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, Ben Scott
Name of the Holding Company Director and Official

President and 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.

Ben Scott
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. ____

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

Coleman Bancshares, Inc.
Legal Title of Holding Company

P O Box 940
(Mailing Address of the Holding Company) Street / P.O. Box

Coleman	Texas	76834
City	State	Zip Code

118 West Pecan Street, Coleman TX 76834
Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Tawnya Davis	Cashier, Coleman County
Name	Title

(325)625-2172
Area Code / Phone Number / Extension

(325)625-5145
Area Code / FAX Number

tdavis@colemanbank.com
E-mail Address

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

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

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

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

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

Public reporting burden for this information collection is estimated to vary from 1.3 to 101 hours per response, with an average of 5.50 hours per response, including time to gather and maintain data in the required form and to review instructions and complete the information collection. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to: Secretary, Board of Governors of the Federal Reserve System, 20th and C Streets, NW, Washington, DC 20551, and to the Office of Management and Budget, Paperwork Reduction Project (7100-0297), Washington, DC 20503.

Form FR Y-6
Coleman Bancshares, Inc.
Coleman, Texas
Fiscal Year Ending December 31, 2018

Report Item
1: Coleman Bancshares, Inc., prepares an annual report for it's shareholders.

2a: Organization Chart

COLEMAN BANCSHARES, INC.
COLEMAN, TEXAS
INCORPORATED IN TEXAS

100%

COLEMAN COUNTY STATE BANK
COLEMAN, TEXAS
CHARTERED IN TEXAS

2b: Domestic Branch Listing
Submitted via email on
Copy attached.

LEI: Coleman Bancshares, Inc - None
LEI: Coleman County State Bank 549300YDU8N5KZBYRU81

Form FR Y-6
Coleman Bancshares, Inc.
Fiscal Year Ending December 31, 2018

Report Item 3: Securities holders
(1)(a)(b)(c) and (2)(a)(b)(c)

Current Securities holders with ownership, control or holdings of 5% or more with power to vote as of fiscal year ending 12/31/2018			Securities holders not listed in (3) (1)(a) through (3) (1)(c) that had ownership, control or holdings of 5% or more with power to vote during the fiscal year ending 12-31-2018		
(1)(a) Name, City, State, Country	(1)(b) Country of Citizenship or Incorporation	(1)(c) Number and Percentage of Each Class of Voting Securities	(2)(a) Name, City, State, Country	(2)(b) Country of Citizenship or Incorporation	(2)(c) Number and Percentage of Each Class of Voting Securities
Coleman Bancshares, Inc., ESOP Coleman, Tx Trustees: Ben J. Scott, Joe Dan LeMay, Reave Scott	USA		N/A		
Ben J. Scott Coleman, Tx *7,410 of these shares are owned by Coleman Bancshares, Inc., ESOP	USA	13,935 - 20.67% common stock			
Joe Dan LeMay Levelland, Tx	USA	4,085 - 6.06% common stock			
Cecil Day Coleman, Tx	USA	3,383 - 5.02% common stock			
Janie Popnoe Abilene, Tx	USA	8,662 - 12.85% common stock			
Mike Stith Coleman, TX	USA	3,802 - 5.64% common stock			

Form FR Y-6
Coleman Bancshares, Inc.
Fiscal Year Ending December 31, 2018

Report Item 3: Shareholders
(1)(a)(b)(c), and (4)(a)(b)(c)

Current Shareholders with ownership, control or holdings of 5% or more with power to vote as of fiscal year ending 12/31/18			Shareholders not listed in (3) (1)(a) through (3) (1)(c) that had ownership, control or holdings of 5% or more with power to vote during the fiscal year ending 12-31-2018		
(1)(a) Name & Address (City, State, Country)	(1)(b) Country of Citizenship or Incorporation	(1)(c) Number and Percentage of Each Class of Voting Securities	(2)(a) Name & Address (City, State, Country)	(2)(b) Country of Citizenship or Incorporation	(2)(c) Number and Percentage of Each Class of Voting Securities

Form FR Y-6
Coleman Bancshares, Inc.
Fiscal Year Ending December 31, 2018

Report Item 4: Insiders
(1), (2), (3)(a)(b)(c), and (4)(a)(b)(c)

(1) Names, City, State, Country	(2) Principal Occupation if other than with Bank Holding Company	(3)(a) Title & Position with Bank Holding Company	(3)(b) Title & Position with Subsidiaries (include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (include names of other businesses)	(4)(a) Percentage of Voting Shares in Bank Holding Company	(4)(b) Percentage of Voting Shares in Subsidiaries (include names of subsidiaries)	(4)(c) List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
Ben J. Scott Coleman, Tx	N/A	President & Director	Chairman of the Board, Director (Coleman County State Bank)	Partner (S&S Cattle Co.)	20.67% (10.99% are ESOP)	None	S&S Cattle Co. 50%
Joe Dan LeMay Levelland TX	N/A	Vice President & Director	Director (Coleman County State Bank)	None	6.06%	None	None
Reave Scott Abilene, Tx	N/A	Secretary & Director	Chief Executive Officer, President, Director,Secretary to the Board (Coleman County State Bank)	Partner (S&S Cattle Co.);	2.58%	None	S&S Cattle Co. 50%; Reave Management LLC 100%; KinsEll Ventures, Ltd 100%

Coleman Bancshares, Inc.
Fiscal Year Ending December 31, 2018

Report Item 4: Insiders
(1), (2), (3)(a)(b)(c), and (4)(a)(b)(c)

(1) Names, City, State, Country	(2) Principal Occupation if other than with Bank Holding Company	(3)(a) Title & Position with Bank Holding Company	(3)(b) Title & Position with Subsidiaries (include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (include names of other businesses)	(4)(a) Percentage of Voting Shares in Bank Holding Company	(4)(b) Percentage of Voting Shares in Subsidiaries (include names of subsidiaries)	(4)(c) List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
Janie Popnoe Abilene Texas USA	Retired School Teacher	Principal Shareholder	N/A	N/A	12.85%	None	N/A

December 31, 2018 COLEMAN BANCSHARES, INC. SHAREHOLDERS LISTING

Stockholder Name and Address	Number of Common Shares	% of Total Shares Owned
Mac or Joyce Anderson	2,181	3.23%
Stephen Autry	153	0.23%
Mike Berry	605	0.90%
Ross Burdick	200	0.30%
Lauren Cecil	122	0.18%
Vickie Coats	2,000	2.97%
Coleman Bancshares, Inc. E.S.O.P. C/O Ben J. Scott	7,410	10.99%
Jay W. Davis	206	0.31%
Willene Davis	476	0.71%
Cecil Day	3,383	5.02%
Mary Dianne Day	1,353	2.01%
Jeffery Day	1,353	2.01%
Henry Dodson	715	1.06%
Elm Street Church of Christ	445	0.66%
Max Gaines	1,211	1.80%
Ray Ann Gibson	735	1.09%
Robert M. Glover	270	0.40%
Candace Greenroad	375	0.56%
John Gregg	515	0.76%
Frank Harkness	1,662	2.47%

Stockholder Name and Address	Number of Common Shares	% of Total Shares Owned
Bettye J. Hart	1,662	2.47%
Eddie Hartman	367	0.54%
Christina L Henderson	965	1.43%
P. H. or Leona Henderson C/O Naoma Nichols	940	1.39%
Peggy Hibbs	100	0.15%
Kristen A. Hopper or Carla McGhee	500	0.74%
Bobby Howard	125	0.19%
Jerry Howard	125	0.19%
David Huff	383	0.57%
Chris Jamison	1,175	1.74%
Virginia Jamison	400	0.59%
Ross Jones	151	0.22%
Patrick Justiss	650	0.96%
Elaine Jones Kendrick	234	0.35%
Melton Kennedy	501	0.74%
Jana Kinsey	125	0.19%
Radonna K Lambert	205	0.30%
Joe LeMay	4,085	6.06%
Wayne McClure	622	0.92%
Carla McGhee	500	0.74%
Brent P. Nichols	900	1.33%

Stockholder Name and Address	Number of Common Shares	% of Total Shares Owned
W. Paschal or Lucy N. Odom	300	0.44%
Carol Kingsbery Ottmers Otto	245	0.36%
Ermanell M. Penney	374	0.55%
Harold and Marian K. Phillips	242	0.36%
Janie Popnoe	8,662	12.85%
Ben Russell	125	0.19%
Ben Scott	6,525	9.68%
David or Amy Scott	228	0.34%
Reave Scott	1,742	2.58%
Larry W. or Donna Seymore	300	0.44%
Curtis Skelton	1,782	2.64%
Harold Skelton	218	0.32%
David K. Smith	160	0.24%
Mike Stith	3,802	5.64%
Rhoda O'Lene Stone	615	0.91%
Louise Thompson	450	0.67%
Elena Tomme	163	0.24%
Janelle Turner	30	0.04%
Nanallene Turner	344	0.51%
Gary D. Wheat	151	0.22%
Roland Wilson	415	0.62%

Stockholder Name and Address	Number of Common Shares	% of Total Shares Owned
Tammy Withers 726 Marlin Drive Abilene TX 79602	461	0.68%
TOTAL OF COMMON SHARES	67,419	100.00%

Results: A list of branches for your holding company: COLEMAN BANCSHARES, INC. (1107072) of COLEMAN, TX.
The data are as of 12/31/2018. Data reflects information that was received and processed through 01/06/2019

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.

* 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)	761954	COLEMAN COUNTY STATE BANK	118 W. PECAN	COLEMAN	TX	76834	COLEMAN	UNITED STATES	Not Required	Not Required	COLEMAN COUNTY STATE BANK	761954	
Ok		Full Service	3254934	COLEMAN COUNTY BRANCH	4609 SOUTHWEST DRIVE	ABILENE	TX	79606	TAYLOR	UNITED STATES	Not Required	Not Required	COLEMAN COUNTY STATE BANK	761954	
Ok		Limited Service	944850	DRIVE-IN BRANCH	118 W COLLEGE STREET	COLEMAN	TX	76834	COLEMAN	UNITED STATES	Not Required	Not Required	COLEMAN COUNTY STATE BANK	761954	
Ok		Electronic Banking	3541018	WWW.COLEMANBANK.COM BRANCH	118 WEST PECAN STREET	COLEMAN	TX	76834	COLEMAN	UNITED STATES	Not Required	Not Required	COLEMAN COUNTY STATE BANK	761954	

Coleman County
STATE BANK

COLEMAN BANCSHARES, INC. AND SUBSIDIARY
Coleman, Texas

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

December 31, 2018 and 2017

FOUNDED ON PRINCIPLE

FOCUSED ON SERVICE

COLEMAN BANCSHARES, INC. AND SUBSIDIARY
Coleman, Texas

CONTENTS

December 31, 2018 and 2017

Condley
AND COMPANY, LLP
Certified Public Accountants and Business Advisors

993 North Third Street
PO Box 2993
Abilene, Texas 79604-2993
phone 325-677-6251
fax 325-677-0006
www.condley.com

March 1, 2019

To the Board of Directors and Stockholders
Coleman Bancshares, Inc. and Subsidiary
Coleman, Texas

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Coleman Bancshares, Inc. and Subsidiary (the "Company") which comprise the consolidated balance sheets 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, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Coleman Bancshares, Inc. and Subsidiary as of December 31, 2018 and 2017, and the results of their consolidated operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Condley and Company, L.L.P.

Certified Public Accountants

COLEMAN BANCSHARES, INC. AND SUBSIDIARY
Coleman, Texas

CONSOLIDATED BALANCE SHEETS

ASSETS	December 31, 2018	December 31, 2017
Cash and due from banks:		
Noninterest-bearing balances and currency and coin	$ 2,490,573	$ 1,868,387
Interest-bearing deposits in other financial institutions	13,859,309	6,460,681
Securities available-for-sale	9,963,340	4,595,411
Loans receivable, net of allowance for loan losses of $891,804 and $757,728 for 2018 and 2017, respectively	84,954,676	88,034,230
Loans held for sale	122,550	293,372
Accrued interest receivable	739,267	596,114
Goodwill, net of accumulated amortization of $407,260	424,590	424,590
Premises and equipment, net	2,229,749	2,335,458
Other assets	620,981	692,966
TOTAL ASSETS	$ 115,405,035	$ 105,301,209

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

LIABILITIES AND STOCKHOLDERS' EQUITY	December 31, 2018	2017
LIABILITIES:		
Deposits		
Non-interest bearing	$ 37,771,090	$ 32,528,233
Interest bearing	65,627,980	61,201,855
Total deposits	103,399,070	93,730,088
Accrued expenses and other liabilities	245,194	251,215
Long-term debt	-	241,569
Total Liabilities	103,644,264	94,222,872
STOCKHOLDERS' EQUITY:		
Common stock - $10 par value; 1,000,000 shares authorized, 67,419 and 67,419 shares issued and outstanding as of 2018 and 2017, respectively	674,190	674,190
Additional paid-in capital	1,544,894	1,544,894
Retained earnings	9,637,543	8,909,940
Accumulated other comprehensive loss	(95,856)	(50,687)
Total Stockholders' Equity	11,760,771	11,078,337
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 115,405,035	$ 105,301,209

COLEMAN BANCSHARES, INC. AND SUBSIDIARY
Coleman, Texas

CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31, 2018	2017
INTEREST INCOME:		
Loans receivable	$ 5,368,834	$ 5,089,536
Securities available-for-sale	201,883	112,727
Interest-bearing deposits in other financial institutions	196,329	73,267
Total Interest Income	5,767,046	5,275,530
INTEREST EXPENSE:		
Deposits	336,012	233,754
Total Interest Expense	336,012	233,754
NET INTEREST INCOME	5,431,034	5,041,776
Provision for loan losses	160,000	1,203,077
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	5,271,034	3,838,699
NON-INTEREST INCOME:		
Service charges and fees	1,429,897	1,185,826
Other income	181,957	120,220
Total Other Income	1,611,854	1,306,046
NON-INTEREST EXPENSES:		
Salaries and employee benefits	2,175,767	1,899,027
Occupancy expense	571,307	487,437
Deposit insurance premium	31,780	38,439
Other expenses	1,926,923	1,576,455
Total Other Expenses	4,705,777	4,001,358
NET INCOME	$ 2,177,111	$ 1,143,387
SUPPLEMENTARY INFORMATION (*See Independent Auditors' Report on Supplementary Information*):		
Net income per share of common stock	$ 32.29	$ 16.96
Average shares outstanding	67,419	67,419

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

COLEMAN BANCSHARES, INC. AND SUBSIDIARY
Coleman, Texas

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31, 2018	2017
NET INCOME	$ 2,177,111	$ 1,143,387
Other items of comprehensive income (loss):		
Unrealized gains (losses) on securities:		
Unrealized holding gain (loss) arising during period	(45,163)	14,930
Less: reclassification adjustment for gains included in net income	(6)	-
Total other items of comprehensive income (loss)	(45,169)	14,930
Comprehensive income before tax	2,131,942	1,158,317
Income tax expense related to other items of comprehensive income (loss)	-	-
Comprehensive income after tax	$ 2,131,942	$ 1,158,317

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

COLEMAN BANCSHARES, INC. AND SUBSIDIARY
Coleman, Texas

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the Years Ended December 31, 2018 and 2017

	Common Stock	Additional Paid-In Capital
BALANCE AT DECEMBER 31, 2016	$ 674,190	$ 1,544,894
Net income for 2017		
Net change in unrealized loss on available-for-sale securities		
Dividends on common stock, $20.00 per share		
BALANCE AT DECEMBER 31, 2017	674,190	1,544,894
Net income for 2018		
Net change in unrealized loss on available-for-sale securities		
Dividends on common stock, $21.50 per share		
BALANCE AT DECEMBER 31, 2018	$ 674,190	$ 1,544,894

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

Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
$ 9,114,933	$ (65,617)	$ 11,268,400
1,143,387		1,143,387
	14,930	14,930
(1,348,380)		(1,348,380)
8,909,940	(50,687)	11,078,337
2,177,111		2,177,111
	(45,169)	(45,169)
(1,449,508)		(1,449,508)
$ 9,637,543	$ (95,856)	$ 11,760,771

COLEMAN BANCSHARES, INC. AND SUBSIDIARY
Coleman, Texas

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 2,177,111	$ 1,143,387
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	198,952	188,492
Amortization and accretion	(9,777)	25,995
Provision for loan losses	160,000	1,203,077
Gain on sale of foreclosed real estate and other assets	(6,907)	(40,270)
Increase in accrued income and other assets	(156,751)	(34,150)
Increase (Decrease) in accrued expenses and other liabilities	(6,021)	50,065
Total Adjustments	179,496	1,393,209
Net Cash Provided by Operating Activities	2,356,607	2,536,596
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of available-for-sale securities	(72,149,007)	-
Proceeds from maturities and sales of available-for-sale securities	66,745,686	1,671,829
Net decrease (increase) in loans	3,082,819	(2,822,333)
Purchases of premises and equipment	(93,243)	(106,514)
Proceeds from sale of foreclosed and repossessed assets	100,047	212,683
Net Cash Used in Investing Activities	(2,313,698)	(1,044,335)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase (decrease) in non-interest bearing deposits	5,262,738	(41,471,535)
Net increase in interest bearing deposits	4,406,244	41,792,018
Proceeds from long-term debt	-	690,000
Repayment of long-term debt	(241,569)	(460,000)
Dividends paid	(1,449,508)	(1,348,380)
Net Cash Provided by (Used in) Financing Activities	7,977,905	(797,897)
Net increase in Cash and Due From Banks	8,020,814	694,364
Cash and due from banks at January 1	8,329,068	7,634,704
CASH AND DUE FROM BANKS AT DECEMBER 31	$ 16,349,882	$ 8,329,068
SUPPLEMENTARY INFORMATION:		
Interest paid	$ 336,607	$ 234,097
Income taxes paid (state taxes)	$ 16,977	$ 8,180
NONCASH AND FINANCING ACTIVITIES:		
Repossessions acquired in settlement of loans	$ 7,557	$ 542,569

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

COLEMAN BANCSHARES, INC. AND SUBSIDIARY
Coleman, Texas

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Coleman Bancshares, Inc. ("Bancshares") and its wholly owned subsidiary, Coleman County State Bank (the "Bank"), collectively referred to as the "Company". All significant intercompany transactions and balances have been eliminated in consolidation.

The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America and general industry practices.

Nature of Operations

The Company conducts domestic financial services business through its bank in Coleman, Texas and its branch in Abilene, Texas. The primary financial services provided by the Company include commercial, agricultural, real estate financing, and personal and business loans to customers who are predominantly small and middle-market businesses and middle-income individuals.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents, and due from banks includes cash on hand and demand deposits at other financial institutions including cash items in process of clearing and federal funds sold under agreements to resell, all of which mature within 90 days. Cash flows from loans and deposits are reported net.

Federal Home Loan Bank Stock

The Company, as a member of the Federal Home Loan Bank ("FHLB") system, is required to maintain an investment in capital stock of the FHLB in an amount equal to the greater of 1% of its outstanding home loans or 5% of advances from the FHLB. No ready market exists for the FHLB stock, and it has no quoted market value. For financial reporting purposes, such stock is considered restricted and is carried at cost under the caption "Other assets" on the balance sheets. The balance of the stock totaled $96,900 and $95,700 at December 31, 2018 and 2017, respectively.

Interest-bearing Deposits in Other Financial Institutions

Interest-bearing deposits in banks mature within one year and are carried at cost.

Trading Securities

Securities held for sale in the near term are classified as trading account securities and recorded at their fair values. Unrealized gains and losses on trading account securities are included immediately in other income. No trading securities were owned by the Company during the years 2018 and 2017 or at December 31, 2018 and 2017.

Securities Held-to-Maturity

Securities for which the Company has the positive intent and ability to hold to maturity are reported at cost, adjusted for premiums and discounts that are recognized in interest income using the interest method over the period to maturity.

Securities Available-for-Sale

Available-for-sale securities consist of securities not classified as trading securities nor as held-to-maturity securities.

Unrealized holding gains and losses, net of tax, on available-for-sale securities are reported as a net amount in a separate component of stockholders' equity until realized.

Gains and losses on the sale of available-for-sale securities are determined using the specific-identification method.

Declines in the fair value of individual held-to-maturity and available-for-sale securities below their cost, that are other than temporary, result in write-downs of the individual securities to their fair value. The related write-downs are included in earnings as realized losses. The Company had no write-downs other than temporary in 2018 or 2017.

Premiums and discounts are recognized in interest income using the interest method over the period to maturity.

Loans Held for Sale

The Company originates certain mortgage loans for sale in the secondary market. Accordingly, these loans are classified as held for sale and are carried at the lower of cost or fair value on an aggregate basis. Net unrealized losses, if any, are recognized through a valuation allowance by charges to income. Gains and losses on sales of loans are recognized at settlement dates and are determined by the difference between the sales proceeds and the carrying value of the loans. There were no gains or losses realized on loans sold during the years ended December 31, 2018 and 2017.

The mortgage loan sales contracts contain an indemnification clause should the loans default, generally in the first three to six months, or if documentation is determined not to be in compliance with regulations. The Company's historic losses as a result of these indemnities have been insignificant.

Loans Receivable

The Company generally originates single-family residential loans within its primary lending area in Coleman and Abilene, Texas. The Company's underwriting policies require such loans to be 80% loan to value based upon appraised values unless private mortgage insurance is obtained. These loans are secured by the underlying properties. The Company is also active in originating secured consumer loans to its customers, primarily automobile loans.

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are stated at the amount of unpaid principal, reduced by unearned discount and fees and an allowance for loan losses. Unearned interest on discounted loans is amortized to income over the life of the loans, using the interest method. For all other loans, interest is accrued daily on the outstanding balances.

Accounting principles generally accepted in the United States of America require that loan origination fees and certain direct origination costs be capitalized and recognized as an adjustment of the yield of the related loan. The Company has not done this to date as these fees and costs are not material to the financial statements.

Discounts and premiums on purchased residential real estate loans are amortized to income using the interest method over the remaining period to contractual maturity, adjusted for anticipated prepayments. Discounts and premiums on purchased consumer loans are recognized over the expected lives of the loans using methods that approximate the interest method. The Company had no residential real estate or consumer purchased loans during the year ended December 31, 2018 and 2017.

For impaired loans, accrual of interest is discontinued on a loan when management believes, after considering collection efforts and other factors that the borrower's financial condition is such that collection of interest is doubtful. Cash collections on impaired loans are credited to the loan receivable balance, and no interest income is recognized on those loans until the principal balance has been collected.

A loan is considered to be delinquent when payments have not been made according to contractual terms, typically evidenced by nonpayment of a monthly installment by the due date. The accrual of interest on loans is discontinued at the time the loan is 90 days delinquent unless the credit is well-secured and in the process of collection.

All interest accrued but not collected for loans that are placed on nonaccrual status or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Each segment of loans has specific risks associated based on the nature of the loan. Loans secured by real estate are influenced by real estate market conditions in the area in which the property is located as well as the type of property the loan is secured by. Agriculture loans are subject to market prices as well as the local weather conditions in determining future repayment and value of collateral. Commercial and consumer loans are also subject to the local and national economic atmosphere, and the industry in which the entity conducts business.

Allowance for Loan Losses

The allowance for loan losses is established through a provision for loan losses charged to expense. Loans are charged against the allowance for loan losses when management believes that collectability of the principal is unlikely. Subsequent recoveries, if any, are credited to the allowance.

The allowance is an amount that management believes will be adequate to absorb estimated losses related to specifically identified loans, as well as probable credit losses inherent in the balance of the loan portfolio, based on an evaluation of the collectability of existing loans and prior loss experience. This evaluation also takes into consideration such factors as changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans, and current economic conditions that may affect the borrower's ability to pay. This evaluation does not include the effects of expected losses on specific loans or groups of loans that are related to future events or expected changes in economic conditions. While management uses the best information available to make its evaluation, future adjustments to the allowance may be necessary if there are significant changes in economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the Company's allowance for loan losses, and may require the Company to make additions to the allowance based on their judgment about information available to them at the time of their examinations.

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

A loan is impaired when it is probable, based on current information and events, the Company will be unable to collect all contractual principal and interest payments due in accordance with the terms of the loan agreement. Impaired loans are measured on an individual basis for commercial and construction loans based on the present value of expected future cash flows discounted at the loan's effective interest rate or, as a practical expedient, at the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. The amount of impairment, if any, and any subsequent changes are included in the allowance for loan losses.

Large groups of smaller balance homogenous loans are collectively evaluated for impairment. Accordingly, the Company does not separately indentify individual consumer and residential loans for impairment disclosures.

Foreclosed Assets

Assets acquired through foreclosure or other proceedings are initially recorded at fair value at the date of foreclosure less estimated costs of disposal, which establishes a new cost. After foreclosure, valuations are periodically performed by management and foreclosed assets held for sale are carried at the lower of cost or fair value less estimated costs of disposal. Any write-down to fair value at the time of transfer to foreclosed assets is charged to the allowance for loan losses. Property is evaluated regularly to ensure the recorded amount is supported by its current fair value and valuation allowances to reduce the carrying amount to fair value less estimated costs to dispose are recorded as necessary. Revenue and expense from the operations of foreclosed assets and changes in the valuation allowance are included net expenses from foreclosed assets. Foreclosed and repossessed assets totaled $292,417 and $378,000 as of December 31, 2018 and 2017, respectively and are reported under the caption "Other assets" on the balance sheets.

Premises and Equipment

Land is carried at cost. Company premises and equipment are carried at cost, less accumulated depreciation and amortization computed principally by the straight-line method over 3-40 years. Depreciation expense was $198,952 and $188,492 for the years ended December 31, 2018 and 2017, respectively.

Income Taxes

Effective January 1, 2001, Bancshares elected by unanimous consent of its stockholders to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under such election, Bancshares' federal taxable income or loss is passed through to the individual stockholders for the year 2001 and for years thereafter. Since the Company has maintained its Subchapter S status, management has not identified any instances where an adjustment to the financial statements would be necessary in order to comply with ASC 740-10, *Accounting for Uncertainty in Income Taxes*. 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. State franchise taxes totaled $16,977 and $8,180 for the years ended December 31, 2018 and 2017, respectively, and is included in "Other expenses" on the consolidated statements of income due to the overall immateriality.

Loan-Servicing Rights

The cost of loan-servicing rights acquired is amortized in proportion to, and over the period of, estimated net servicing revenues. When participating interests in loans sold have an average contractual interest rate, adjusted for normal servicing fees, that differs from the agreed yield to the purchaser, gains or losses are recognized equal to the present value of such differential over the estimated remaining life of such loans. The resulting "excess servicing fees receivable" or "deferred servicing revenue" is amortized over the estimated life using a method approximating the interest method.

The unamortized cost of loan-servicing rights purchased, the excess servicing fees receivable, and the amortization thereon is periodically evaluated in relation to estimated future net servicing revenues, taking into consideration changes in interest rates, current prepayment rates, and expected future cash flows. The Company evaluates the carrying value of the servicing portfolio by estimating the future net servicing income of the portfolio based on management's best estimate of remaining loan lives. The Company had no loan servicing rights at December 31, 2018 and 2017.

Financial Instruments

Interest-Rate Exchange Agreements. Interest-rate exchange agreements (swaps), used in asset/liability management activities, are accounted for using the accrual method. Gains or losses on the sales of swaps used in asset/liability management activities are deferred and amortized into interest income or expense over the maturity period of the swap. Net interest income (expense), resulting from the differential between exchanging floating and fixed-rate interest payments is recorded on a current basis. The Company did not enter into any such agreements during the years ended December 31, 2018 and 2017.

Financial Futures. Interest-rate futures contracts may be entered into by the Company as hedges against exposure to interest-rate risk and not for speculation purposes. Changes in the market value of interest-rate futures contracts are deferred and amortized into interest income or expense over the maturity period of the hedged assets or liabilities. The Company did not enter into any such agreements during the years ended December 31, 2018 and 2017.

Financial Options. Option premiums received for writing puts and calls are recorded as a liability representing the market value of the option. The liability is to be subsequently marked to market at each balance sheet date. The Company did not receive any financial options during the years ended December 31, 2018 and 2017.

Other Off-Balance Sheet Instruments. In the ordinary course of business the Company has entered into off-balance sheet financial instruments consisting of commitments to extend credit, commitments under credit card arrangements, commercial letters of credit, and standby letters of credit. Such financial instruments are recorded in the financial statements when they are funded or related fees are incurred or received.

Goodwill and Intangible Assets

Goodwill arises from business combinations and is generally determined as the excess of the fair value of the consideration transferred, plus the fair value of any noncontrolling interests in the acquiree, over the fair value of the net assets acquired and liabilities assumed as of the acquisition date. Goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, but tested for impairment at least annually or more frequently if events and circumstances exists that indicate that a goodwill impairment test should be performed. The Company has selected December 31 as the date to perform the annual impairment test. Goodwill as of December 31, 2018 and 2017 represents the excess of cost of the minority shareholders' common stock in Coleman County State Bank acquired over the book value of the stock at the date of acquisition.

Transfers of Assets

The Company accounts for transfers of financial assets by recognizing the financial assets it controls and the liabilities it has incurred, derecognizes financial assets when control has been surrendered, and derecognizes liabilities when extinguished. The statement also distinguishes transfers of financial assets that are sales from transfers of financial assets that are secured borrowings.

Subsequent Events

The Company has evaluated subsequent events through March 1, 2019, the date the financial statements were available to be issued.

Recent Accounting Pronouncements

ASU 2016-15
In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-15 *Statement of Cash Flows (Topic 320): Classification of Certain Cash Receipts and Cash Payments*. This standard applies to all entities including both business entities and not-for-profit entities that are required to present a statement of cash flows. The standard provides guidance on specific cash flow issues including: debt prepayment or extinguishment costs, settlement of zero-coupon debt instruments, contingent consideration payments after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate owned life insurance policies, distributions received from equity method investees, beneficial interests in securitization transactions, and separately identifiable cash flows and application of the predominance principle. The amendments are applicable for fiscal years beginning after December 15, 2018. Early adoption is permitted. No significant effect is expected for the financial statements.

Revenue Recognition
In May 2014, the Financial Accounting Standards Board (FASB) and International Accounting Standards Board (IASB) issued substantially converged final standards on revenue recognition. The FASB's Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, was issued in three parts: (1) Section A, "Summary and Amendments That Create Revenue from Contracts with Customers and Other Assets and Deferred Costs – Contracts With Customers"; (2) Section B, "Conforming Amendments to Other Topics and Subtopics in the Codification and Status Tables"; and (3) Section C, "Background Information and Basis for Conclusions". In August 2015, ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date was issued.

ASU 2014-09 provides a robust framework for addressing revenue recognition issues and, upon its effective date, replaces almost all existing revenue recognition guidance, including industry-specific guidance, in current U.S. generally accepted accounting principles (GAAP). This standard will help with improved comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets. With the delayed date with ASU 2015-14, the guidance is now effective for public business entities, certain not-for-profit entities, and certain employee benefit plans for annual reporting periods beginning after December 15, 2017. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016. All other entities should apply the guidance in Update 2014-09 to annual reporting periods beginning after December 15, 2018. ASU 2016-10 provided further guidance on performance obligations and licensing implementation.

ASU 2016-02
The FASB finalized the standard on leases in ASU 2016-02 *Leases* in February 2016. This update was to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The core principle is that the lessee should recognize the assets and liabilities that arise from leases. All leases create an asset and a liability for the lessee and therefore recognition of those lease assets and lease liabilities represent an improvement over previous GAAP. Under the guidance a lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. Additional guidelines for finance leases, operating leases and lessors is included in the guidance. The amendments will be effective for fiscal years beginning after December 15, 2018 for not-for-

profit entities that have issued or is a conduit bond obligor. For all other entities the amendments are effective for fiscal years beginning after December 15, 2019.

ASU 2016-13
The FASB issued ASU 2016-13 *Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments* in June 2016. Current GAAP requires an "incurred loss" methodology for recognizing credit losses that delays recognitions until is it probable a loss has been incurred. The main objective of this update is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, this amendment would replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to determine credit loss estimates. The amendments affect loans, debt securities, trade receivables, net investments in leases, off-balance sheet credit exposures, reinsurance receivables, and any other financial assets not otherwise excluded. The amendment is effective for all entities other than public business entities for the fiscal years beginning after December 15, 2020. The effect of the amendment is not readily determinable, but could cause allowance for loan and lease losses to increase upon implementation.

ASU 2016-01
The FASB issued ASU 2016-01 *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets* in January 2016. The amendments in this Update require all equity investments to be measured at fair value with changes in the fair value recognized through net income (other than those accounted for under equity method of accounting or those that result in consolidation of the investee).The amendments in this Update also require an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. In addition the amendments in this Update eliminate the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities and the requirement to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet for public business entities. For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. For all other entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. All entities that are not public business entities may adopt the amendments in this Update earlier as of the fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. ASU 2016-01 was adopted by the Company on January 1, 2018 and did not have a significant impact on the Company's financial statements.

ASU 2018-13
The FASB issued ASU 2018-13 *Fair Value Measurement (Topic 820)* in August 2018. The amendments in this Update modify the disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement. The amendments in this Update removed the following disclosure requirements: 1) the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy; 2) the policy for timing of transfers between levels; 3) the valuation processes for Level 3 fair value measurements; and 4) for nonpublic entities, the changes in unrealized gains and losses for the period included in earnings for recurring Level 3 fair value measurements held at the end of the reporting period. The amendments in this Update modified the following disclosure requirements: 1) in lieu of a rollforward for Level 2 fair value measurements, a nonpublic entity is required to disclose transfers into and out of Level 3 of the fair value hierarchy and purchases and issues of Level 3 assets and liabilities; 2) for investments in certain entities that calculate net asset value, and entity is required to disclose the timing of liquidation of an investee's assets and the date when restrictions from redemption might lapse only if the investee has communicated the timing to the entity or announced the timing publicly; and 3) the amendments clarify that the measurement uncertainty disclosure is to communicate information about the uncertainty in measurement as of the reporting date. The amendments in

this disclosure also added disclosure requirements to Topic 820; however, these added disclosures are only required for public entities. The amendments in this Update are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Some of the amendments should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption and all others should be applied retrospectively to all periods presented. Early adoption is permitted.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force) and the American Institute of Certified Public Accountants did not or are not believed by management to have a material impact on the Company's present or future financial statements.

Use of Estimates

In preparing the accompany financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of and revenue and expenses for the reporting period. Actual results could differ from those estimates. A material estimate that is particularly sensitive to significant change in the near term relates to the determination of the allowance for loan losses.

Reclassifications

The accompanying financial statements as of and for the year ended December 31, 2017, reflect reclassifications of certain balances or amounts from one category to another to conform to classifications implemented by management in the fiscal year ended December 31, 2018. The reclassifications do not affect net income or stockholders' equity.

NOTE 2: RESTRICTIONS ON CASH AND DUE FROM BANKS

The Company is required to maintain reserve balances in cash or on deposit with the Federal Reserve Bank, based on a percentage of deposits. The total of those reserve balances were $1,076,000 and $994,000 at December 31, 2018 and 2017, respectively. The Company maintained sufficient reserve balances at December 31, 2018 and 2017, to comply with the required reserve balances.

NOTE 3: SECURITIES

Securities have been classified in the consolidated balance sheets according to management's intent. The carrying amount of securities and their approximate fair values at December 31, were as follows:

	2018			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale securities:				
U.S. agencies	$ 1,222,553	$ -	$ (1,493)	$ 1,221,060
U.S. treasury securities	3,957,970	-	(11,170)	3,946,800
Mortgage-backed securities	4,127,414	-	(79,489)	4,047,925
State and municipal securities	751,259	-	(3,704)	747,555
	$ 10,059,196	$ -	$ (95,856)	$ 9,963,340

	2017			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale securities:				
U.S. agencies	$ 1,001,590	$ -	$ (1,210)	$ 1,000,380
Mortgage-backed securities	2,891,330	1,629	(49,389)	2,843,570
State and municipal securities	753,178	-	(1,717)	751,461
	$ 4,646,098	$ 1,629	$ (52,316)	$ 4,595,411

The scheduled maturities of securities available-for-sale at December 31, 2018, were as follows:

	Available-for-sale Securities Amortized Cost	Available-for-sale Securities Fair Value
Due in one year or less	$ 2,978,260	$ 2,972,450
Due from one year to five years	2,679,595	2,672,742
Due from five years to ten years	3,081,312	3,012,589
Due after ten years	1,320,029	1,305,559
	$ 10,059,196	$ 9,963,340

Actual maturities may differ from scheduled maturities in mortgage-backed securities because the mortgages underlying the securities may be called or repaid without any penalties

Securities totaling $9,886,540 and $4,423,175 at December 31, 2018 and 2017, respectively, were pledged to secure public deposits and for other purposes required or permitted by law.

During 2018, there were gross realized gains of $6 on the sale of investment securities. During 2017, there were no gross realized gains or losses on the sale of investment securities.

The Company held the following investments that have been in a continuous unrealized loss position December 31, 2018:

	Less than 12 months		12 months or longer	
	FMV	Unrealized Loss	FMV	Unrealized Loss
U.S. agencies	$ 1,198,392	$ (1,493)	$ -	$ -
U.S. treasury securities	2,953,320	(11,170)	-	-
Mortgage-backed securities	2,159,350	(22,668)	1,911,243	(56,821)
State and municipal securities	-	-	247,555	(3,704)
Total temporarily impaired securities	$ 6,311,062	$ (35,331)	$ 2,158,798	$ (60,525)

The Company held the following investments that have been in a continuous unrealized loss position December 31, 2017:

	Less than 12 months		12 months or longer	
	FMV	Unrealized Loss	FMV	Unrealized Loss
U.S. agencies	$ 1,000,380	$ (1,210)	$ -	$ -
Mortgage-backed securities	273,057	(1,402)	2,061,767	(47,987)
State and municipal securities	251,461	(1,717)	-	-
Total temporarily impaired securities	$ 1,524,898	$ (4,329)	$ 2,061,767	$ (47,987)

The above tables disclose the Company's investment securities that have been in a continuous unrealized loss position. The investment securities in the above tables are investments believed by management to be normal investments for the banking industry. The Company does not believe the unrealized loss position securities are "other than temporary" as (i) the Company has the ability to hold the investments to maturity, (ii) it is not probable that the Company will be unable to collect the amounts contractually, and (iii) no decision to dispose of the investments was made prior to the balance sheet date. Management believes the unrealized loss position securities noted above are caused by interest rate fluctuations. No credit issues were identified related to the unrealized loss position securities.

NOTE 4: LOANS RECEIVABLE

The components of loans in the consolidated balance sheet at December 31 were as follows:

	2018	2017
Commercial	$ 13,085,504	$ 11,602,272
Agriculture	9,587,027	8,915,183
Real estate	60,250,054	65,346,885
Consumer	2,862,272	2,875,335
Overdrafts	69,588	59,216
Other and unearned discount	(7,965)	(6,933)
Subtotal	85,846,480	88,791,958
Allowance for loan losses	(891,804)	(757,728)
	$ 84,954,676	$ 88,034,230

An analysis of the change in the allowance for loan losses follows:

	2018	2017
Balance at January 1,	$ 757,728	$ 1,355,817
Loans charged off	(32,769)	(1,808,127)
Recoveries	6,845	6,961
Provision for loan losses	160,000	1,203,077
Balance at December 31,	$ 891,804	$ 757,728

A progression of the allowance for loan losses by type as of December 31, 2018 follows:

	Beginning Balance	Charge-Offs	Recoveries	Provision	Total
Commercial	$ 137,708	$ (9,758)	$ 196	$ 53,909	$ 182,055
Agriculture	48,988	-	-	36,949	85,937
Real estate	542,060	-	-	28,200	570,260
Consumer	22,997	(6,279)	-	6,465	23,183
Other	5,975	(16,732)	6,649	34,477	30,369
Total	$ 757,728	$ (32,769)	$ 6,845	$ 160,000	$ 891,804

A progression of the allowance for loan losses by type as of December 31, 2017 follows:

	Beginning Balance	Charge-Offs	Recoveries	Provision	Total
Commercial	$ 570,710	$ (1,777,596)	$ -	$ 1,344,594	$ 137,708
Agriculture	58,997	-	-	(10,009)	48,988
Real estate	696,721	-	-	(154,661)	542,060
Consumer	26,620	(13,409)	3,586	6,200	22,997
Other	2,769	(17,122)	3,375	16,953	5,975
Total	$ 1,355,817	$ (1,808,127)	$ 6,961	$ 1,203,077	$ 757,728

The allowance for loan losses consists of the following components as of December 31, 2018:

	Ending Balance	Individually Evaluated For Impairment	Collectively Evaluated For Impairment	Acquired With Deteriorated Credit Quality
Commercial	$ 182,055	$ 54,872	$ 127,183	$ -
Agriculture	85,937	11,171	74,766	-
Real estate	570,260	1,310	568,950	-
Consumer	23,183	-	23,183	-
Other	30,369	-	30,369	-
Total	$ 891,804	$ 67,353	$ 824,451	$ -

The allowance for loan losses consists of the following components as of December 31, 2017:

	Ending Balance	Individually Evaluated For Impairment	Collectively Evaluated For Impairment	Acquired With Deteriorated Credit Quality
Commercial	$ 137,708	$ 39,130	$ 98,578	$ -
Agriculture	48,988	-	48,988	-
Real estate	542,060	2,381	539,679	-
Consumer	22,997	2,227	20,770	-
Other	5,975	-	5,975	-
Total	$ 757,728	$ 43,738	$ 713,990	$ -

Loans receivable were evaluated for the allowance for loan losses as of December 31, 2018 as follows:

	Ending Balance	Individually Evaluated For Impairment	Collectively Evaluated For Impairment	Acquired With Deteriorated Credit Quality
Commercial	$ 13,085,504	$ 199,238	$ 12,886,266	$ -
Agriculture	9,587,027	14,171	9,572,856	-
Real estate	60,250,054	26,208	60,223,846	-
Consumer	2,862,272	-	2,862,272	-
Other	61,623	-	61,623	-
Total	$ 85,846,480	$ 239,617	$ 85,606,863	$ -

Loans receivable were evaluated for the allowance for loan losses as of December 31, 2017 as follows:

	Ending Balance	Individually Evaluated For Impairment	Collectively Evaluated For Impairment	Acquired With Deteriorated Credit Quality
Commercial	$ 11,602,272	$ 174,298	$ 11,427,974	$ -
Agriculture	8,915,183	-	8,915,183	-
Real estate	65,346,885	47,628	65,299,257	-
Consumer	2,875,335	3,727	2,871,608	-
Other	52,283	-	52,283	-
Total	$ 88,791,958	$ 225,653	$ 88,566,305	$ -

Certain credit quality indicators as used to develop the Bank's allowance for loan losses by class of loans receivable as of December 31, 2018 is as follows:

	Pass	OAEM	Substandard	Total Loans Receivable
Commercial	$ 12,880,882	$ -	$ 204,622	$ 13,085,504
Agriculture	9,572,856	-	14,171	9,587,027
Real estate	59,645,075	-	604,979	60,250,054
Consumer	2,862,272	-	-	2,862,272
Other	61,623	-	-	61,623
Total	$ 85,022,708	$ -	$ 823,772	$ 85,846,480

Certain credit quality indicators as used to develop the Company's allowance for loan losses by class of loans receivable as of December 31, 2017 is as follows:

	Pass	OAEM	Substandard	Total Loans Receivable
Commercial	$ 11,427,974	$ -	$ 174,298	$ 11,602,272
Agriculture	8,914,503	-	680	8,915,183
Real estate	64,840,920	-	505,965	65,346,885
Consumer	2,866,977	-	8,358	2,875,335
Other	52,283	-	-	52,283
Total	$ 88,102,657	$ -	$ 689,301	$ 88,791,958

The Company utilizes an asset quality rating system in order to assess credit quality. The following ratings are used for criticized and classified assets. All remaining assets are referred to as "Pass".

Criticized Asset – OAEM – Loans in this category have existing or potential credit weaknesses that could ultimately lead to a more sever classification. The weaknesses could relate to collateral, documentation, finances, repayment ability, economic conditions, performance, or any other area. These assets should be monitored closely for further deterioration.

Classified Asset – Substandard – Loans in this category have specific weaknesses that jeopardize the liquidation of the debt. Collateral, net worth, insufficient cash flow to support borrowings, and loss potential exists unless the deficiencies are corrected. These assets merit close attention and corrective actions in order to ensure their ultimate collections.

Classified Asset – Doubtful – These loans have a high probability of loss. The extent of loss is not exactly determinable due to mitigating factors that could enhance collectability of the loan such as proposed mergers, acquisitions, liquidations procedures, capital injection, additional collateral, or refinancing efforts. Charge off of doubtful loans is made when appropriate and not necessarily deferred until a more exact status can be ascertained.

Classified Asset – Loss – These loans are those that are not bankable assets in their present state. The loan is a recovery matter and while some recovery may be realized, debt satisfaction is not likely in the near term.

The Company had no "Doubtful" or "Loss" assets as of December 31, 2018 and 2017; therefore, they were not included in the detail above.

The Company had the following investments in impaired loans as of December 31, 2018:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Quarterly Recorded Investment	Interest Income Recognized
Commercial	$ 139,092	$ 193,964	$ 54,872	$ 137,419	$ 9,813
Agriculture	3,000	14,171	11,171	1,500	-
Real estate	24,898	26,208	1,310	34,420	1,184
Consumer	-	-	-	675	371
Total	$ 166,990	$ 234,343	$ 67,353	$ 174,014	$ 11,368

The Company had the following investments in impaired loans as of December 31, 2017:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Quarterly Recorded Investment	Interest Income Recognized
Commercial	$ 139,800	$ 178,930	$ 39,130	$ 96,659	$ 3,849
Agriculture	-	-	-	-	-
Real estate	45,247	47,628	2,381	53,600	1,698
Consumer	1,500	3,727	2,227	500	1,307
Total	$ 186,547	$ 230,285	$ 43,738	$ 150,759	$ 6,854

Loans on non-accrual status totaled $44,804 and $66,939 at December 31, 2018 and 2017, respectively. Loans transferred to foreclosed assets totaled $7,557 and $542,569 in 2018 and 2017, respectively. The Company is not committed to lend additional funds to debtors whose loans have been modified.

The age analysis of past due financing receivables as of December 31, 2018 is as follows:

	Days Past Due					
	30-59 Days	60-89 Days	Greater than 90 Days[1]	Total Past Due	Current	Total Loans Receivable
Commercial	$ 780,919	$ 194,704	$ -	$ 975,623	$ 12,109,881	$ 13,085,504
Agriculture	-	134,982	14,171	149,153	9,437,874	9,587,027
Real estate	1,079,267	222,788	214,566	1,516,621	58,733,433	60,250,054
Consumer	31,716	26,788	1,432	59,936	2,802,336	2,862,272
Other	-	-	-	-	61,623	61,623
Total	$ 1,891,902	$ 579,262	$ 230,169	$ 2,701,333	$ 83,145,147	$ 85,846,480

[1]Loans totaling $230,169 past due greater than ninety days were accruing interest as of December 31, 2018 as management believes they are adequately collateralized and in process of collection.

The age analysis of past due financing receivables as of December 31, 2017 is as follows:

	Days Past Due					
	30-59 Days	60-89 Days	Greater than 90 Days[1]	Total Past Due	Current	Total Loans Receivable
Commercial	$ 25,921	$ 5,850	$ 36,928	$ 68,699	$ 11,533,573	$ 11,602,272
Agriculture	182,972	19,365	-	202,337	8,712,846	8,915,183
Real estate	465,236	237,434	31,073	733,743	64,613,142	65,346,885
Consumer	52,054	3,746	29,291	85,091	2,790,244	2,875,335
Other	-	-	-	-	52,283	52,283
Total	$ 726,183	$ 266,395	$ 97,292	$ 1,089,870	$ 87,702,088	$ 88,791,958

[1]Loans totaling $66,219 past due greater than ninety days were accruing interest as of December 31, 2017 as management believes they are adequately collateralized and in process of collection.

NOTE 5: PREMISES AND EQUIPMENT

Components of premises and equipment included in the consolidated balance sheets at December 31, were as follows:

	2018	2017
Cost:		
Land	$ 576,867	$ 576,867
Bank premises	3,000,161	2,986,732
Furniture and equipment	1,420,821	1,341,007
Total cost	4,997,849	4,904,606
Less accumulated depreciation	(2,768,100)	(2,569,148)
Net book value	$ 2,229,749	$ 2,335,458

Depreciation expense for the years ending December 31, 2018 and 2017, totaled $198,952 and $188,492, respectively. Depreciation expense is calculated using the straight-line method

NOTE 6: GOODWILL

The change in goodwill during the year is as follows:

	2018	2017
Beginning of year	$ 424,590	$ 424,590
Acquired goodwill	-	-
Impairment	-	-
End of year	$ 424,590	$ 424,590

Impairment exists when a reporting unit's carrying value of goodwill exceeds its fair value. At December 31, 2018, the Company's reporting unit had positive equity and the Company elected to perform a qualitative assessment to determine if it was more likely than not that the fair value of the reporting unit exceeded its carrying value, including goodwill. The qualitative assessment indicated that it was more likely than not that the fair value of the reporting unit exceeded its carrying value, resulting in no impairment.

NOTE 7: DEPOSITS

At December 31, 2018, the scheduled maturities of certificates of deposits and other time deposits are as follows:

Year ending	
2019	$ 11,369,407
2020	2,827,238
2021	912,929
2022	724,235
2023 and thereafter	4,251,725
	$ 20,085,534

Time deposits of more than $250,000 at December 31, 2018 and 2017 totaled $3,593,936 and $3,647,723, respectively.

At December 31, 2018 and 2017, overdraft demand deposits reclassified to loans totaled $69,588 and $59,216, respectively.

NOTE 8: FINANCIAL INSTRUMENTS

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit and standby letters of credit. They involve, to varying degrees, elements of credit risk in excess of the amount recognized in the consolidated financial statements. The contract or notional amounts of those instruments reflect the extent of the Company's involvement in particular classes of financial instruments.

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

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

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. Collateral held varies and is required in instances in which the Company deems necessary.

The Company has not incurred any losses on its commitments in either 2018 or 2017.

A summary of the notional amounts of the Company's financial instruments with off-balance-sheet risk at December 31, 2018, follows:

	Contractual or Notional Amounts	
	2018	2017
Commitments to extend credit	$ 10,035,621	$ 8,841,598
Standby letters of credit	295,684	386,302

NOTE 9: SIGNIFICANT GROUP CONCENTRATIONS OF CREDIT RISK

Most of the Company's business activity is with customers located within its market area. Investments in state and municipal securities involve governmental entities within the state. Although the Company's loan portfolio is diversified, there is a relationship in this region between the agricultural economy and the economic performance of loans made to nonagricultural customers. As of December 31, 2018, the Company's loans from and guarantees of, obligations of borrowers to commercial entities and real estate related loans were $13,085,504 and $60,250,054 respectively. Collateral for agricultural loans includes equipment, crops, livestock, and land. Collateral for real estate loans includes property. The loans are expected to be repaid from cash flows or proceeds from the sale of selected assets of the borrowers. Credit losses from loans related to the agricultural economy are consistent with credit losses experienced in the portfolio as a whole. The concentration of credit in the regional agricultural economy is taken into consideration by management in determining the allowance for loan losses. Substantially all of the Company's loans and commitments have been granted to customers in the Company's market area. The distribution of commitments to extend credit approximates the distribution of loans outstanding.

The Company had a loan relationship in excess of five percent of total loans as of December 31, 2018. The balance of the customer's related loan accounts totaled $4,557,505 as of December 31, 2018.

The Company had no deposit relationship that exceeded five percent of total deposits as of December 31, 2018 and 2017.

The Company conducts business through the purchase and sale of Federal funds, purchases and sales of loan participations with other financial institutions and maintains amounts due from banks which, at times, may exceed federally insured limits. The Company could be adversely affected should one of these financial institutions experience significant financial difficulties or fail to comply with agreements. The Company has not experienced any losses in such accounts.

NOTE 10: RELATED PARTIES

The Company has had, and may be expected to have in the future, banking transactions in the ordinary course of business with directors, significant stockholder, principal officers, their immediate families and affiliated companies in which they are principal stockholders (commonly referred to as related parties). In management's opinion, these loans and transactions were on the same terms as those for comparable loans and transactions with non related parties.

Aggregate loan transactions with related parties for year ended December 31, were as follows:

	2018	2017
Balance, beginning	$ 326,969	$ 516,461
New loans	127,483	136,803
Repayments	(110,867)	(326,295)
Balance, ending	$ 343,585	$ 326,969

The Company received rental income in the amount of $1,320 and $3,542 from a related party that was considered to be in the ordinary course of business for the years ended December 31, 2018 and 2017, respectively.

NOTE 11: LONG-TERM DEBT AND LINE OF CREDIT

On June 12, 2017, Coleman Bancshares, Inc. signed a promissory note in the amount of $900,000. The debt is secured by the common stock of the Bank, accrues interest at Wall Street Journal Prime plus .75% and matures June 12, 2018. The balance of the note totaled $0 and $241,569 as of December 31, 2018 and 2017, respectively.

The Company's available line-of-credit from the Federal Home Loan Bank fluctuates based on the Bank's real estate portfolio available for collateral. The available balance totaled $38,448,911 and $29,280,699 as of December 31, 2018 and 2017, respectively.

The Company also has an unsecured line-of-credit available with Texas Independent Bankers totaling $1,750,000 as of December 31, 2018 and 2017.

NOTE 12: EMPLOYEE STOCK OWNERSHIP PLAN

The Company sponsors an employee stock ownership plan (the "Plan"). The purpose of the Plan is to enable full-time employees who are at least twenty-one years of age and have been employed for at least one year to acquire stock ownership in the Company. The employer shall determine the amount of contributions made to the plan each year. The employer shall contribute to the Plan the amount necessary to provide the top heavy minimum contribution. For the years ended December 31, 2018 and 2017, the Company made contributions of $139,640 and $115,132, respectively. This contribution is included in salaries and employee benefits expense in the accompanying consolidated financial statements.

NOTE 13: COMMITMENTS AND CONTINGENCIES

In the ordinary course of business, the Company has various outstanding commitments and contingent liabilities that are not reflected in the accompanying consolidated financial statements. In the opinion of management any liability resulting from such commitments and contingent liabilities would not have a material adverse effect on the Company's consolidated financial statements.

Certain Company facilities and equipment are leased under various operating leases. Rental and lease expense was $26,242 and $27,725 for the years ended December 31, 2018 and 2017, respectively. Payment requirements for operating leases for the fiscal years ending 2019, 2020, 2021, 2022 and 2023 and thereafter are $25,436, $9,486, $9,486, $8,953, and $4,477, respectively.

NOTE 14: RESTRICTIONS ON RETAINED EARNINGS

Banks are subject to certain restrictions on the amount of dividends that they may declare without prior regulatory approval. At December 31, 2018, the Company's subsidiary (Coleman County State Bank) had approximately $908,459 of retained earnings available for dividend declaration without prior regulatory approval.

NOTE 15: FAIR VALUE MEASUREMENTS

ASC 820-10, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). ASC 820-10 applies to all financial instruments that are being measured and reported on a fair value basis.

As defined in ASC 820-10, fair value is 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. In determining fair value, the Company uses various methods including market, income, and cost approaches. Based on these approaches, the Company often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Company utilized valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques the Company is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs to the limited market activity of the instrument.

For fiscal years ended December 31, 2018 and 2017, the application of valuation techniques applied to similar assets has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value.

Investment securities

Valued at the closing price reported on the active market on which the individual securities are traded. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

Impaired loans

Based on the fair value of the underlying collateral if repayment is expected solely from the collateral. Collateral values are estimated using Level 3 inputs based upon internally discounted criteria.

Loans held for sale

Loans held for sale are carried at the lower of cost or fair value. The fair value of the loans held for sale is determined using quoted prices for similar assets, adjusted for specific attributes of that loan.

Foreclosed and repossessed assets

Based on the fair value of the underlying asset estimated using Level 3 inputs based upon market conditions for similar assets.

The table below presents the balances of assets measured at fair value on a recurring basis:

Description	12/31/2018	Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Available-for-sale securities:				
U.S. government and agency securities	$ 1,198,392	$ -	$ 1,198,392	$ -
U.S. treasury securities	3,946,800	2,954,310	992,490	-
Mortgage-backed securities	4,070,593	-	4,070,593	-
Municipal bonds (state)	747,555	-	747,555	-
Total	$ 9,963,340	$ 2,954,310	$ 7,009,030	$ -

Description	12/31/2017	Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Available-for-sale securities:				
U.S. government and agency securities	$ 1,000,380	$ -	$ 1,000,380	$ -
Mortgage-backed securities	2,843,570	-	2,843,570	-
Municipal bonds (state)	751,461	-	751,461	-
Total	$ 4,595,411	$ -	$ 4,595,411	$ -

There were no transfers between Level 1 and Level 2 during 2018 or 2017.

The table below presents the balances of assets measured at fair value on a non-recurring basis:

		Fair Value Measurements at Reporting Date Using		
Description	12/31/2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Loans held for sale	122,550	-	122,550	-
Foreclosed and repossessed assets	292,417	-	-	292,417
Impaired loans, net	166,990	-	-	166,990
Total	$ 581,957	$ -	$ 122,550	$ 459,407

		Fair Value Measurements at Reporting Date Using		
Description	12/31/2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Loans held for sale	293,372	-	293,372	-
Foreclosed and repossessed assets	378,000	-	-	378,000
Impaired loans, net	186,547	-	-	186,547
Total	$ 857,919	$ -	$ 293,372	$ 564,547

The following table presents quantitative information about Level 3 fair value measurements for assets measured at fair value on a non-recurring basis at December 31, 2018 and 2017:

December 31, 2018	Fair Value	Valuation Technique(s)	Unobservable Input(s)	Range (Weighted Average)
Foreclosed and repossessed assets	$ 292,417	Sales comparison approach	Discounted for marketability	(25%)
Impaired loans, net	166,990	Sales comparison approach	Discounted for marketability of collateral	5%-100% (28%)

December 31, 2017	Fair Value	Valuation Technique(s)	Unobservable Input(s)	Range (Weighted Average)
Foreclosed and repossessed assets	$ 378,000	Sales comparison approach	Discounted for marketability	(5%)
Impaired loans, net	186,547	Sales comparison approach	Discounted for marketability of collateral	5%-80% (19%)

NOTE 16: REGULATORY MATTERS

Banks and bank holding companies are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action. The final rules implementing Basel Committee on Banking Supervision's capital guidelines for U.S. banks (Basel III rules) became effective for the Company on January 1, 2015 with full compliance with all of the requirements being phased in over a multi-year schedule, and fully phased in by January 1, 2019. Under the Basel III rules, the Company must hold a capital conservation buffer above the adequately capitalized risk-based capital ratios. The capital conservation buffer is being phased in at the ratio of 0.625% per year from 0.0% in 2015 to 2.50% on January 1, 2019. The capital conservation buffer for 2018 is 1.875% and for 2017 is 1.25%. The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital. Management believes as of December 31, 2018, the Company meets all capital adequacy requirements to which it is subject.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent the overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At December 31, 2018 and 2017, the most recent regulatory notifications categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the institution's category.

Actual and required capital amounts and ratios are presented below:

	Actual		For Capital Adequacy Purposes:		To Be Well Capitalized Under Prompt Corrective Action Provisions:	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2018:						
Total Capital Ratio	$ 12,133,000	14.53%	$ 6,681,840	8%	$ 8,352,300	10%
Tier 1 Capital Ratio	$ 11,241,000	13.46%	$ 5,011,380	6%	$ 6,681,840	8%
Common Equity Tier 1 Capital Ratio	$ 11,241,000	13.46%	$ 3,758,535	4.5%	$ 5,428,995	6.5%
Tier 1 Leverage Ratio	$ 11,241,000	9.82%	$ 4,576,840	4%	$ 5,721,050	5%

	Actual		For Capital Adequacy Purposes:		To Be Well Capitalized Under Prompt Corrective Action Provisions:	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2017:						
Total Capital Ratio	$ 11,621,000	13.73%	$ 6,772,320	8%	$ 8,465,400	10%
Tier 1 Capital Ratio	$ 10,863,000	12.83%	$ 5,079,240	6%	$ 6,772,320	8%
Common Equity Tier 1 Capital Ratio	$ 10,863,000	12.83%	$ 3,809,430	4.5%	$ 5,502,510	6.5%
Tier 1 Leverage Ratio	$ 10,863,000	10.37%	$ 4,191,160	4%	$ 5,238,950	5%