833 |
| Investment Securities (Available-for-Sale) | 271,957,045 | 269,868,329 |
| Investment Securities (Held-to-Maturity) | 25,138,531 | 32,448,140 |
| Other Investments | 10,776,913 | 8,882,916 |
| Investment in Subsidiary | 1,325,000 | 1,475,000 |
| Loans Held for Sale | 1,806,331 | 1,606,630 |
| Loans Receivable (Net of Allowance for Loan Losses) | 877,400,616 | 830,665,305 |
| Accrued Interest Receivable | 9,245,755 | 8,506,509 |
| Premises and Equipment (Net of Accumulated Depreciation) | 30,195,129 | 29,939,440 |
| Cash Surrender Value - Life Insurance | 8,299,167 | 8,112,232 |
| Prepaid Expenses | 1,298,889 | 1,210,177 |
| Other Assets | 830,135 | 35,830 |
| Intangible Assets (Net of Accumulated Amortization) | 523,610 | 640,277 |
| Goodwill (Net of Accumulated Amortization) | 8,050,784 | 8,050,784 |
| | $ 1,285,496,299 | $ 1,236,075,402 |
| **LIABILITIES** | | |
| Deposits | | |
| Non-interest Bearing | $ 301,661,871 | $ 254,633,836 |
| Interest Bearing | 732,138,677 | 715,600,534 |
| Borrowings | 115,092,959 | 125,102,002 |
| Fed Funds Purchased | | 5,200,000 |
| Accounts Payable | 408,738 | 310,970 |
| Accrued Interest Payable | 495,222 | 394,262 |
| Deferred Compensation | 6,537,631 | 5,995,832 |
| Accrued Property Taxes Payable | 438,300 | 415,457 |
| Accrued Employee Compensation | 1,314,475 | 1,306,075 |
| Accrued Retirement Funds | 509,400 | 472,500 |
| Other Accrued Liabilities | 173,703 | 238,794 |
| | $ 1,158,770,976 | $ 1,109,670,262 |
| **STOCKHOLDERS' EQUITY** | | |
| Capital Stock - Common: Par Value $10; 150,000 Shares Issued and Outstanding | $ 1,500,000 | $ 1,500,000 |
| Surplus | 38,110,500 | 38,110,500 |
| Retained Earnings | 94,532,047 | 86,179,743 |
| Accumulated Other Comprehensive Income (Loss) | (7,417,224) | 614,897 |
| | $ 126,725,323 | $ 126,405,140 |
| | $ 1,285,496,299 | $ 1,236,075,402 |

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

**FIRST UNITED BANK**

**Schedule 14**

## STATEMENTS OF INCOME AND COMPREHENSIVE INCOME FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

| | September 30, 2018 | September 30, 2017 |
|---|---|---|
| Interest Income | | |
| Interest and Fees on Loans | $ 47,833,829 | $ 41,445,982 |
| Interest and Dividends on Cash and Investments | 7,148,637 | 6,449,414 |
| Interest on Fed Funds Sold | 36,178 | 10,587 |
| | $ 55,018,644 | $ 47,905,983 |
| Interest Expense | | |
| Interest on Deposits | $ 7,383,299 | $ 4,972,427 |
| Interest on Borrowed Funds | 1,385,232 | 668,987 |
| | $ 8,768,531 | $ 5,641,414 |
| Net Interest Income | $ 46,250,113 | $ 42,264,569 |
| Less: Provision for Loan Losses | 1,675,000 | 1,200,000 |
| Net Interest Income After Provision for Loan Losses | $ 44,575,113 | $ 41,064,569 |
| Non-interest Income | | |
| Service Charges on Deposit Accounts | $ 5,305,407 | $ 5,321,207 |
| Gain on Sale of Loans | 1,658,265 | 1,734,336 |
| Gain on Sale of Assets | 16,296 | 193,815 |
| Gain on Sale of Investments | | 85,995 |
| Other Income | 710,182 | 690,352 |
| | $ 7,690,150 | $ 8,025,705 |
| Other Expenses | | |
| Compensation and Benefits | $ 18,557,726 | $ 17,941,323 |
| Occupancy | 2,924,985 | 2,737,476 |
| Operations | 3,016,208 | 3,092,777 |
| Outside and Professional Services | 2,442,645 | 2,214,331 |
| Equipment | 2,205,401 | 2,009,293 |
| Advertising | 1,677,705 | 1,858,824 |
| Deposit Insurance | 381,050 | 333,110 |
| Postage and Freight | 195,572 | 195,314 |
| Amortization of Intangible Assets | 116,667 | 116,667 |
| | $ 31,517,959 | $ 30,499,115 |
| Net Income | $ 20,747,304 | $ 18,591,159 |
| Other Comprehensive Income | | |
| Unrealized Losses on AFS Securities During the Period | (8,032,121) | (3,352,808) |
| Reclassification Adjustment for AFS Gains Realized | | (69,243) |
| Total Comprehensive Income | $ 12,715,183 | $ 15,169,108 |

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

**FIRST UNITED BANK**

**Schedule 15**

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**
**FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

| | Capital Stock | Surplus | Uncertified Surplus | Retained Earnings | Accum. Other Comprehensive Income/(Loss) | Total |
|---|---|---|---|---|---|---|
| Balance - October 1, 2016 | $ 1,500,000 | $ 16,500,000 | $ 21,610,500 | $ 93,338,584 | $ 4,036,948 | $ 136,986,032 |
| Comprehensive Income: | | | | | | |
| Net Income | | | | 18,591,159 | | 18,591,159 |
| Net Change in Unrealized Gain (Loss) on Available-for-Sale Securities | | | | | (3,422,051) | (3,422,051) |
| Total Comprehensive Income (Loss) | $ 0 | $ 0 | $ 0 | $ 18,591,159 | $ (3,422,051) | $ 15,169,108 |
| Cash Dividends Paid to Stockholder | | | | (25,750,000) | | (25,750,000) |
| Balance - September 30, 2017 | $ 1,500,000 | $ 16,500,000 | $ 21,610,500 | $ 86,179,743 | $ 614,897 | $ 126,405,140 |
| Comprehensive Income: | | | | | | |
| Net Income | | | | 20,747,304 | | 20,747,304 |
| Net Change in Unrealized Gain (Loss) on Available-for-Sale Securities | | | | | (8,032,121) | (8,032,121) |
| Total Comprehensive Income (Loss) | $ 0 | $ 0 | $ 0 | $ 20,747,304 | $ (8,032,121) | $ 12,715,183 |
| Cash Dividends Paid to Stockholder | | | | (12,395,000) | | (12,395,000) |
| Balance - September 30, 2018 | $ 1,500,000 | $ 16,500,000 | $ 21,610,500 | $ 94,532,047 | $ (7,417,224) | $ 126,725,323 |

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

**FIRST UNITED BANK**

**Schedule 16**

**STATEMENTS OF CASH FLOWS**
**FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

| | September 30, 2018 | September 30, 2017 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net Income | $ 20,747,304 | $ 18,591,159 |
| Adjustments to Reconcile Net Income to Net Cash Provided by (used in) Operating Activities | | |
| Depreciation and Amortization | 2,274,807 | 2,168,260 |
| Provision for Loan Losses | 1,675,000 | 1,200,000 |
| Net Premium Amortization on Investment Securities | 2,232,504 | 2,722,881 |
| Gain on Sale of Loans | (1,658,265) | (1,734,336) |
| Gain on Sale of Assets | (16,296) | (193,815) |
| Gain on Sale of Investments | | (85,995) |
| Originations of Loans Held for Sale | (53,820,967) | (57,365,253) |
| Proceeds from Loans Held for Sale | 55,279,531 | 60,491,806 |
| Accrued Interest Receivable | (739,246) | (597,069) |
| Prepaid Expenses | (88,712) | (81,342) |
| Other Assets | (794,305) | (1,015) |
| Accounts Payable and Other Liabilities | 743,579 | 622,177 |
| Net Change in Cash From Operating Activities | $ 25,834,934 | $ 25,737,458 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Change in Other Investments | $ (1,893,997) | $ (1,002,405) |
| Proceeds from Sales of Debt Securities Available-for-Sale | | 4,716,584 |
| Proceeds from Sales of Debt Securities Held-to-Maturity | | 827,463 |
| Purchases of Debt Securities Available-for-Sale | (56,256,472) | (82,050,547) |
| Maturities, Calls and Prepayments of Debt Securities Available-for-Sale | 44,279,386 | 45,606,748 |
| Maturities, Calls and Prepayments of Debt Securities Held-to-Maturity | 6,933,354 | 9,582,396 |
| Investment in FUB Air, L.L.C. | 150,000 | 100,000 |
| Change in Loans (Net) | (48,766,909) | (56,645,476) |
| Cash Surrender Value - Life Insurance | (186,935) | (202,839) |
| Recoveries on Charged-off Loans | 356,598 | 330,054 |
| Proceeds from Sale of Property and Equipment | 19,256 | 382,670 |
| Purchases of Property and Equipment | (2,416,789) | (3,440,593) |
| Net Change in Cash From Investing Activities | $ (57,782,508) | $ (81,795,945) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Change in Deposits (Net) | $ 63,566,178 | $ 62,390,793 |
| Dividends Paid to Stockholder | (12,395,000) | (25,750,000) |
| Borrowings (Net) | (10,009,043) | 4,991,434 |
| Fed Funds Purchased (Net) | (5,200,000) | 5,200,000 |
| Net Change in Cash From Financing Activities | $ 35,962,135 | $ 46,832,227 |
| CHANGE IN CASH AND CASH EQUIVALENTS | $ 4,014,561 | $ (9,226,260) |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | 34,633,833 | 43,860,093 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | $ 38,648,394 | $ 34,633,833 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Interest Paid | $ 8,667,571 | $ 5,592,542 |

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

**FIRST UNITED BANK**

**Schedule 17**

**Title II Single Family Program Lenders'**
**Adjusted Net Worth Computation**
**As of September 30, 2018**

| | | | | | |
|---|---|---|---|---|---|
| 1. | Servicing Portfolio September 30, 2018 | | | $ | 0 |
| 2. | Add: | | | | |
| | Originated during the fiscal year | $ | 9,562,628 | | |
| | Purchased from loan correspondent | | | | |
| | During the fiscal year | | | | |
| | Subtotal | $ | 9,562,628 | | |
| 3. | Less: | | | | |
| | Amounts included in Line 2: | $ | | | |
| | Servicing Retained | | | | |
| | Loan correspondent purchases retained | | | | |
| | Subtotal | | | $ | 9,562,628 |
| 4. | Total | | | $ | 9,562,628 |
| 5. | Net worth required | | | $ | 1,000,000 |
| 6. | Additional net worth required (1% of amount on line 4 over $25,000,000) | | | $ | 0 |
| 7. | Total net worth requirement | | | $ | 1,000,000 |
| | Stockholders Equity (Net Worth) Per Balance Sheet | $ | 108,107,997 | | |
| | Less: Unacceptable Assets | | (9,080,718) | | |
| | Adjusted net worth | | | $ | 99,027,279 |
| | Minimum net worth required | | | $ | 1,000,000 |
| | Adjusted net worth above required minimum amount | | | $ | 98,027,279 |

INDEPENDENT AUDITORS' REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors and Management of
Plains Bancorp, Inc. and Subsidiary
Dimmit, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Plains Bancorp, Inc. and subsidiary, which comprise the consolidated statement of financial condition as of September 30, 2018, and the related consolidated statements of income and comprehensive income, changes in stockholders' equity, and cash flows for the fiscal year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 7, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Plains Bancorp, Inc. and subsidiary's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Plains Bancorp, Inc. and subsidiary's internal control. Accordingly, we do not express an opinion on the effectiveness of Plains Bancorp, Inc. and subsidiary's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Plains Bancorp, Inc. and subsidiary's financial statements are free from material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Briggs & Veselka Co.

Briggs & Veselka Co.
Houston, Texas

December 7, 2018

# INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR MAJOR HUD PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE *CONSOLIDATED AUDIT GUIDE FOR AUDITS OF HUD PROGRAMS*

To the Board of Directors and Management of
Plains Bancorp, Inc. and Subsidiary
Dimmit, Texas

## Report on Compliance for Major HUD Program

We have audited Plains Bancorp, Inc. and Subsidiary's compliance with the compliance requirements described in the *Consolidated Audit Guide for Audits of HUD Programs* (the Guide) that could have a direct and material effect on each of Plains Bancorp, Inc. and Subsidiary's major U.S. Department of Housing and Urban Development (HUD) programs for the fiscal year ended September 30, 2018. Plains Bancorp, Inc. and Subsidiary's major HUD program and the related direct and material compliance requirements are as follows:

| Name of Major HUD Program | Direct and Material Compliance Requirements |
|---|---|
| Federal Housing Authority -Title II Insurance Program | Quality Control Plan; Sponsor Responsibility Over Title II Loan Correspondents; Branch Office Operations; Loan Origination; Loan Settlement; Escrow Accounts; Section 235 Assistance Payments; Federal Financial and Activity Reports; Kickbacks; Mortgagee Approval Requirements |

## Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its HUD program.

## Auditors' Responsibility

Our responsibility is to express an opinion on compliance for Plains Bancorp, Inc. and Subsidiary's major HUD program based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide.

Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major HUD program occurred. An audit includes examining, on a test basis, evidence about Plains Bancorp, Inc. and Subsidiary's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for a major HUD program. However, our audit does not provide a legal determination of Plains Bancorp, Inc. and Subsidiary's compliance.

**Opinion on Major HUD Program**

In our opinion, Plains Bancorp, Inc. and Subsidiary complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major HUD program for the fiscal year ended September 30, 2018.

**Other Matters**

We noted certain matters that we are required to report to management of Plains Bancorp, Inc. and Subsidiary in a separate written communication. These matters are described in our management letter dated December 7, 2018.

**Report on Internal Control Over Compliance**

Management of Plains Bancorp, Inc. and Subsidiary is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered Plains Bancorp, Inc. and Subsidiary's internal control over compliance with the requirements that could have a direct and material effect on a major HUD program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for a major HUD program and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Plains Bancorp, Inc. and Subsidiary's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a compliance requirement of a HUD programs on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement of a HUD program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a compliance requirement of a HUD programs that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

Briggs & Veselka Co.

Briggs & Veselka Co.
Houston, Texas

December 7, 2018

Briggs & Veselka Co.
A PROFESSIONAL CORPORATION
Certified Public Accountants and Business Advisors

SCHEDULE OF FINDINGS, QUESTIONED COSTS AND RECOMMENDATIONS

To the Board of Directors and Management of
Plains Bancorp, Inc. and Subsidiary
Dimmit, Texas

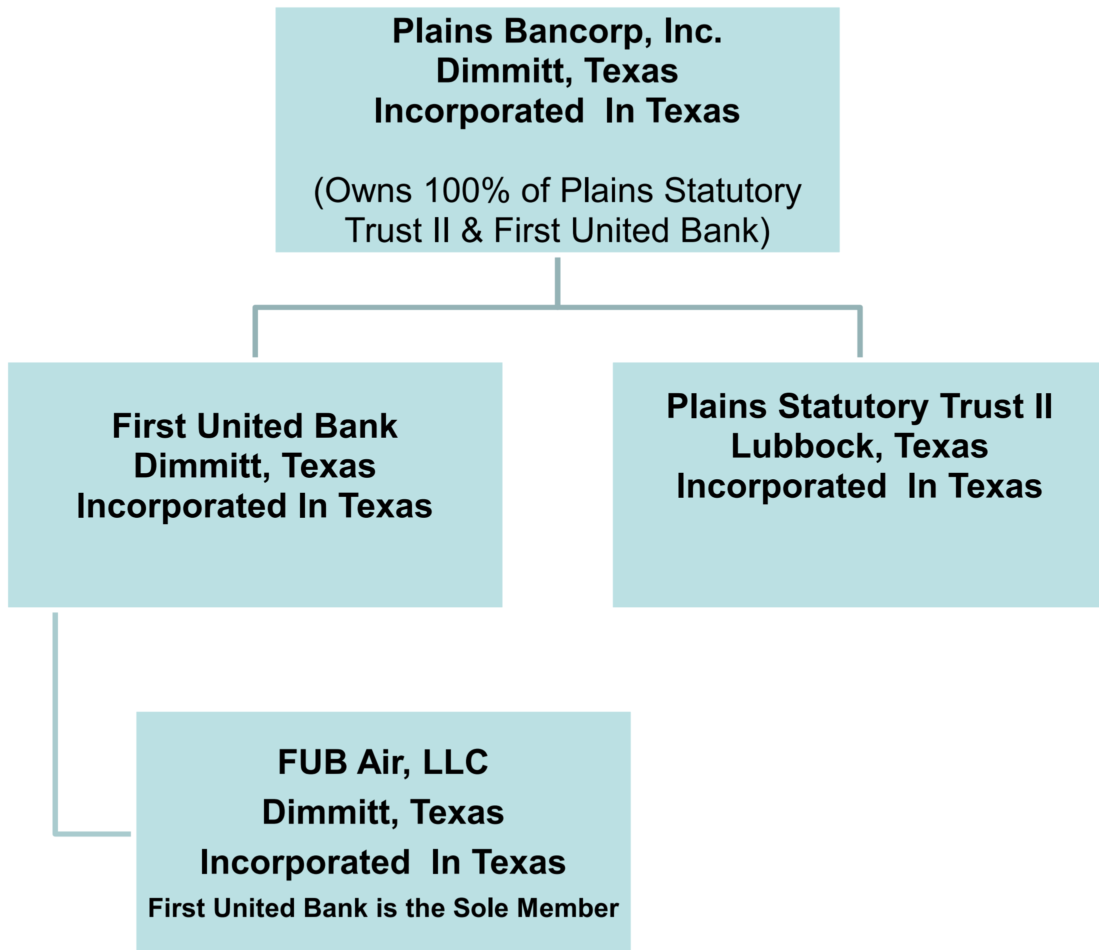
Our audit disclosed that no findings are required to be reported herein under the HUD Consolidated Audit Guide.

Briggs & Veselka Co.

Briggs & Veselka Co.
Houston, Texas

December 7, 2018

# Corporate Structure




LEI: None for all Entities

**Plains Bancorp, Inc.**
**Insiders**
**Item 3 (1)**

| Family | Name | Citizenship | Number of Shares | Percent of Ownership |
|---|---|---|---|---|
| **Bain Family** | RMB 2012 Family Trust<br>Lubbock, Texas<br>Trustees: R. Mark Bain & Michael L. Bain | USA | 3,000 | 15.12% |
| | Ray Mark Bain 2007 Trust<br>Lubbock, Texas<br>Trustee: Ray Mark Bain | USA | 1,722 | 8.68% |
| | Michael L. Bain 2007 Trust<br>Canyon, Texas<br>Trustee: Michael L. Bain | USA | 1,722 | 8.68% |
| | R. Mark Bain<br>Lubbock, Texas | USA | 1,338 | 6.75% |
| | Michael L. Bain<br>Lubbock,Texas | USA | 1,338 | 6.75% |
| | Nancy Seybert<br>Perryton, Texas | USA | 600 | 3.02% |
| | Nancy Bain Seybert 2007 Trust<br>Perryton, Texas<br>Trustee: Nancy Bain Seybert | USA | 456 | 2.30% |
| | Ray Mark Bain Children's Trust<br>Lubbock, Texas<br>Trustee: R. Mark Bain | USA | 259 | 1.31% |
| | Michael L. Bain Children's Trust<br>Canyon, Texas<br>Trustee: Michael L. Bain | USA | 259 | 1.31% |
| | Nancy Bain Seybert Children's Trust<br>Perryton, Texas<br>Trustee: Nancy Bain Seybert | USA | 172 | 0.87% |
| **Total Bain Shares** | | | 10,866 | 54.79% |
| **Schaeffer Family** | David Schaeffer<br>Amarillo, Texas | USA | 1,662 | 8.38% |
| | Stanley Schaeffer<br>Dimmitt, Texas | USA | 900 | 4.54% |
| | Jackie Byrnes<br>Dimmitt, Texas | USA | 700 | 3.53% |
| | Jerry Schaeffer<br>Lubbock, Texas | USA | 700 | 3.53% |
| **Total Schaeffer Shares** | | | 3,962 | 19.98% |
| | Johnny Trotter<br>Hereford, Texas | USA | 2,152 | 10.85% |

**Item 3 (2)**
**N/A**

| (1) Name & Address | (2) Principal Occupation | (3)(a) Holding Company Position(s) | (3)(b) Subsidiary Position(s) | (4)(a) % Owned (BHC) | (4)(b) % Owned (subs) | (3)(c) Other Business Position(s) | (4)(c) Business % Owned |
|---|---|---|---|---|---|---|---|
| Stanley Schaeffer Amarillo, Texas USA | Investments | Director | First United Bank Director, Emeritus | 4.54% | N/A | | |
| | | | | | | B & S Cattle - Partner | 50% - B&S Cattle |
| | | | | | | Grain Investors, Inc. - Shareholder, Director | 37.50% - Grain Investors, Inc. |
| | | | | | | OPM Properties - Partner | 33.33% - OPM Properties |
| | | | | | | Frontier Capital Group Ltd - Shareholder, Director | |
| | | | | | | Frontier Capital Group Tx Partner | |
| | | | | | | Aurora One Real Estate - Limited Partner | |
| | | | | | | JT Real Estate - Partner | |
| | | | | | | Frontier Investments Partner | 50% - Frontier Investments |
| | | | | | | Frontier Ventures - Partner | |
| | | | | | | CBC, Ltd - Manager | |
| | | | | | | 26th & Soho - Partner | |
| | | | | | | JFS Capital Group, Partner | |
| | | | | | | SD Capital Group | 50% - SD Captial Group |
| | | | | | | National Finance Credit Corporation - Director | |
| | | | | | | Texas Livestock Marketing Association - Director | |
| Johnny Trotter Hereford, Texas USA | Cattle | Director | First United Bank Director | 10.85% | N/A | | |
| | | | | | | Livestock Investors, Inc. President | 70% Livestock Investors, Inc. |
| | | | | | | Bar G Trucking - President | 100% Bar G Trucking |
| | | | | | | XCL Feeders, Inc. - President | 100% XCL Feeders |
| | | | | | | JT Real Estate - Partner | 60% JT R/E |
| | | | | | | First Financial Bankshares Director (388,938 shares) | |
| | | | | | | Hereford State Bank Director | |

| (1) Name & Address | (2) Principal Occupation | (3)(a) Holding Company Position(s) | (3)(b) Subsidiary Position(s) | (4)(a) % Owned (BHC) | (4)(b) % Owned (subs) | (3)(c) Other Business Position(s) | (4)(c) Business % Owned |
|---|---|---|---|---|---|---|---|
| | | | | | | Trotter-Matthews - Partner | 50% Trotter-Matthews |
| | | | | | | Trotter-Parker - Partner | 50% Trotter-Parker |
| | | | | | | Texas Auto Inv. - Partner | 65% Texas Auto Inc. |
| | | | | | | Trotter-Scarmardo - Partner | 50% Trotter-Scarmardo |
| | | | | | | Panhandle Real Estate Partner | 50% Panhandle R/E |
| | | | | | | Panhandle Express Transportation LLC - Partner | 50% Panhandle Express Transportation |
| | | | | | | Frontier Capital Group Ltd Limited Partner | |
| | | | | | | Pact Properties LP - Owner | |
| | | | | | | Deaf Smith Enterprises Owner | 50% Deaf Smity Enterprises Owner |
| | | | | | | Equine Center Land Co | 50% Equine Center Land Co |
| | | | | | | Granada Farms, Inc. | 50% Granada Farms, Inc. |
| David Schaeffer Dimmitt, Texas USA | Accountant | Chairman, Director | First United Bank Director | 8.38% | N/A | | |
| | | | | | | Stanley Schaeffer & Associates,CPA's Partner | 33.33% Stanley Schaeffer Associates, CPA's |
| | | | | | | Frontier Capital Group Ltd Treasurer, Director | |
| | | | | | | Frontier Ventures - Partner | |
| | | | | | | Livestock Investors, LTD Director | |
| | | | | | | OPM Properties - Partner | 33.33% OPM Properities |
| | | | | | | Grain Investors, Inc. - Director | |

| (1) Name & Address | (2) Principal Occupation | (3)(a) Holding Company Position(s) | (3)(b) Subsidiary Position(s) | (4)(a) % Owned (BHC) | (4)(b) % Owned (subs) | (3)(c) Other Business Position(s) | (4)(c) Business % Owned |
|---|---|---|---|---|---|---|---|
| | | | | | | Pioneer Investments, Inc. - Partner | 40% Pioneer Investments |
| | | | | | | JT Real Estate - Partner | |
| | | | | | | Bryan Brothers P/S - Partner | 33.33% Bryan Brothers P/S |
| | | | | | | JDJ Capital Group, LLP Partner | 33.33% JDJ Capital Group |
| | | | | | | Delm Investments - Chief Executive Manager | 33.33% Delm Investments |
| | | | | | | Frontier Capital Group Tx P/S - Partner | |
| Michael L. Bain Canyon, Texas USA | Banking | Vice President, Director | | 21.78% | | | |
| | | | First United Bank Director / President | | N/A | MIRAB Investments General Partner | 100% MIRAB Inv |
| | | | FUB Air, LLC Manager | | N/A | Miramar Investments Partner | 33.33% Miramar Investments |
| | | | | | | Back Nine Land & Cattle Sole Proprietor | 100% Back Nine Land & Cattle |
| | | | | | | Pioneer Investments Partner | 25% Pioneer Inv |
| | | | | | | Frontier Capital Group Ltd Shareholder | |
| | | | | | | Bain Brothers Capital Partner | 50% Bain Brothers Capital |
| | | | | | | Micahel L. Bain 2007 Trust Trustee, Beneficiary | 100% Michael L. Bain 2007 Trust |
| | | | | | | Michael L. Bain Children's Trust - Trustee | 100% Michael L. Bain Children's Trust |
| | | | | | | RMB 2012 Family Trust Co-Trustee/Beneficiary | 33.33% RMB 2012 Family Trust |
| | | | | | | Bain Family Capital L.P. Partner | |
| | | | | | | M & M Capital - Member | 50% M&M Capital |

| (1) Name & Address | (2) Principal Occupation | (3)(a) Holding Company Position(s) | (3)(b) Subsidiary Position(s) | (4)(a) % Owned (BHC) | (4)(b) % Owned (subs) | (3)(c) Other Business Position(s) | (4)(c) Business % Owned |
|---|---|---|---|---|---|---|---|
| | | | | | | StockStat, LP | 50% StockStat, LP |
| R. Mark Bain<br>Lubock, Texas USA | Banking | Vice Chairman<br>President & COO<br>Director | | 21.78% | | Bain Brothers Capital<br>Partner | 50% Bain Brothers Capital |
| | | | | | | Bain Family Capital L.P.<br>Limited Partner | 32.67% Bain Family Capital LP |
| | | | First United Bank<br>Director/CEO | | N/A | Bain Family Management LLC - Member | 33.33% Bain Family Mgmt |
| | | | | | | Frontier Capital Group Ltd<br>Partner | |
| | | | Trust, II<br>Administrator | | N/A | M & M Capital - Partner | 50% M&M Capital |
| | | | | | | Miramar Investments Partner | 33.33% Miramar Investments |
| | | | FUB Air, LLC<br>Manager | | N/A | Pioneer Investments Partner | |
| | | | | | | Ray Mark Bain 2007 Trust<br>Trustee | 100% Ray Mark Bain 2007 Trust |
| | | | | | | Ray Mark Bain Children's Trust - Trustee | 100% Ray Mark Bain Children's Trust |
| | | | | | | RMB 2012 Family Trust Co-Trustee/Beneficiary | 33.33% RMB 2012 Family Trust |
| | | | | | | Bain Foundaton - Director | |
| Rick C. Boyd<br>Lubbock, Texas USA | Banking | Director | | 0.30% | | N/A | N/A |
| | | | First United Bank<br>Director, EVP South Region | | N/A | | |
| Scott Bentley<br>Amarillo, Texas USA | Banking | Director | | 1.18% | | N/A | N/A |
| | | | First United Bank<br>Director,President Amarillo Region | | N/A | | |
| Stacey Morris-Potter<br>Lubbock, Texas USA | Banking | Secretary and Treasurer / Director | | 0.81% | | Potter Interests Ltd<br>Member | 100% Potter Interests, Ltd |

| (1) Name & Address | (2) Principal Occupation | (3)(a) Holding Company Position(s) | (3)(b) Subsidiary Position(s) | (4)(a) % Owned (BHC) | (4)(b) % Owned (subs) | (3)(c) Other Business Position(s) | (4)(c) Business % Owned |
|---|---|---|---|---|---|---|---|
| | | | First United Bank Director, COO & EVP | | N/A | MSP Management LLC Member | 100% MSP Mgmt LLC |
| | | | | | | MSP Rio Colorado Ranch LP Member | 100% MSP Rio Colorado Ranch LP |
| Jim Bradford Dimmitt, Texas USA | Cotton Ginning | Director | | 0.50% | | B & B Gin Services- President | 80% B&B Gin Services |
| | | | First United Bank Director | | N/A | North Gin - President | 45% North Gin |
| | | | | | | | |
| | | | | | | | |
| Phillip Mark Nichols Seminole, Texas USA | Farming, Ginning | Director | | 0.50% | | Mark & Lucy Nichols Farms Partner | 50% Mark & Lucy Nichols Farms |
| | | | First United Bank Director | | N/A | Nichols Farms - Partner | 50% Nichols Farms |
| | | | | | | Seminole Service Gin Partner | 50% Seminole Gin |
| | | | | | | Mark Nichols Trust Owner | 100% Mark Nichols Trust |
| Donny Carpenter Dimmitt, Texas USA | Agriculture | Director | | 0.50% | | D & M Enterprises Ltd Partner | 99% D&M Enterprises Ltd |
| | | | First United Bank Director | | N/A | D & M Management Inc. President | 100% D&M Mgmt |
| | | | | | | Donny Carpenter Farms Ltd Limited Partner | 99% Donny Carpenter Farms |
| | | | | | | C & S Inc. Vice President | 50% C&S Inc. |
| | | | | | | Bullseye Ag LLC - Member | 33.33% Bullseye Ag LLC |
| | | | | | | 2 Kids Inc. - President | 100% 2 Kids Inc. |
| | | | | | | Top of Texas Trailers Ltd Partner | 50% Top of Texas Trailers, Ltd |
| | | | | | | A & D Ag Partnership Partner | 50% A&D Ag Partnership |
| David Blackburn Lubbock, Texas USA | Banking | Director | | 0.71% | | N/A | N/A |
| | | | | | | | |

| (1) Name & Address | (2) Principal Occupation | (3)(a) Holding Company Position(s) | (3)(b) Subsidiary Position(s) | (4)(a) % Owned (BHC) | (4)(b) % Owned (subs) | (3)(c) Other Business Position(s) | (4)(c) Business % Owned |
|---|---|---|---|---|---|---|---|
| | | | First United Bank Director, CFO & EVP | | N/A | | |
| | | | Plains Statutory Trust, II Administrator | | N/A | | |
| Nancy Seybert Perryton, Texas USA | Retired Counselor | Principal Securities Holder | N/A | 11.23% | N/A | Nancy Bain Seybert 2007 Trust | 100% Nancy Bain Seybert 2007 Trust |
| | | | | | | Nancy Bain Seybert Children's Trust | 100% Nancy Bain Seybert Children's Trust |
| | | | | | | RMB 2012 Family Trust Trustee | 33.33% RMB 2012 Family Trust |
| Jackie Byrnes Dimmitt, Texas Usa | Teacher | Principal Securities Holder | N/A | 3.53% | N/A | JDJ Capital Group, LLP Partner | 33.33% JDJ Capital Group |
| | | | | | | Frontier Capital Group Spouse Stan Byrnes | 12.59% Frontier Capital Group |
| | | | | | | Frontier Ventures - Partner | |
| | | | | | | OPM Properties Spouse Stan Byrnes | 33.33% OPM Properties |
| Jerry Schaeffer Lubbock, Texas USA | Retired Educator | Principal Securities Holder | N/A | 3.53% | N/A | JDJ Capital Group , LLP Partmer | 33.33% JDJ Capital Group |
| | | | | | | Frontier Ventures-Partner | |
| RMB 2012 Family Trust Lubbock, Texas Usa | N/A | Principal Securities Holder | N/A | 15.12% | N/A | N/A | N/A |
| | | | | | | | |
| | | | | | | | |

**Results:** A list of branches for your depository institution: FIRST UNITED BANK (ID_RSSD: 578255).
This depository institution is held by PLAINS BANCORP, INC. (1108163) of DIMMITT, TX.
The data are as of 09/30/2018. Data reflects information that was received and processed through 10/03/2018.

**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) | 578255 | FIRST UNITED BANK | 201 N BROADWAY | DIMMITT | TX | 79027 | CASTRO | UNITED STATES | Not Required | Not Required | FIRST UNITED BANK | 578255 | |
| Close | 9/28/2018 | Full Service | 3254907 | AMARILLO CENTER CITY BRANCH | 112 SW 8TH AVENUE | AMARILLO | TX | 79101 | POTTER | UNITED STATES | Not Required | Not Required | FIRST UNITED BANK | 578255 | |
| OK | | Full Service | 3271922 | AMARILLO COLONIES BRANCH | ONE FIRST UNITED BANK PARKWAY | AMARILLO | TX | 79119 | RANDALL | UNITED STATES | Not Required | Not Required | FIRST UNITED BANK | 578255 | |
| OK | | Full Service | 3399291 | AMARILLO TRADEWIND BRANCH | 1900 SE 34TH AVENUE | AMARILLO | TX | 79118 | RANDALL | UNITED STATES | Not Required | Not Required | FIRST UNITED BANK | 578255 | |
| OK | | Full Service | 3400209 | CANYON BRANCH | 801 23RD STREET | CANYON | TX | 79015 | RANDALL | UNITED STATES | Not Required | Not Required | FIRST UNITED BANK | 578255 | |
| OK | | Limited Service | 643854 | DETACHED DRIVE-IN FACILITY | 201 N BROADWAY | DIMMITT | TX | 79027 | CASTRO | UNITED STATES | Not Required | Not Required | FIRST UNITED BANK | 578255 | |
| OK | | Full Service | 1431003 | EARTH BRANCH | MAIN & CEDAR | EARTH | TX | 79031 | LAMB | UNITED STATES | Not Required | Not Required | FIRST UNITED BANK | 578255 | |
| OK | | Full Service | 561958 | LAMESA BRANCH | 602 N FIRST ST | LAMESA | TX | 79331-5408 | DAWSON | UNITED STATES | Not Required | Not Required | FIRST UNITED BANK | 578255 | |
| OK | | Full Service | 3542903 | LITTLEFIELD BRANCH | 2003 SOUTH HALL AVENUE | LITTLEFIELD | TX | 79339 | LAMB | UNITED STATES | Not Required | Not Required | FIRST UNITED BANK | 578255 | |
| OK | | Full Service | 4371605 | INDIANA AVENUE BRANCH | 9801 INDIANA AVE | LUBBOCK | TX | 79423 | LUBBOCK | UNITED STATES | Not Required | Not Required | FIRST UNITED BANK | 578255 | |
| OK | | Full Service | 2452117 | LUBBOCK NORTHWEST BRANCH | 5802 4TH STREET | LUBBOCK | TX | 79416 | LUBBOCK | UNITED STATES | Not Required | Not Required | FIRST UNITED BANK | 578255 | |
| OK | | Full Service | 825856 | LUBBOCK SOUTHWEST BRANCH | 6604 FRANKFORD AVENUE | LUBBOCK | TX | 79424 | LUBBOCK | UNITED STATES | Not Required | Not Required | FIRST UNITED BANK | 578255 | |
| OK | | Full Service | 236564 | SEAGRAVES BRANCH | 106 MAIN STREET | SEAGRAVES | TX | 79359 | GAINES | UNITED STATES | Not Required | Not Required | FIRST UNITED BANK | 578255 | |
| OK | | Full Service | 3542891 | SEMINOLE BRANCH | 601 NORTHWEST AVENUE B | SEMINOLE | TX | 79360 | GAINES | UNITED STATES | Not Required | Not Required | FIRST UNITED BANK | 578255 | |
| OK | | Full Service | 350460 | SUDAN BRANCH | 200 MAIN ST | SUDAN | TX | 79371 | LAMB | UNITED STATES | Not Required | Not Required | FIRST UNITED BANK | 578255 | |
| OK | | Full Service | 4319849 | WICHITA FALLS BRANCH | 2904 GARNETT AVENUE | WICHITA FALLS | TX | 76308 | WICHITA | UNITED STATES | Not Required | Not Required | FIRST UNITED BANK | 578255 | |