

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 5466(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.

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

December 31, 2018

Month / Day / Year

N/A

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

Reporter's Name, Street, and Mailing Address

Haskell Bancshares Inc

Legal Title of Holding Company

P.O. Box 998

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

Haskell

Texas

79521

City

State

Zip Code

601 North 1st Street, Haskell Texas, 79521

Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Robert Howard

Chairman, CEO, & Director

Name

Title

325-692-3300

Area Code / Phone Number / Extension

325-692-1383

Area Code / FAX Number

robert.howard@haskellnationalbank.com

E-mail Address

www.haskellnationalbank.com

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

I, Robert Howard

Name of the Holding Company Director and Official

Chairman, CEO, & Director

Title of the Holding Company Director and Official

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

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

Signature of Holding Company Director and Official

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. _____

Is confidential treatment requested for any portion of this report submission? No Yes

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	Legal Title of Subsidiary Holding Company
(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box	(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box
City State Zip Code	City State Zip Code
Physical Location (if different from mailing address)	Physical Location (if different from mailing address)
Legal Title of Subsidiary Holding Company	Legal Title of Subsidiary Holding Company
(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box	(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box
City State Zip Code	City State Zip Code
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Physical Location (if different from mailing address)	Physical Location (if different from mailing address)
Legal Title of Subsidiary Holding Company	Legal Title of Subsidiary Holding Company
(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box	(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box
City State Zip Code	City State Zip Code
Physical Location (if different from mailing address)	Physical Location (if different from mailing address)

HASKELL BANCSHARES, INC.

Haskell, Texas

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REPORT ITEMS

December 31, 2018

<u>Report Item Number</u>	<u>Description</u>	<u>Status</u>
1.	Annual Report to Shareholders	Included
2.A.	Organization Chart	Included
2.B.	Domestic Branch Listing	Included
3.	Securities Holders	Included
4.	Insiders	Included



HASKELL BANCSHARES, INC.
Haskell, Texas

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

December 31, 2018 and 2017

HASKELL BANCSHARES, INC.
Haskell, Texas

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December 31, 2018 and 2017

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February 13, 2019

**To the Stockholders
Haskell Bancshares, Inc.
Haskell, Texas**

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying financial statements of Haskell Bancshares, Inc., (the "Company") which comprise the balance sheets as of December 31, 2018 and 2017, and the related statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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 internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

We have also audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheets of Haskell Bancshares, Inc. and Subsidiary as of December 31, 2018 and 2017, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for the years then ended (none of which is presented herein), and we express an unqualified opinion on those financial statements. Such consolidated financial statements are the general-purpose financial statements of Haskell Bancshares, Inc. and Subsidiary, and the financial statements of the parent company presented herein are not a valid substitute for those consolidated financial statements.

In order to report Haskell Bancshares, Inc.'s financial position and activities separately from its wholly owned and controlled subsidiaries, Haskell Bancshares, Inc. has elected not to report on a consolidated basis their wholly owned subsidiary. Accounting principles generally accepted in the United States of America require that wholly owned and controlled subsidiaries be consolidated. The effects on the financial statements of not consolidating the subsidiary are discussed in **NOTE 2**.

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

Opinion

In our opinion, except for the effects of not consolidating the subsidiaries discussed above, the financial statements referred to above present fairly, in all material respects, the financial position of Haskell Bancshares, Inc., as of December 31, 2018 and 2017, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Condly and Company, L.L.P.

Certified Public Accountants

HASKELL BANCSHARES, INC.
Haskell, Texas

BALANCE SHEETS (PARENT ONLY)

	December 31,	
	2018	2017
<u>ASSETS</u>		
Cash and cash equivalents	\$ 71,381	\$ 67,202
Investment in Haskell National Bank	8,339,269	8,252,269
TOTAL ASSETS	\$ 8,410,650	\$ 8,319,471
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Total Liabilities	\$ -	\$ -
STOCKHOLDERS' EQUITY:		
Common stock - \$1 par value per share; 300,000 shares authorized; 294,360 shares issued; 175,445 shares outstanding in 2018 and 2017	294,360	294,360
Additional paid-in capital	1,291,774	1,291,774
Retained earnings	8,641,966	8,379,392
Accumulated other comprehensive loss	(450,412)	(279,017)
	9,777,688	9,686,509
LESS: Treasury stock, 118,915 shares at cost	(1,367,038)	(1,367,038)
Total Stockholders' Equity	8,410,650	8,319,471
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 8,410,650	\$ 8,319,471

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

HASKELL BANCSHARES, INC.
Haskell, Texas

STATEMENTS OF INCOME (PARENT ONLY)

	Year Ended December 31,	
	<u>2018</u>	<u>2017</u>
INCOME:		
Dividends from Haskell National Bank	\$ 361,200	\$ 300,000
Interest	<u>78</u>	<u>27</u>
Total Income	<u>361,278</u>	<u>300,027</u>
EXPENSES:		
Accounting fees	2,700	3,345
Miscellaneous	<u>-</u>	<u>54</u>
Total Expenses	<u>2,700</u>	<u>3,399</u>
INCOME BEFORE EQUITY IN UNDISTRIBUTED EARNINGS OF SUBSIDIARY	<u>358,578</u>	<u>296,628</u>
Equity in undistributed earnings of subsidiary	<u>258,395</u>	<u>188,661</u>
NET INCOME	<u>\$ 616,973</u>	<u>\$ 485,289</u>

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

HASKELL BANCSHARES, INC.
Haskell, Texas

STATEMENTS OF COMPREHENSIVE INCOME (PARENT ONLY)

	Year Ended December 31,	
	<u>2018</u>	<u>2017</u>
NET INCOME	\$ 616,973	\$ 485,289
Other items of comprehensive income:		
Unrealized losses on securities:		
Change in unrealized holding losses arising during the period	<u>(171,395)</u>	<u>(50,242)</u>
Total other items of comprehensive loss	<u>(171,395)</u>	<u>(50,242)</u>
Comprehensive income before tax	445,578	435,047
Income tax liability related to other items of comprehensive income	<u>-</u>	<u>-</u>
Comprehensive income after tax	<u>\$ 445,578</u>	<u>\$ 435,047</u>

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

HASKELL BANCSHARES, INC.
Haskell, Texas

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (PARENT ONLY)

Years Ended December 31, 2018 and 2017

	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>
BALANCE AT DECEMBER 31, 2016	\$ 294,360	\$ 1,291,774	\$ 8,188,851
Net income for 2017			485,289
Net change in unrealized loss on available-for-sale securities			
Cash distributions paid - \$1.68 per share			<u>(294,748)</u>
BALANCE AT DECEMBER 31, 2017	294,360	1,291,774	8,379,392
Net income for 2018			616,973
Net change in unrealized loss on available-for-sale securities			
Cash distributions paid - \$2.02 per share			<u>(354,399)</u>
BALANCE AT DECEMBER 31, 2018	<u>\$ 294,360</u>	<u>\$ 1,291,774</u>	<u>\$ 8,641,966</u>

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

<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Treasury Stock</u>	<u>Total Stockholders' Equity</u>
\$ (228,775)	\$ (1,367,038)	\$ 8,179,172
		485,289
(50,242)		(50,242)
		<u>(294,748)</u>
(279,017)	(1,367,038)	8,319,471
		616,973
(171,395)		(171,395)
		<u>(354,399)</u>
<u>\$ (450,412)</u>	<u>\$ (1,367,038)</u>	<u>\$ 8,410,650</u>

HASKELL BANCSHARES, INC.
Haskell, Texas

STATEMENTS OF CASH FLOWS (PARENT ONLY)

	Year Ended December 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 616,973	\$ 485,289
Adjustments to reconcile net income to net cash provided by operating activities:		
Increase in:		
Federal income tax payable	-	54
Net Cash Provided by Operating Activities	616,973	485,343
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net increase in investment in Haskell National Bank	(258,395)	(188,661)
Net Cash Used in Investing Activities	(258,395)	(188,661)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash dividends paid	(354,399)	(294,748)
Net Cash Used in Financing Activities	(354,399)	(294,748)
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,179	1,934
Cash and cash equivalents at beginning of year	67,202	65,268
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 71,381	\$ 67,202
SUPPLEMENTARY INFORMATION:		
Income taxes paid	\$ 14,479	\$ 24,132

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

HASKELL BANCSHARES, INC.
Haskell, Texas

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Haskell Bancshares, Inc., (parent only) conform with accounting principles generally accepted in the United States of America. Policies and practices which materially affect the determination of financial position, results of operations, and cash flows are summarized as follows:

Cash and Cash Equivalents

For purposes of reporting cash flows, the Company considers any short-term investment convertible to cash within three months or less with little or no change in the principal amount to be a cash equivalent.

Investment in Haskell National Bank

The Company acquired 98.12% of the outstanding stock of Haskell National Bank through an exchange of its own common and preferred stock and assumption of stockholder debt on February 9, 1979. In March of 1988, the Company acquired the remaining 1.88% of the outstanding stock of Haskell National Bank resulting in the Company owning 100% of its subsidiary, Haskell National Bank. The Company's investment in Haskell National Bank is carried at the value of its equity in the net assets of the subsidiary.

Federal Income Taxes

Deferred tax assets and liabilities are reflected at currently enacted income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

The Company has adopted ASC 740-10, *Accounting for Uncertainty in Income Taxes*, ASC 740-10 prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements uncertain tax positions that the Company has taken or expects to take in the Company's tax returns. Management evaluated the Company's tax positions and concluded that the Company had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. With few exceptions, the Company is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2015.

Revenue Recognition

Dividends are recognized as income by the Company when they are received (or declared if earlier) from their subsidiary Haskell National Bank.

Subsequent Events

The Company has evaluated subsequent events through February 13, 2019, the date the financial statements were available to be issued.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and

assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

NOTE 2: WHOLLY OWNED SUBSIDIARY

If the wholly owned and controlled subsidiary were consolidated in the accompanying financial statements, total assets would be stated at \$69,714,174 and \$71,345,066, and total liabilities would be stated at \$61,303,523 and \$63,025,595 as of December 31, 2018 and 2017, respectively. There would be no changes in stockholders' equity or net income as of and for the years ended December 31, 2018 and 2017.

A summary of the subsidiary's financial information as of and for the years ended December 31, 2018 and 2017 is as follows:

	<u>2018</u>		<u>2017</u>
Total assets	\$ 69,714,174	\$	71,345,066
Total liabilities	61,374,905		63,092,797
Total stockholders' equity	8,339,269		8,252,269
Net income	619,595		488,661

HASKELL BANCSHARES, INC.
Haskell, Texas

ORGANIZATION CHART

December 31, 2018

HASKELL BANCSHARES, INC.
Haskell, Texas
(100% Of Bank Stock)
Incorporated in Texas

"LEI: NONE"

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HASKELL NATIONAL BANK
Haskell, Texas
Organized in the State of Texas

"LEI: NONE"

Results: A list of branches for your depository institution: HASKELL NATIONAL BANK (ID_RSSD: 170257).
 The depository institution is held by HASKELL BANCSHARES, INC. (1103494) of HASKELL, TX.
 The data are as of 12/31/2018. Data reflects information that was received and processed through 01/25/2019.

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>.

* FCID 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	FCID UNINUM*	Office Number*	Head Office	Head Office ID_RSSD*	Comments
ok		Full Service (Head Office)	170257	HASKELL NATIONAL BANK	601 N 1ST	HASKELL	TX	79521-0998	HASKELL	UNITED STATES	8998	0	HASKELL NATIONAL BANK	170257	
ok		Full Service	3534104	ABILENE BRANCH	3202 BUFFALO GAP ROAD	ABILENE	TX	79605	TAYLOR	UNITED STATES	365990	1	HASKELL NATIONAL BANK	170257	

HASKELL BANCSHARES, INC.
Haskell, Texas

SECURITIES HOLDERS

December 31, 2018

Current Shareholders with ownership, control or holdings of 5% or more with power to vote as of fiscal year ending December 31, 2018

<u>Name of Shareholders</u>	<u>Country of Citizenship or Incorporation</u>	<u>City</u>	<u>State</u>	<u>Number Of Shares</u>	<u>Percentage Of Shares Owned</u>
Amelia Louise Corzine	USA	Saffron Walden	Essex	15,485	8.83%
Ed Corzine, Jr.	USA	Ft. Worth	Texas	15,486	8.83%
Jan Herren Gannaway	USA	Haskell	Texas	30,176	17.20%
Kimberly Rae Howard	USA	North Richland Hills	Texas	16,926	9.65%
Andrew Gannaway *	USA	Haskell	Texas	14,630	8.34%
Robert Aaron Howard *	USA	Abilene	Texas	29,742	16.95%
Dan Griffith *	USA	Abilene	Texas	15,190	8.66%

Shareholders not listed above that had ownership, control or holdings of 5% or more with power to vote during the fiscal year ending December 31, 2018

* Includes 1/3 of 43,590 shares owned by ESOP.

HASKELL BANCSHARES, INC.
Haskell, Texas

INSIDERS

December 31, 2018

Name, City, State, Country	Principal Occupation if other than with Bank Holding Company	Title & Position with Bank Holding Company	Title & Position with Subsidiaries (include names of subsidiaries)	Title & Position with Other Businesses (includes names of other businesses)	Percentage of Voting Shares in Holding Company	Percentage of Voting Shares in Subsidiaries (include names of subsidiaries)	List names of other companies (includes partnerships) if 25% or more of voting securities are held (list names and percentages of voting securities held)
Robert A. Howard * Ablene, Texas USA	N/A	Chairman, CEO, and Director	Chairman, CEO, and Director (Haskell National Bank)	N/A	16.95%	None	N/A
Dan Riley Griffith * Ablene, Texas USA	Farming and ranching, insurance adjuster	Director	Director (Haskell National Bank)	N/A Insurance adjuster - contract	8.66%	None	N/A
Andrew Gannaway * Haskell, Texas USA	N/A	President and Director	President and Director (Haskell National Bank)	N/A	8.34%	None	N/A
Josh Ensor Ablene, Texas USA	Insurance Agent - Josh Ensor Agency	Director	Director (Haskell National Bank)	Owner - Josh Ensor Agency	2.63%	None	N/A
Julia Gannaway Keller, TX USA	Attorney	Director	Director (Haskell National Bank)	Partner - Lynn Pharm & Ross, LLP	0.23%	None	N/A
Randy Hise Haskell, Texas USA	N/A	Secretary of the Board and Director	Executive Vice President and Director (Haskell National Bank)	N/A	0.06%	None	N/A
Jan Herren Gannaway Haskell, Texas USA	Investments	Principal Securities Holder	N/A	N/A	17.20%	None	N/A
Amelia Louise Corzine Haskell, Texas USA	Investor	Principal Securities Holder	N/A	N/A	8.83%	None	N/A
Ed Cozine Jr. Haskell, Texas USA	Investor	Principal Securities Holder	N/A	N/A	8.83%	None	N/A
Kimberly Rae Howard Haskell, Texas USA	Engineer	Principal Securities Holder	N/A	N/A	9.65%	None	N/A

* Includes 1/3 of 43,590 shares owned by ESOP.