FR Y-6
OMB Number 7100-0297
Approval expires November 30, 2019

Board of Governors of the Federal Reserve System

Annual Report of Holding Companies—FR Y-6

Report at the close of business as of the end of fiscal year

This Report is required by law: Section 5(c)(1)(A) of the Bank Holding Company Act (12 U.S.C. § 1844(c)(1)(A)); sections 8(a) and 13(a) of the International Banking Act (12 U.S.C. §§ 3106(a) and 3108(a)); sections 11(a)(1), 25, and 25A of the Federal Reserve Act (12 U.S.C. §§ 248(a)(1), 602, and 611a); and sections 113, 165, 312, 618, and 809 of the Dodd-Frank Act (12 U.S.C. §§ 5361, 5365, 5412, 1850a(c)(1), and 5468(b)(1)). Return to the appropriate Federal Reserve Bank the original and the number of copies specified.

This report form is to be filed by all top-tier bank holding companies, top-tier savings and loan holding companies, and U.S. intermediate holding companies organized under U.S. law, and by any foreign banking organization that does not meet the requirements of and is not treated as a qualifying foreign banking organization under Section 211.23 of Regulation K (12 C.F.R. § 211.23). (See page one of the general instructions for more detail of who must file.) The Federal Reserve may not conduct or sponsor, and an organization (or a person) is not required to respond to, an information collection unless it displays a currently valid OMB control number.

NOTE: The *Annual Report of Holding Companies* must be signed by one director of the top-tier holding company. This individual should also be a senior official of the top-tier holding company. In the event that the top-tier holding company does not have an individual who is a senior official and is also a director, the chairman of the board must sign the report. If the holding company is an ESOP/ESOT formed as a corporation or is an LLC, see the General Instructions for the authorized individual who must sign the report.

I, Robert Denny Clark
Name of the Holding Company Director and Official

President / 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

03/29/2019
Date of Signature

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

For Federal Reserve Bank Use Only

RSSD ID ______
C.I. ______

Date of Report (top-tier holding company's fiscal year-end):
December 31, 2018
Month / Day / Year

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

Reporter's Name, Street, and Mailing Address

The Banc of San Jacinto County, Bancshares, Inc.
Legal Title of Holding Company

P.O. Box 100
(Mailing Address of the Holding Company) Street / P.O. Box

Coldspring	TX	77331
City	State	Zip Code

100 State Highway 150, Coldspring, TX 77331
Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Cindy Manthey	President
Name	Title

936-653-1801
Area Code / Phone Number / Extension

936-653-2221
Area Code / FAX Number

cmanthey@banksjc.com
E-mail Address

N/A
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.

03/2018

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.

The Bank of San Jacinto County Bancshares, Inc.
Legal Title of Subsidiary Holding Company

P.O. Box 100
(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box

Coldspring	TX	77331
City	State	Zip Code

100 State Highway 150, Coldspring, TX 77331
Physical Location (if different from mailing address)

Legal Title of Subsidiary Holding Company

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

City State Zip Code

Physical Location (if different from mailing address)

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City State Zip Code

Physical Location (if different from mailing address)

The Banc of San Jacinto County Bancshares, Inc.
31-Dec-18

Report Item 1

A: The Banc of San Jacinto County Bancshares, Inc. is not required to prepare form 10K with the SEC.

B: The Banc of San Jacinto County Bancshares, Inc. does prepare an Annual report for it's Shareholders. However, it will not be available until May 2019. A copy will be forwarded to the Federal Reserve at that time.

Report Item 2a - Organizational Chart

The Banc of San Jacinto County Bancshares, Inc.
Coldspring, TX
Incorporated in the State of Texas

LEI: None

The Bank of San Jacinto County, Coldspring, Texas
Coldspring, TX
100% Ownership
Incorporated in the State of Texas

LEI: None

Report Item 2b - Branch Verification Report

Results: A list of branches for your depository institution: BANK OF SAN JACINTO COUNTY, COLDSPRING, TEXAS, THE (ID_RSSD: 678052).
This depository institution is held by BANC OF SAN JACINTO COUNTY BANCSHARES, INC., THE (1107456) of COLDSPRING, 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)	678052	BANK OF SAN JACINTO COUNTY, COLDSPRING, TEXAS, THE	100 HIGHWAY 150	COLDSPRING	TX	77331	SAN JACINTO	UNITED STATES	Not Required	Not Required	BANK OF SAN JACINTO COUNTY, COLDSPRING, TEXAS, THE	678052	

The Banc of San Jacinto County Bancshares, Inc.
December 31, 2018

Report Item 3 **Fiscal Year End**

1(a) Name City, State, & Zip	1(b) Country	1(c) No. Shares / Percentage
Robert Denny Clark Coldspring, TX 77331	USA	34,475 / 41.14%
Karen Clark Hutchins Houston, TX 77062	USA	6,494 / 7.75%
Donald McNorton Cleveland, TX 77327	USA	6,044 / 7.21%
Jim E. McNorton Cleveland, TX 77327	USA	6,044 / 7.21%
The Estate of Jana Clark C/O Christy Norwood	USA	12,988 / 15.50%
Christy Norwood Porter, TX 77365	USA	900 / 1.07%
Kendal Clark East Bernard, TX 77435	USA	6,494 / 7.75%

The Banc of San Jacinto County Bancshares, Inc.
December 31, 2018

Report Item 3		**During Fiscal Year**
2(a) Name & Address City, State, & Zip	2(b) Country	2(c) No. Shares / Percentage

Not Applicable

The Banc of San Jacinto County Bancshares, Inc.
December 31, 2018

Report Item 4

1. Name and Address Director and Officers	2. Principal Occupation	(3)(a) Title & Position w/in Holding Co.	(3)(b) Title & Position with Subsidiaries	(3)(c) Title & Position with other businesses	(4)(a) % of shares	(4)(b) % of shares in Subsidiaries	(4)(c) Names of other companies
R. Denny Clark Coldspring, TX 77331	Banker	Director/Chairman President	Director/C.E.O.	Pres. Eastex Title Pres. Clark Development	41.14%	NONE	Eastex Title - 34% Clark Development. - 25%
Cindy Manthey Conroe, TX 77304	Banker	Secretary/Treasurer Director	President Cashier	None	0.55%	NONE	NONE
Julia Rose Ellisor New Waverly, TX 77358	Retired Rural Store Owner	Director	Director	None	0.83%	NONE	NONE
Bryan Carr Normangee, Texas 77871	Rancher / Farmer Self-Employed	Director	Director	None	0.15%	NONE	NONE
Amanda Trapp Coldspring, TX 77331	Attorney At Law	Director	Director	None	0.19%	NONE	NONE
Phil Palmer Huntsville, TX 77340	Retired Real Estate Agent	Director	Director	President Palmer Management Co.	0.31%	NONE	Palmer Management Co. 50%
James Chesser Coldspring, Tx 77331	Retired Corporate	Director	Director	None	0.12%	NONE	NONE
Matthew Clark Magnolia, TX 77355	Educator	Director	Director	None	0.54%	NONE	NONE
Lamar Coots Shepherd, TX 77371	Homebuilder	Director	Director	President Coots Construction, LLC.	0.12%	NONE	Coots Construction, LLC 100%
Christy Norwood Porter, TX 77365	Property Manager	Principal Shareholder	None	None	*16.6%	NONE	NONE

***15.50 From Estate of Jana Clark**

THE BANK OF SAN JACINTO COUNTY, COLDSPRING, TEXAS

Audits of Financial Statements

December 31, 2018 and 2017

LAPORTE
CPAs & BUSINESS ADVISORS

Contents

LAPORTE
CPAs & BUSINESS ADVISORS

LaPorte, APAC
111 Veterans Blvd. | Suite 600
Metairie, LA 70005
504.835.5522 | Fax 504.835.5535
LaPorte.com

Independent Auditor's Report

To the Board of Directors
The Bank of San Jacinto County, Coldspring, Texas
Coldspring, Texas

Report on the Financial Statements
We have audited the accompanying financial statements of The Bank of San Jacinto County, Coldspring, Texas (the Bank) which comprise the balance sheets as of December 31, 2018 and 2017, the related statements of operations, comprehensive income, changes in stockholder's 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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Bank of San Jacinto County, Coldspring, Texas, as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

LaPorte

A Professional Accounting Corporation

Metairie, LA
May 15, 2019

THE BANK OF SAN JACINTO COUNTY, COLDSPRING, TEXAS
Balance Sheets
December 31, 2018 and 2017

	2018	2017
Assets		
Cash and Due from Banks - Non-Interest Bearing	$ 2,499,962	$ 3,802,023
Due from Banks - Interest Bearing	11,324,065	15,348,942
Cash and Cash Equivalents	13,824,027	19,150,965
Securities Available-for-Sale, at Fair Value	6,950,625	5,520,782
Securities, Held-to-Maturity (Fair Value of $1,290,000 in 2018 and 2017)	1,290,000	1,290,000
Loans Receivable, Net	16,739,764	15,547,407
Premises and Equipment, Net	366,544	366,460
Accrued Interest Receivable	127,430	102,909
Other Assets	101,380	120,868
Total Assets	$ 39,399,770	$ 42,099,391
Liabilities and Stockholder's Equity		
Liabilities		
Deposits	$ 33,988,195	$ 36,834,814
Accrued Interest Payable	4,893	2,654
Accrued Expenses and Other Liabilities	20,895	82,661
Total Liabilities	34,013,983	36,920,129
Stockholder's Equity		
Common Stock - $10 Par Value; 20,000 Shares Authorized, Issued, and Outstanding	200,000	200,000
Additional Paid-In Capital	1,400,000	1,400,000
Retained Earnings	3,927,150	3,619,098
Accumulated Other Comprehensive Loss	(141,363)	(39,836)
Total Stockholder's Equity	5,385,787	5,179,262
Total Liabilities and Stockholder's Equity	$ 39,399,770	$ 42,099,391

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

THE BANK OF SAN JACINTO COUNTY, COLDSPRING, TEXAS
Statements of Operations
For the Years Ended December 31, 2018 and 2017

	2018	2017
Interest and Dividend Income		
Interest and Fees on Loans Receivable	$ 1,251,193	$ 1,255,444
Interest on Securities	156,708	86,267
Interest on Due from Banks	254,249	158,193
Total Interest Income	1,662,150	1,499,904
Interest Expense		
Interest on Deposits	73,663	50,272
Total Interest Expense	73,663	50,272
Net Interest Income	1,588,487	1,449,632
Provision for Loan Losses	-	-
Net Interest Income After Provision for Loan Losses	1,588,487	1,449,632
Non-Interest Income		
Service Charges	251,849	263,442
Delinquent, Assumption, and Other Fees	181,442	178,178
Other Income (Expense)	12,926	(1,462)
Total Non-Interest Income	446,217	440,158
Non-Interest Expense		
Salaries and Benefits - Leased Employees	1,010,574	928,987
Occupancy, Equipment and Data Processing	342,185	336,731
Other Operating Expenses	323,893	362,926
Total Non-Interest Expense	1,676,652	1,628,644
Net Income	$ 358,052	$ 261,146
Net Income Per Share of Common Stock	$ 17.90	$ 13.06

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

THE BANK OF SAN JACINTO COUNTY, COLDSPRING, TEXAS
Statements of Comprehensive Income
For the Years Ended December 31, 2018 and 2017

	2018	2017
Net Income	**$ 358,052**	$ 261,146
Other Comprehensive (Loss) Income		
Unrealized Net (Losses) Gains on Securities Available-for-Sale Arising During the Period, Net of Reclassification for Net Realized Gains and Losses	**(101,527)**	1,435
Total Other Comprehensive (Loss) Income	**(101,527)**	1,435
Comprehensive Income	**$ 256,525**	$ 262,581

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

THE BANK OF SAN JACINTO COUNTY, COLDSPRING, TEXAS
Statements of Changes in Stockholder's Equity
For the Years Ended December 31, 2018 and 2017

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholder's Equity
Balance - January 1, 2017	$ 200,000	$ 1,400,000	$ 3,407,952	$ (41,271)	$ 4,966,681
Net Income	-	-	261,146	-	261,146
Other Comprehensive Income	-	-	-	1,435	1,435
Distributions	-	-	(50,000)	-	(50,000)
Balance - December 31, 2017	200,000	1,400,000	3,619,098	(39,836)	5,179,262
Net Income	-	-	358,052	-	358,052
Other Comprehensive Loss	-	-	-	(101,527)	(101,527)
Distributions	-	-	(50,000)	-	(50,000)
Balance - December 31, 2018	$ 200,000	$ 1,400,000	$ 3,927,150	$ (141,363)	$ 5,385,787

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

THE BANK OF SAN JACINTO COUNTY, COLDSPRING, TEXAS
Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Net Income	$ 358,052	$ 261,146
Adjustments to Reconcile Net Income to		
Net Cash Provided by Operating Activities		
Depreciation	91,565	88,074
Amortization and Accretion	27,446	13,063
(Gain) Loss on Sale of Foreclosed Assets	(12,420)	8,159
(Increase) Decrease in:		
Accrued Interest Receivable	(24,521)	(4,555)
Other Assets	12,838	(42,378)
Increase (Decrease) in:		
Accrued Interest Payable	2,239	953
Accrued Expenses and Other Liabilities	(61,766)	63,220
Net Cash Provided by Operating Activities	393,433	387,682
Cash Flows from Investing Activities		
Purchases of Securities Available-for-Sale	(2,545,549)	(2,857,875)
Proceeds from Maturities, Prepayments and Calls		
of Securities Available-for-Sale	986,733	728,047
Purchases of Securities Held-to-Maturity	-	(1,290,000)
(Increase) Decrease in Loans Receivable, Net	(1,200,663)	550,633
Purchases of Premises and Equipment	(91,649)	(52,479)
Proceeds from Sale of Foreclosed Assets	27,376	54,750
Net Cash Used in Investing Activities	(2,823,752)	(2,866,924)
Cash Flows From Financing Activities		
(Decrease) Increase in Deposits, Net	(2,846,619)	4,830,287
Distributions	(50,000)	(50,000)
Net Cash (Used in) Provided by Financing Activities	(2,896,619)	4,780,287
Net (Decrease) Increase in Cash and Cash Equivalents	(5,326,938)	2,301,045
Cash and Cash Equivalents, Beginning of Year	19,150,965	16,849,920
Cash and Cash Equivalents, End of Year	$ 13,824,027	$ 19,150,965
Supplemental Disclosure of Cash Flow Information		
Cash Paid During the Period for Interest	$ 71,424	$ 49,319
Non-Cash Investing and Financing Activities		
Repossessed Assets Acquired through Foreclosure	$ 10,956	$ 46,650

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

Note 1. Summary of Significant Accounting Policies

Description of Business
The Bank of San Jacinto County, Coldspring, Texas (the Bank) is a wholly-owned subsidiary of The Banc of San Jacinto County Bancshares, Inc., a bank holding company incorporated under the laws of the State of Texas. The Bank provides a variety of services to individuals and businesses. The Bank's lending services consist primarily of commercial, real estate mortgage, and consumer loans. The deposit services are primarily demand, savings, and certificates of deposit.

Basis of Presentation
The accounting and reporting policies and practices of the Bank conform with accounting principles generally accepted in the United States of America.

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 reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the allowance for loan losses and fair value of investments.

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

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

Concentrations of Credit Risk
The Bank's activities are provided to customers of the Bank by one branch office located in Coldspring, Texas.

Cash and Cash Equivalents
For purposes of the statements of cash flows, cash and cash equivalents include cash, cash items, balances due from banks, and federal funds sold, all of which having original maturities of ninety days or less.

Note 1. Summary of Significant Accounting Policies (Continued)

Securities

Securities are being accounted for in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 320, *Investments - Debt and Equity Securities*. ASC 320 requires the classification of securities into one of three categories: Trading, Available-for-Sale, or Held-to-Maturity. Management determines the appropriate classification of securities at the time of purchase and re-evaluates this classification periodically.

Investments in non-marketable equity securities and debt securities, in which the Bank has the positive intent and ability to hold to maturity, are classified as held-to-maturity and carried at cost, adjusted for amortization of the related premiums and accretion of discounts, using the interest method. Investments in debt securities that are not classified as held-to-maturity and marketable equity securities that have readily determinable fair values are classified as either trading or available-for-sale securities.

Securities that are acquired and held principally for the purpose of selling in the near term are classified as trading securities. Investments in securities not classified as trading or held-to-maturity are classified as available-for-sale.

Trading and available-for-sale securities are carried at fair value. Unrealized holding gains and losses on trading securities are included in earnings while net unrealized holding gains and losses on available-for-sale securities are excluded from earnings and reported in other comprehensive income (loss). Purchase premiums and discounts are recognized in interest income using the interest method over the term of the securities.

Declines in the fair value of held-to-maturity and available-for-sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Bank to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Loans Receivable

Loans receivable are stated at their outstanding unpaid principal balances, less the allowance for loan losses and net deferred loan fees. Interest on loans is credited to operations based on the principal amount outstanding using the interest method.

When the payment of principal or interest on a loan is delinquent for 90 days, or earlier in some cases, the loan is placed on nonaccrual status, unless the loan is in the process of collection and the underlying collateral fully supports the carrying value of the loan. If a decision is made to continue accruing interest on the loan, periodic reviews are made to confirm the accruing status of the loan.

Note 1. Summary of Significant Accounting Policies (Continued)

Loans Receivable (Continued)

When a loan is placed on nonaccrual status, interest accrued during the current year, prior to the judgment of uncollectability, is charged to operations. Interest accrued during prior periods is charged to the allowance for loan losses. Generally, any payments received on nonaccrual loans are applied first to outstanding loan amounts, and next to the recovery of charged-off loan amounts. Any excess is treated as recovery of lost interest.

Impaired Loans

The Bank considers a loan to be impaired when, based upon current information and events, it believes it is possible that the Bank will be unable to collect all amounts due according to the contractual terms of the loan agreement. The Bank's impaired loans include troubled debt restructurings and performing and nonperforming major loans for which full payment of principal or interest is not expected. The Bank calculates a reserve required for impaired loans based on the loan's observable market price or the fair value of its collateral.

Allowance for Loan Losses

The allowance for loan losses is a valuation allowance available for losses incurred on loans. All losses are charged to the allowance for loan losses when the loss actually occurs or when a determination is made that a loss is likely to occur. Recoveries are credited to the allowance at the time of recovery.

The allowance for loan losses is based on management's evaluation of the inherent risks in the loan portfolio, considering current and prospective economic conditions; past loan loss experience and detailed evaluation of the collectability of the loans; and underlying value of the collateral. Management uses available information to evaluate the allowance for losses on loans. Future additions to the allowances may be necessary, based on changes in economic conditions and continuing analysis. The balance in the allowance for loan losses reflects an amount that, in management's judgment, is adequate to provide for losses inherent in the loan portfolio.

Loan Fees, Loan Costs, Discounts, and Premiums

Loan origination and commitment fees, and certain direct loan origination costs are deferred and amortized as an adjustment to the related loan's yield using the interest method over the contractual life of the loan.

Premises and Equipment

Premises and equipment are stated at cost, net of accumulated depreciation computed on the straight-line method over the estimated useful lives of the assets. Estimated useful lives for building and improvements range from 15 to 40 years and for furniture and fixtures from 5 to 10 years.

Major expenditures for property acquisitions and those expenditures which substantially increase useful lives are capitalized. Expenditures for maintenance, repairs, and minor replacements that do not significantly improve or extend the lives of the respective assets are charged to expense as incurred.

Note 1. Summary of Significant Accounting Policies (Continued)

Premises and Equipment (Continued)

When assets are retired or otherwise disposed of, their cost and related accumulated depreciation are removed from the respective accounts and any gain or loss is reflected in other non-interest income or expense.

Foreclosed Assets

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value, less cost to sell, at the date of foreclosure, establishing a new cost basis. After foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in other income (expense) on the statements of operations. Foreclosed assets totaled $-0- and $6,650 at December 31, 2018 and 2017, respectively, and are included in other assets on the balance sheets.

Net Income Per Share of Common Stock

Net income per share of common stock is calculated by dividing net income by the weighted average number of shares outstanding during the period.

Off-Balance Sheet Credit Related Financial Instruments

In the ordinary course of business, the Bank has entered into off-balance-sheet financial instruments consisting of commitments to extend credit and standby letters of credit. Such financial instruments are recorded in the financial statements when they are funded.

Non-Direct Response Advertising

The Bank expenses advertising costs as incurred. Advertising and promotional expenses totaled approximately $15,000 and $14,000 for the years ended December 31, 2018 and 2017, respectively.

Income Taxes

The Banc of San Jacinto County Bancshares, Inc., with the consent of its stockholders has elected to be taxed as an S corporation under the Internal Revenue Code. In lieu of corporation income taxes, stockholders of an S corporation are taxed on their proportionate share of the corporation's taxable income. Therefore, no provision or liability for federal income taxes is included in the financial statements.

A federal income tax return is filed for The Banc of San Jacinto County Bancshares, Inc., including the Bank of San Jacinto County, as a result of its election to treat the Bank as a qualified Subchapter S subsidiary.

Accounting principals generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. The Bank believes that it has appropriate support for any tax positions taken, and management has determined that there are no uncertain tax positions that are material to the financial statements.

Note 1. Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

The Bank had no amount of interest and/or penalties recognized in the statements of operations for the years ended December 31, 2018 and 2017, respectively, nor any amount of interest and/or penalties payable that were recognized in the balance sheets as of December 31, 2018 or 2017, in relation to its income tax returns. Any penalties or interest would be recognized in income tax expense.

Comprehensive Income

Comprehensive income includes net earnings and other comprehensive (loss) income which, in the case of the Bank, includes unrealized gains and losses on securities available-for-sale.

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*: *Revenue from Contracts with Customers.* The amendments in ASU 2014-09 supersede the revenue recognition requirements in Topic 605, *Revenue Recognition,* and most industry-specific guidance. The general principle of ASU 2014-09 requires an entity to recognize revenue upon the transfer of promised goods or services to customers in an amount that reflects the consideration of which the entity expects to be entitled in exchange for those goods or services. The guidance sets forth a five-step approach to be utilized for revenue recognition. ASU 2014-09, as deferred by ASU 2015-14, will be effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period. The FASB has also issued ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal Versus Agent Considerations (Reporting Revenue Gross Versus Net)*; ASU 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*; ASU 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients*, all of which were issued to improve and clarify the guidance in ASU 2014-09. The adoption of this standard is not expected to have a material impact on the Bank's financial statements.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments*. The amendments in this Update supersede the guidance to classify equity securities with readily determinable fair values into different categories and require equity securities to be measured at fair value with changes in the fair value recognized through net income. The amendments allow equity investments that do not have readily determinable fair values to be remeasured at fair value either upon the occurrence of an observable price change or upon identification of an impairment. The amendments in this Update also simplify the impairment assessment of equity investments without readily determinable fair values by requiring assessment for impairment qualitatively at each reporting period. In addition, the amendments in this Update exempt all entities that are not public business entities from disclosing fair value information for financial instruments measured at amortized cost.

Note 1. Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements (Continued)

The provisions within this Update 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. This amendment excludes from net income gains or losses that the entity may not realize because those financial liabilities are not usually transferred or settled at their fair values before maturity. The amendments in this Update require separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (that is, securities or loans and receivables) on the balance sheet or in the accompanying notes to the financial statements.

The amendment is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The adoption of this standard is not expected to have a material impact on the Bank's financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial instruments. The existing incurred loss model will be replaced with a current expected credit loss (CECL) model for both originated and acquired financial instruments carried at amortized cost and off-balance sheet credit exposures, including loans, loan commitments, held-to-maturity debt securities, financial guarantees, net investment in leases, and most receivables. Recognized amortized cost financial assets will be presented at the net amount expected to be collected through an allowance for credit losses. Expected credit losses on off-balance sheet credit exposures will be recognized through a liability. Expected credit losses on available-for-sale (AFS) debt securities will also be recognized through an allowance; however, the allowance for an individual AFS debt security will be limited to the amount by which fair value is below amortized cost. Unlike current guidance, which requires certain favorable changes in expected cash flows to be accreted into interest income, both favorable and unfavorable changes in expected credit losses (and therefore the allowance) will be recognized through credit loss expense as they occur. With the exception of purchased financial assets with a more than insignificant amount of credit deterioration since origination, for which the initial allowance will be added to the purchase price of the assets, the initial allowance on financial assets subject to the scope (whether originated or acquired) will be recognized through credit loss expense. Expanded disclosures will also be required. In November 2018, the FASB issued ASU 2018-19, *Codification Improvement to Topic 326, Financial Instruments - Credit Losses*. The amendments in this Update mitigate transition complexity and extend the effective date. The ASU is effective for fiscal years beginning after December 15, 2021, including interim periods within the same fiscal year. Early adoption is permitted for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. The Bank does not intend to early-adopt. The Bank is currently evaluating the impact on its financial statements of adopting this new guidance.

Note 1. Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements (Continued)

In January 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires that a lessee recognize the assets and liabilities that arise from leases classified as finance or operating. A lessee should recognize in the statement of financial condition 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. In transition, lessees are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. ASU 2016-02 is effective for financial statements issued for annual periods beginning after December 15, 2019. The adoption of this standard is not expected to have a material impact on the Bank's financial statements.

In March 2017, the FASB issued ASU 2017-08, *Receivables - Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities*, which amends the amortization period for certain purchased callable debt securities held at a premium. This amendment requires the premium to be amortized to the earliest call date. The amendment does not, however, require an accounting change for securities held at a discount; instead, the discount continues to be amortized to maturity. The amendments in this ASU more closely align the amortization period of premiums and discounts to expectations incorporated in market pricing on the underlying securities. This ASU is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2018. The adoption of this standard is not expected to have a material impact on the Bank's financial statements.

In May 2018, the FASB issued ASU 2018-06, *Codification Improvements to Topic 942, Financial Services - Depository and Lending*. The amendments in this Update supersede the guidance in Subtopic 942-740, *Financial Services - Depository and Lending - Income Taxes*, that is related to Circular 202 because that guidance has been rescinded by the Office of the Comptroller of the Currency (OCC) and is no longer relevant. This ASU is effective upon issuance.

Note 2. Securities

The amortized cost and fair values of securities, with gross unrealized gains and losses, at December 31, 2018, are as follows:

December 31, 2018	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Securities Available-for-Sale				
Debt Securities				
U.S. Agency Mortgage-Backed Securities	**$ 7,091,988**	**$ 760**	**$ (142,123)**	**$ 6,950,625**
Total Securities Available-for-Sale	**$ 7,091,988**	**$ 760**	**$ (142,123)**	**$ 6,950,625**
Securities Held-to-Maturity				
Debt Securities				
Municipal Bonds	**$ 1,290,000**	**$ -**	**$ -**	**$ 1,290,000**
Total Securities Held-to-Maturity	**$ 1,290,000**	**$ -**	**$ -**	**$ 1,290,000**

The amortized cost and fair values of securities, with gross unrealized gains and losses, at December 31, 2017, are as follows:

December 31, 2017	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities Available-for-Sale				
Debt Securities				
U.S. Agency Mortgage-Backed Securities	$ 5,560,618	$ 2,900	$ (42,736)	$ 5,520,782
Total Securities Available-for-Sale	$ 5,560,618	$ 2,900	$ (42,736)	$ 5,520,782
Securities Held-to-Maturity				
Debt Securities				
Municipal Bonds	$ 1,290,000	$ -	$ -	$ 1,290,000
Total Securities Held-to-Maturity	$ 1,290,000	$ -	$ -	$ 1,290,000

Note 2. Securities (Continued)

The amortized cost and fair value of securities by contractual maturity at December 31, 2018 are as follows:

	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Debt Securities				
Due in 1 Year or Less	$ 970	$ 970	$ 365,000	$ 365,000
Due After 1 Year Through 5 Years	262,624	259,244	925,000	925,000
Due After 5 Years Through 10 Years	470,376	460,480	-	-
Due After 10 Years	6,358,018	6,229,931	-	-
Total	$ 7,091,988	$ 6,950,625	$ 1,290,000	$ 1,290,000

Details concerning securities with unrealized losses at December 31, 2018, are as follows:

	Securities With Losses Under 12 Months		Securities With Losses Over 12 Months		Total	
December 31, 2018	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
Securities Available-for-Sale						
Debt Securities						
U.S. Agency Mortgage-Backed Securities	$ 4,021,862	$ (55,987)	$ 2,642,469	$ (86,136)	$ 6,664,331	$ (142,123)
Total Securities Available-for-Sale	$ 4,021,862	$ (55,987)	$ 2,642,469	$ (86,136)	$ 6,664,331	$ (142,123)

Details concerning securities with unrealized losses at December 31, 2017, are as follows:

	Securities With Losses Under 12 Months		Securities With Losses Over 12 Months		Total	
December 31, 2017	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
Securities Available-for-Sale						
Debt Securities						
U.S. Agency Mortgage-Backed Securities	$ 374,790	$ (2,471)	$ 2,853,222	$ (40,265)	$ 3,228,012	$ (42,736)
Total Securities Available-for-Sale	$ 374,790	$ (2,471)	$ 2,853,222	$ (40,265)	$ 3,228,012	$ (42,736)

Note 2. Securities (Continued)

The unrealized losses on the Bank's investments at December 31, 2018 and 2017, were caused by interest rate increases. The contractual cash flows of these investments are guaranteed by agencies of the U.S. government. Accordingly, it is expected that the securities would not be settled at a price less than the amortized cost of the Bank's investment. Because the decline in market value is attributable to changes in interest rates and not credit quality, and because the Bank has the ability and intent to hold these investments until a recovery of fair value, which may be maturity, the Bank does not consider these investments to be other-than-temporarily impaired at December 31, 2018.

There were no securities sold during the years ended December 31, 2018 and 2017.

At December 31, 2018 and 2017, securities with a carrying value of $1,276,526 and $1,506,820, respectively, were pledged.

Note 3. Loans Receivable

Loans receivable at December 31, 2018 and 2017 are summarized as follows:

	2018	2017
Commercial and Construction	**$ 3,822,446**	$ 1,888,292
Real Estate	**12,250,500**	12,851,252
Installment	**894,577**	1,035,566
Overdrafts	**13,555**	16,260
	16,981,078	15,791,370
Less: Allowance for Loan Losses	**(241,314)**	(243,963)
Total	**$ 16,739,764**	$ 15,547,407

Note 3. Loans Receivable (Continued)

The following tables detail the activity in the allowance for loan losses by portfolio segment for the year ended December 31, 2018:

December 31, 2018	Commercial and Construction	Real Estate	Installment	Overdrafts	Total
Allowance for Loan Losses:					
Beginning Balances	$ 29,956	$ 197,263	$ 16,484	$ 260	$ 243,963
Charge-Offs	(2,649)	-	-	-	(2,649)
Recoveries	-	-	-	-	-
Current Provision	28,130	(24,776)	(3,293)	(61)	-
Ending Balances	$ 55,437	$ 172,487	$ 13,191	$ 199	$ 241,314
Ending Balance Allocated to:					
Individually Evaluated for Impairment	$ -	$ -	$ -	$ -	$ -
Collectively Evaluated for Impairment	55,437	172,487	13,191	199	241,314
	$ 55,437	$ 172,487	$ 13,191	$ 199	$ 241,314
Ending Loans Receivable					
Disaggregated by Evaluation Method:					
Ending Balances:					
Individually Evaluated for Impairment	$ 62,817	$ 552,559	$ -	$ -	$ 615,376
Collectively Evaluated for Impairment	3,759,629	11,697,941	894,577	13,555	16,365,702
Ending Balance - Total	$ 3,822,446	$ 12,250,500	$ 894,577	$ 13,555	$ 16,981,078

The following tables detail the activity in the allowance for loan losses by portfolio segment for the year ended December 31, 2017:

December 31, 2017	Commercial and Construction	Real Estate	Installment	Overdrafts	Total
Allowance for Loan Losses:					
Beginning Balances	$ 51,453	$ 213,493	$ 23,435	$ 423	$ 288,804
Charge-Offs	(30,459)	-	(15,382)	-	(45,841)
Recoveries	1,000	-	-	-	1,000
Current Provision	7,962	(16,230)	8,431	(163)	-
Ending Balances	$ 29,956	$ 197,263	$ 16,484	$ 260	$ 243,963
Ending Balance Allocated to:					
Individually Evaluated for Impairment	$ -	$ -	$ -	$ -	$ -
Collectively Evaluated for Impairment	29,956	197,263	16,484	260	243,963
	$ 29,956	$ 197,263	$ 16,484	$ 260	$ 243,963
Ending Loans Receivable					
Disaggregated by Evaluation Method:					
Ending Balances:					
Individually Evaluated for Impairment	$ 6,601	$ 462,264	$ -	$ -	$ 468,865
Collectively Evaluated for Impairment	1,881,691	12,388,988	1,035,566	16,260	15,322,505
Ending Balance - Total	$ 1,888,292	$ 12,851,252	$ 1,035,566	$ 16,260	$ 15,791,370

Note 3. Loans Receivable (Continued)

A summary of current, past due and non-accrual loans as of December 31, 2018 and 2017 follows:

December 31, 2018	30-59 Days Past Due	60-89 Days Past Due	Over 90 Days	Total Past Due	Current	Total Loans Receivable	Recorded Investment > 90 Days and Accruing
Commercial and Construction	$ 59,357	$ -	$ -	$ 59,357	$ 3,763,089	$ 3,822,446	$ -
Real Estate	19,387	-	-	19,387	12,231,113	12,250,500	-
Installment	-	-	-	-	894,577	894,577	-
Overdrafts	-	-	-	-	13,555	13,555	-
Total	$ 78,744	$ -	$ -	$ 78,744	$16,902,334	$16,981,078	$ -

December 31, 2017	30-59 Days Past Due	60-89 Days Past Due	Over 90 Days	Total Past Due	Current	Total Loans Receivable	Recorded Investment > 90 Days and Accruing
Commercial and Construction	$ 32,606	$ -	$ -	$ 32,606	$ 1,855,686	$ 1,888,292	$ -
Real Estate	214,461	-	7,519	221,980	12,629,272	12,851,252	7,519
Installment	-	-	-	-	1,035,566	1,035,566	-
Overdrafts	-	-	-	-	16,260	16,260	-
Total	$ 247,067	$ -	$ 7,519	$ 254,586	$15,536,784	$15,791,370	$ 7,519

Nonaccrual loans at December 31, 2018 and 2017 follows:

	2018	2017
Commercial and Construction	$ -	$ -
Real Estate	-	2,244
Installment	-	-
Overdrafts	-	-
Total	$ -	$ 2,244

Credit Quality Indicators

The Bank uses the following criteria to assess risk ratings with respect to its loan portfolio, which are consistent with regulatory guidelines:

Exceptional, Quality, Acceptable - Exceptional loans are loans that comply in all material respects with the Bank's loan polices that are adequately secured with conforming collateral and that are extended to borrowers with documented ability to safely cover their total debt service requirements. Quality loans are loans with somewhat less structure than exceptional loans, but include strong financial statements, secured by other marketable securities, possibility of serious financial deterioration is unlikely, and possess sound repayment source. Acceptable loans are similar to quality loans but have average to mediocre strength and have some deficiency or vulnerability to economic change.

Note 3. Loans Receivable (Continued)

Watch, Substandard, Doubtful - Loans classified as watch, substandard or doubtful are loans with one or more deficiencies that cannot be tolerated or deteriorated key ratios. Classification to the watchlist is mandatory. Management classifies each loan as watch, substandard or doubtful based on the severity of loan deficiencies.

Non-Accrual - Non-accrual loans are loans that are no longer accruing interest. This includes loans in which payment is not expected in full, loans to borrowers who have shown deterioration in financial status, and loans that are 90 days or more past due unless well-secured and in the process of collection.

The Bank's credit quality indicators are periodically updated on a case-by-case basis.

The following presents by class and by credit quality indicator, the recorded investment in the Bank's loans as of December 31, 2018 and 2017:

December 31, 2018	Exceptional, Quality, or Acceptable	Watch	Substandard	Doubtful	Nonaccrual or Bankruptcy	Total
Commercial and Construction	$ 3,759,629	$ -	$ 62,817	$ -	$ -	$ 3,822,446
Real Estate	11,697,941	-	552,559	-	-	12,250,500
Installment	894,577	-	-	-	-	894,577
Overdrafts	13,555	-	-	-	-	13,555
Total	$ 16,365,702	$ -	$ 615,376	$ -	$ -	$ 16,981,078

December 31, 2017	Exceptional, Quality, or Acceptable	Watch	Substandard	Doubtful	Nonaccrual or Bankruptcy	Total
Commercial and Construction	$ 1,881,691	$ -	$ 6,601	$ -	$ -	$ 1,888,292
Real Estate	12,388,988	-	460,020	-	2,244	12,851,252
Installment	1,035,566	-	-	-	-	1,035,566
Overdrafts	16,260	-	-	-	-	16,260
Total	$ 15,322,505	$ -	$ 466,621	$ -	$ 2,244	$ 15,791,370

Note 3. Loans Receivable (Continued)

Impaired Loans

The following presents by class, information related to impaired loans as of December 31, 2018 and 2017:

December 31, 2018	Unpaid Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
Commercial and Construction	$ 62,817	$ 62,817	$ -	$ 62,817	$ -	$ 85,053
Real Estate	552,559	552,559	-	552,559	-	563,948
Installment	-	-	-	-	-	-
Overdrafts	-	-	-	-	-	-
Total	$ 615,376	$ 615,376	$ -	$ 615,376	$ -	$ 649,001

December 31, 2017	Unpaid Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
Commercial and Construction	$ 6,601	$ 6,601	$ -	$ 6,601	$ -	$ 5,701
Real Estate	462,264	462,264	-	462,264	-	473,097
Installment	-	-	-	-	-	-
Overdrafts	-	-	-	-	-	-
Total	$ 468,865	$ 468,865	$ -	$ 468,865	$ -	$ 478,798

Troubled Debt Restructurings

Troubled debt restructurings (TDRs) occur when a borrower is experiencing, or is expected to experience, financial difficulties in the near-term and, consequently, a modification that would otherwise not be considered is granted to the borrower. The concessions generally involve paying interest only for a period of time, reductions in the loan's interest rate, or an extension of the initial term of the loan, depending on the individual facts and circumstances of the borrower.

The Bank had no TDRS as of December 31, 2018 and 2017.

Related Party Loans

Loans to officers and directors at December 31, 2018 and 2017 were approximately $124,000 and $141,000, respectively.

Note 4. Accrued Interest Receivable

Accrued interest receivable at December 31, 2018 and 2017, consisted of the following:

	2018	2017
Commercial and Construction Loans	$ 52,564	$ 39,833
Real Estate Loans	38,090	43,182
Installment Loans	9,359	7,099
Securities	27,417	12,795
Total	$ 127,430	$ 102,909

Note 5. Premises and Equipment

Premises and equipment at December 31, 2018 and 2017, are summarized as follows:

	2018	2017
Land	$ 26,100	$ 26,100
Building and Improvements	1,316,495	1,245,983
Equipment and Furniture	827,605	806,468
Bank Automobiles	79,125	79,125
	2,249,325	2,157,676
Less: Accumulated Depreciation	(1,882,781)	(1,791,216)
Total	$ 366,544	$ 366,460

Depreciation expense amounted to $91,565 and $88,074 for the years ended December 31, 2018 and 2017, respectively.

Note 6. Deposits

The composition of deposits, at December 31, 2018 and 2017, is as follows:

	Interest Rates as of December 31, 2018	2018	2017
Demand Accounts	0.00%	$ 14,229,678	$ 16,230,711
NOW Accounts	0.07%	4,847,291	4,585,304
Savings Accounts	0.07%	4,779,498	5,337,885
Money Market Accounts	0.07%	1,939,016	2,070,471
Certificates of Deposit	0.07% - 2.00%	8,192,712	8,610,443
Total		$ 33,988,195	$ 36,834,814

Note 6. Deposits (Continued)

Certificates of deposit at December 31, 2018 mature as follows:

Year Ending December 31,	**Amount**
2019	$ 6,220,410
2020	1,809,749
2021	82,937
2022	-
2023	79,616
Total	$ 8,192,712

Certificates of deposit that meet or exceed the FDIC insurance limit of $250,000 at December 31, 2018 and 2017, were $2,432,279 and $2,426,966, respectively.

Deposits with Related Parties
As of December 31, 2018 and 2017, deposits from related parties totaled $1,543,745 and $1,021,082, respectively.

Interest-Bearing Deposits
Interest expense on deposits for the years ended December 31, 2018 and 2017, was as follows:

	2018	2017
NOW Accounts	**$ 3,256**	$ 3,276
Savings Accounts	**3,497**	3,496
Money Market Accounts	**1,264**	1,281
Certificates of Deposit	**65,646**	42,219
Total	**$ 73,663**	$ 50,272
Weighted Average Interest Rate	**0.21%**	0.15%

The weighted average interest rate on NOW, savings, and money market accounts was 0.07% as of December 31, 2018 and 2017. The weighted average interest rate on certificates of deposit as of December 31, 2018 and 2017 was 1.04% and 0.52%, respectively.

Note 7. Commitments and Contingent Liabilities

The Bank's financial statements do not reflect various commitments and contingent liabilities which arise in the normal course of business and which involve elements of credit risk, interest rate risk and liquidity risk. These commitments and contingent liabilities are commitments to extend credit and standby letters of credit.

Commitments to extend credit and standby letters of credit include exposure to some credit loss in the event of nonperformance of the customer. The Bank's credit policies and procedures of credit commitments and financial guarantees are the same as those for extension of credit that are recorded on the statements of condition. Because these instruments have fixed maturity dates, and because many of them expire without being drawn upon, they do not generally present any significant liquidity risk to the Bank. The Bank does not anticipate any material losses as a result of the commitments and contingent liabilities.

The Bank is involved in various legal actions arising from normal business activities. Management believes that, if any, the results of these matters will not materially affect the Bank's financial position.

Note 8. Line of Credit

At December 31, 2018 and 2017, the Bank had $500,000 available under a federal funds line of credit with The Independent BankersBank (TIB) which can be terminated with or without notice at any time by TIB.

Note 9. Financial Instruments with Off-Balance Sheet Risk

The Bank's loans, commitments, and standby letters of credit have been granted primarily to customers in the Bank's market area. The concentrations of credit by type of loan are set forth in the loan footnote. The distribution of commitments to extend credit approximates the distribution of loans outstanding. Commitments and standby letters of credit were granted primarily to commercial and real estate borrowers.

The market area generally includes the tri-county area of San Jacinto, Liberty, and Montgomery counties. The economy of the primary market area depends heavily on the retail trade, service, and recreation industries.

The contract amounts of those instruments reflect the extent of the involvement the Bank has in particular classes of financial instruments. As of December 31, 2018 and 2017, the Bank had made various commitments to extend credit totaling approximately $1,162,000 and $674,000, respectively. Most of these commitments are at fixed rates.

The Bank maintains cash deposits with various financial institutions. The accounts are insured by Federal Deposit Insurance Coverage (FDIC) up to $250,000 per financial institution. At December 31, 2018, the Bank's uninsured cash balances totaled $2,487,310.

Note 10. Regulatory Matters

The Bank is subject to various regulatory capital requirements administered by its primary Federal regulator, the Federal Deposit Insurance Corporation. Failure to meet the minimum regulatory capital requirements can initiate certain mandatory, and possible additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under the regulatory capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines involving quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of total risk-based and Tier I risk-based capital (as defined in the regulations) to risk-weighted assets (as defined), and Tier I core capital (as defined) to adjusted total assets (as defined), and tangible capital to adjusted total assets (as defined). 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 adequacy capitalized risk-based capital ratios. The capital conservation buffer is being phased in from 0.00% for 2015 to 2.50% by 2019. The capital conservation buffer requirement for 2018 is 1.875% and for 2017 was 1.25%. Management believes, as of December 31, 2018, that the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2018, the most recent notification from the Federal Deposit Insurance Corporation (FDIC) categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier I risk-based, Tier I leverage ratios as disclosed in the table below. There are no conditions or events since the notification that management believes have changed the Bank's prompt corrective action category. The Bank's actual capital amounts and ratios as of December 31, 2018 and 2017 are also presented in the table.

Note 10. Regulatory Matters (Continued)

The Bank's actual capital ratios, ratios required for capital adequacy purposes and prompt corrective action are shown in the table.

	Actual		Required for Capital Adequacy Purposes		Required to Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Dollars in Thousands)			
December 31, 2018						
Tier 1 Leverage Ratio						
(Tier 1 Capital to Average Assets)	**$ 5,527**	**13.76 %**	**$ 1,607**	**4.00 %**	**$ 2,008**	**5.00 %**
Common Equity Tier 1						
(to Risk-Weighted Assets)	**5,527**	**38.90**	**639**	**4.50**	**924**	**6.50**
Tier 1 Capital						
(to Risk-Weighted Assets)	**5,527**	**38.90**	**852**	**6.00**	**1,137**	**8.00**
Total Capital						
(to Risk-Weighted Assets)	**5,705**	**40.15**	**1,137**	**8.00**	**1,421**	**10.00**
December 31, 2017						
Tier 1 Leverage Ratio						
(Tier 1 Capital to Average Assets)	$ 5,219	13.79 %	$ 1,514	4.00 %	$ 1,893	5.00 %
Common Equity Tier 1						
(to Risk-Weighted Assets)	5,219	40.18	585	4.50	844	6.50
Tier 1 Capital						
(to Risk-Weighted Assets)	5,219	40.18	779	6.00	1,039	8.00
Total Capital						
(to Risk-Weighted Assets)	5,382	41.44	1,039	8.00	1,299	10.00

Note 11. Disclosure about Fair Value

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. To measure fair value, accounting guidance has established a hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. This hierarchy uses three levels of inputs to measure the fair value of assets and liabilities as follows:

- Level 1: Quoted prices for identical assets or liabilities in instruments traded in active markets that the entity has the ability to access as of the measurement date.
- Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Note 11. Disclosure about Fair Value (Continued)

Assets and Liabilities Measured on a Recurring Basis

The following describes the hierarchy designation, valuation methodology, and key inputs to measure fair value on a recurring basis for designated financial instruments:

Available-for-Sale Securities

Fair value estimates for investment securities are based on quoted market prices, where available (Level 1 inputs). If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments (Level 2). The carrying amount of accrued interest on securities approximates its fair value.

Assets and liabilities measured at fair value on a recurring basis are summarized below:

	Fair Value Measurements			Total Estimated
December 31, 2018	**Level 1**	**Level 2**	**Level 3**	**Fair Value**
Assets:				
Securities Available-for-Sale				
U.S. Agency Mortgage-Backed Securities	**$ -**	**$ 6,950,625**	**$ -**	**$ 6,950,625**
Total	**$ -**	**$ 6,950,625**	**$ -**	**$ 6,950,625**

	Fair Value Measurements			Total Estimated
December 31, 2017	Level 1	Level 2	Level 3	Fair Value
Assets:				
Securities Available-for-Sale				
U.S. Agency Mortgage-Backed Securities	$ -	$ 5,520,782	$ -	$ 5,520,782
Total	$ -	$ 5,520,782	$ -	$ 5,520,782

The Bank did not record any liabilities at fair market value for which measurement of the fair value was made on a recurring basis at December 31, 2018 or 2017. There were no transfers between Level 1 or Level 2 during 2018 or 2017.

Assets and Liabilities Measured on a Non-Recurring Basis

The following describes the hierarchy designation, valuation methodologies, and key inputs for those assets that are measured at fair value on a nonrecurring basis:

Impaired Loans

At the time a loan is considered impaired, it is recorded at the lower of carrying amount or fair value. Impaired loans carried at fair value generally receive specific allocations of the allowance for loan losses. For collateral-dependent loans, fair value is commonly based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach.

Note 11. Disclosure about Fair Value (Continued)

Assets and Liabilities Measured on a Non-Recurring Basis (Continued)

Impaired Loans (Continued)
Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 2 classification of the inputs for determining fair value.

Impaired loans are measured for impairment using the fair value of collateral for collateral-dependent loans. At December 31, 2018, impaired loans had a gross carrying amount of approximately $615,000, with no valuation allowance. As of December 31, 2017, impaired loans had a gross carrying amount of approximately $469,000, with no valuation allowance.

Foreclosed Assets
Assets acquired through or instead of loan foreclosure are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. These assets are subsequently accounted for at the lower of carrying amount or fair value less estimated cost to sell. Fair value is commonly based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments typically result in a Level 2 classification of the inputs for determining fair value.

The following tables present the Bank's assets and liabilities measured at fair value on a non-recurring basis at December 31, 2018 and 2017:

	Fair Value Measurements			Total Estimated
December 31, 2018	**Level 1**	**Level 2**	**Level 3**	**Fair Value**
Assets:				
Impaired Loans, Net of Allowance	$ -	$ 615,376	$ -	$ 615,376
Foreclosed Assets	-	-	-	-
Total	$ -	$ 615,376	$ -	$ 615,376

	Fair Value Measurements			Total Estimated
December 31, 2017	Level 1	Level 2	Level 3	Fair Value
Assets:				
Impaired Loans, Net of Allowance	$ -	$ 468,865	$ -	$ 468,865
Foreclosed Assets	-	6,650	-	6,650
Total	$ -	$ 475,515	$ -	$ 475,515

Note 12. Employee Benefit Plan

The Bank has a salary reduction plan under the provision of Section 401(k) of the Internal Revenue Code, which covers substantially all full-time employees. Employees may contribute up to the maximum amount allowed by law as tax deferred compensation. The bank may make a discretionary matching contribution up to a maximum of 6% of the employee's base salary. The Bank currently has a discretionary match of 3% of compensation to eligible employees who defer 6% to 11% of their annual compensation and 6% of compensation to eligible employees who defer 12% or more of their annual compensation. Employees are 100% vested in the employer discretionary match immediately. Retirement expenses for the years ended December 31, 2018 and 2017 were approximately $28,000 and $22,000, respectively and were charged to salary and benefits expense.

Note 13. Subsequent Events

In accordance with the subsequent events topic of the ASC, the Bank evaluates events and transactions that occur after the balance sheet date for potential recognition in the financial statements. The effects of all subsequent events that provide additional evidence of conditions that existed at the balance sheet date are recognized in the financial statements as of December 31, 2018 and 2017. In preparing these financial statements, the Bank evaluated the events and transactions that occurred from December 31, 2018 through May 15, 2019, the date these financial statements were available to be issued. Management has concluded that there are no events which require disclosure.

THE BANC OF SAN JACINTO COUNTY BANCSHARES, INC. AND SUBSIDIARY

Audits of Consolidated Financial Statements

December 31, 2018 and 2017

Contents

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Independent Auditor's Report

To the Board of Directors
The Banc of San Jacinto County Bancshares, Inc.
Coldspring, Texas

Report on the Consolidated Financial Statements
We have audited the accompanying consolidated financial statements of The Banc of San Jacinto County 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 operations, 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 Consolidated 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 consolidated 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 from 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 financial position of The Banc of San Jacinto County Bancshares, Inc. and Subsidiary as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

LaPorte

A Professional Accounting Corporation

Metairie, LA
May 15, 2019

THE BANC OF SAN JACINTO COUNTY BANCSHARES, INC. AND SUBSIDIARY
Consolidated Balance Sheets
December 31, 2018 and 2017

	2018	2017
Assets		
Cash and Due from Banks - Non-Interest Bearing	$ 2,499,962	$ 3,802,023
Due from Banks - Interest Bearing	11,324,065	15,348,942
Cash and Cash Equivalents	13,824,027	19,150,965
Securities, Available-for-Sale, at Fair Value	6,950,625	5,520,782
Securities, Held-to-Maturity (Fair Value of $1,290,000 in 2018 and 2017)	1,290,000	1,290,000
Loans Receivable, Net	16,739,764	15,547,407
Premises and Equipment, Net	366,544	366,460
Accrued Interest Receivable	127,430	102,909
Other Assets	101,380	120,868
Total Assets	$ 39,399,770	$ 42,099,391
Liabilities and Stockholders' Equity		
Liabilities		
Deposits	$ 33,980,505	$ 36,831,574
Accrued Interest Payable	4,893	2,654
Accrued Expenses and Other Liabilities	20,895	82,661
Total Liabilities	34,006,293	36,916,889
Stockholders' Equity		
Common Stock - $.01 Par Value; 1,000,000 Shares Authorized; 83,913 Shares Issued; and 83,809 and 83,709 Outstanding in 2018 and 2017, Respectively	839	839
Additional Paid-In Capital	1,798,714	1,798,714
Retained Earnings	3,736,413	3,428,911
Treasury Stock, at Cost (104 Shares in 2018 and 204 Shares in 2017)	(1,126)	(6,126)
Accumulated Other Comprehensive Loss	(141,363)	(39,836)
Total Stockholders' Equity	5,393,477	5,182,502
Total Liabilities and Stockholders' Equity	$ 39,399,770	$ 42,099,391

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

THE BANC OF SAN JACINTO COUNTY BANCSHARES, INC. AND SUBSIDIARY
Consolidated Statements of Operations
For the Years Ended December 31, 2018 and 2017

	2018	2017
Interest and Dividend Income		
Interest and Fees on Loans Receivable	$ 1,251,193	$ 1,255,444
Interest on Securities	156,708	86,267
Interest on Due from Banks	254,249	158,193
Total Interest Income	1,662,150	1,499,904
Interest Expense		
Interest on Deposits	73,663	50,272
Total Interest Expense	73,663	50,272
Net Interest Income	1,588,487	1,449,632
Provision for Loan Losses	-	-
Net Interest Income After Provision for Loan Losses	1,588,487	1,449,632
Non-Interest Income		
Service Charges	251,849	263,442
Delinquent, Assumption, and Other Fees	181,442	178,178
Other Income (Expense)	12,926	(1,462)
Total Non-Interest Income	446,217	440,158
Non-Interest Expense		
Salaries and Benefits - Leased Employees	1,010,574	928,987
Occupancy, Equipment, and Data Processing	342,185	70,360
Other Operating Expenses	324,444	629,847
Total Non-Interest Expense	1,677,203	1,629,194
Net Income	$ 357,501	$ 260,596
Net Income Per Share of Common Stock	$ 4.27	$ 3.11

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

THE BANC OF SAN JACINTO COUNTY BANCSHARES, INC. AND SUBSIDIARY
Consolidated Statements of Comprehensive Income
For the Years Ended December 31, 2018 and 2017

	2018	2017
Net Income	$ 357,501	$ 260,596
Other Comprehensive (Loss) Income		
Unrealized Net (Losses) Gains on Securities Available-for-Sale Arising During the Period, Net of Reclassification for Net Realized Gains and Losses	(101,527)	1,435
Total Other Comprehensive (Loss) Income	(101,527)	1,435
Comprehensive Income	$ 255,974	$ 262,031

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

THE BANC OF SAN JACINTO COUNTY BANCSHARES, INC. AND SUBSIDIARY
Consolidated Statements of Changes in Stockholders' Equity
For the Years Ended December 31, 2018 and 2017

	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance - January 1, 2017	$ 839	$ 1,798,714	$ 3,218,314	$ (6,126)	$ (41,271)	$ 4,970,470
Net Income	-	-	260,596	-	-	260,596
Other Comprehensive Income	-	-	-	-	1,435	1,435
Cash Dividends Paid	-	-	(49,999)	-	-	(49,999)
Balance - December 31, 2017	839	1,798,714	3,428,911	(6,126)	(39,836)	5,182,502
Net Income	-	-	357,501	-	-	357,501
Other Comprehensive Loss	-	-	-	-	(101,527)	(101,527)
Cash Dividends Paid	-	-	(49,999)	-	-	(49,999)
Treasury Stock Sold	-	-	-	5,000	-	5,000
Balance - December 31, 2018	$ 839	$ 1,798,714	$ 3,736,413	$ (1,126)	$ (141,363)	$ 5,393,477

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

THE BANC OF SAN JACINTO COUNTY BANCSHARES, INC. AND SUBSIDIARY
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Net Income	$ 357,501	$ 260,596
Adjustments to Reconcile Net Income to		
Net Cash Provided by Operating Activities		
Depreciation	91,565	88,074
Amortization and Accretion	27,446	13,063
(Gain) Loss on Sale of Foreclosed Assets	(12,420)	8,159
(Increase) Decrease in:		
Accrued Interest Receivable	(24,521)	(4,555)
Other Assets	12,838	(42,378)
Increase (Decrease) in:		
Accrued Interest Payable	2,239	953
Accrued Expenses and Other Liabilities	(61,766)	63,220
Net Cash Provided by Operating Activities	392,882	387,132
Cash Flows from Investing Activities		
Purchases of Securities Available-for-Sale	(2,545,549)	(2,857,875)
Proceeds from Maturities, Prepayments, and Calls of Securities Available-for-Sale	986,733	728,047
Purchases of Securities Held-to-Maturity	-	(1,290,000)
(Increase) Decrease in Loans Receivable, Net	(1,200,663)	550,633
Purchases of Premises and Equipment	(91,649)	(52,479)
Proceeds from Sale of Foreclosed Assets	27,376	54,750
Net Cash Used in Investing Activities	(2,823,752)	(2,866,924)
Cash Flows from Financing Activities		
(Decrease) Increase in Deposits, Net	(2,851,069)	4,830,836
Proceeds from Sale of Treasury Stock	5,000	-
Cash Dividends Paid	(49,999)	(49,999)
Net Cash (Used in) Provided by Financing Activities	(2,896,068)	4,780,837
Net (Decrease) Increase in Cash and Cash Equivalents	(5,326,938)	2,301,045
Cash and Cash Equivalents, Beginning of Year	19,150,965	16,849,920
Cash and Cash Equivalents, End of Year	$ 13,824,027	$ 19,150,965
Supplemental Disclosure of Cash Flow Information		
Cash Paid During the Period for Interest	$ 71,424	$ 49,319
Non-Cash Investing and Financing Activities		
Repossessed Assets Acquired through Foreclosure	$ 10,956	$ 46,650

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

Note 1. Summary of Significant Accounting Policies

Description of Business

The Banc of San Jacinto County Bancshares, Inc. (the Company) is a bank holding company incorporated under the laws of the State of Texas that owns 100% of the outstanding capital stock of The Bank of San Jacinto County, Coldspring, Texas (the Bank). The accounting and reporting policies of the Company conform to generally accepted accounting principles and the general practices within the banking industry. The Company provides a variety of services to individuals and businesses. The Company's lending services consist primarily of commercial, real estate mortgage, and consumer loans. The deposit services are primarily demand, savings, and certificates of deposit.

Basis of Presentation and Consolidation

The accounting and reporting policies of the Company conform with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements include the accounts of The Banc of San Jacinto County Bancshares, Inc. and Subsidiary. All material intercompany balances and transactions have been eliminated.

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 reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Material estimates that are particularly susceptible to significant change in the near-term relate to the allowance for loan losses and fair value of investments.

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

Concentrations of Credit Risk

The Company's activities are provided to customers of the Bank by one branch office located in Coldspring, Texas.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, cash and cash equivalents include cash, cash items, balances due from banks, and federal funds sold, all of which have original maturities of ninety days or less.

Securities

Securities are being accounted for in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 320, *Investments - Debt and Equity Securities*. ASC 320 requires the classification of securities into one of three categories: Trading, Available-for-Sale, or Held-to-Maturity. Management determines the appropriate classification of securities at the time of purchase and re-evaluates this classification periodically.

Investments in non-marketable equity securities and debt securities, in which the Company has the positive intent and ability to hold to maturity, are classified as held-to-maturity and carried at cost, adjusted for amortization of the related premiums and accretion of discounts, using the interest method. Investments in debt securities that are not classified as held-to-maturity and marketable equity securities that have readily determinable fair values are classified as either trading or available-for-sale securities.

Securities that are acquired and held principally for the purpose of selling in the near-term are classified as trading securities. Investments in securities not classified as trading or held-to-maturity are classified as available-for-sale.

Trading and available-for-sale securities are carried at fair value. Unrealized holding gains and losses on trading securities are included in earnings while net unrealized holding gains and losses on available-for-sale securities are excluded from earnings and reported in other comprehensive income. Purchase premiums and discounts are recognized in interest income using the interest method over the term of the securities.

Declines in the fair value of held-to-maturity and available-for-sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Note 1. Summary of Significant Accounting Policies (Continued)

Loans Receivable

Loans receivable are stated at their outstanding unpaid principal balances, less the allowance for loan losses and net deferred loan fees. Interest on loans is credited to operations based on the principal amount outstanding using the interest method.

When the payment of principal or interest on a loan is delinquent for 90 days, or earlier in some cases, the loan is placed on nonaccrual status, unless the loan is in the process of collection and the underlying collateral fully supports the carrying value of the loan. If a decision is made to continue accruing interest on the loan, periodic reviews are made to confirm the accruing status of the loan. When a loan is placed on nonaccrual status, interest accrued during the current year, prior to the judgment of uncollectability, is charged to operations. Interest accrued during prior periods is charged to the allowance for loan losses. Generally, any payments received on nonaccrual loans are applied first to outstanding loan amounts, and next to the recovery of charged-off loan amounts. Any excess is treated as recovery of lost interest.

Impaired Loans

The Company considers a loan to be impaired when, based upon current information and events, it believes it is possible that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. The Company's impaired loans include troubled debt restructurings, and performing and nonperforming major loans for which full payment of principal or interest is not expected. The Company calculates a reserve required for impaired loans based on the loan's observable market price or the fair value of its collateral.

Allowance for Loan Losses

The allowance for loan losses is a valuation allowance available for losses incurred on loans. All losses are charged to the allowance for loan losses when the loss actually occurs or when a determination is made that a loss is likely to occur. Recoveries are credited to the allowance at the time of recovery.

The allowance for loan losses is based on management's evaluation of the inherent risks in the loan portfolio, considering current and prospective economic conditions; past loan loss experience and detailed evaluation of the collectability of the loans; and underlying value of the collateral. Management uses available information to evaluate the allowance for losses on loans. Future additions to the allowances may be necessary, based on changes in economic conditions and continuing analysis. The balance in the allowance for loan losses reflects an amount that, in management's judgment, is adequate to provide for losses inherent in the loan portfolio.

Loan Fees, Loan Costs, Discounts, and Premiums

Loan origination and commitment fees, and certain direct loan origination costs are deferred and amortized as an adjustment to the related loan's yield using the interest method over the contractual life of the loan.

Note 1. Summary of Significant Accounting Policies (Continued)

Premises and Equipment

Premises and equipment are stated at cost, net of accumulated depreciation computed on the straight-line method over the estimated useful lives of the assets. Estimated useful lives for building and improvements range from 15 to 40 years and for furniture and fixtures from 5 to 10 years.

Major expenditures for property acquisitions and those expenditures which substantially increase useful lives are capitalized. Expenditures for maintenance, repairs, and minor replacements that do not significantly improve or extend the lives of the respective assets are charged to expense as incurred.

When assets are retired or otherwise disposed of, their cost and related accumulated depreciation are removed from the respective accounts and any gain or loss is reflected in other non-interest income or expense.

Foreclosed Assets

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value, less cost to sell, at the date of foreclosure, establishing a new cost basis. After foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in other (expense) income on the consolidated statements of operations. Foreclosed assets totaled $-0- and $6,650, at December 31, 2018 and 2017, respectively, and are included in other assets on the consolidated balance sheets.

Net Income Per Share of Common Stock

Net income per share of common stock is calculated by dividing net income by the weighted average number of shares outstanding during the period.

Off-Balance Sheet Credit Related Financial Instruments

In the ordinary course of business, the Company has entered into off-balance sheet financial instruments consisting of commitments to extend credit and standby letters of credit. Such financial instruments are recorded in the consolidated financial statements when they are funded.

Non-Direct Response Advertising

The Company expenses advertising costs as incurred. Advertising and promotional expenses totaled approximately $15,000 and $14,000 for the years ended December 31, 2018 and 2017, respectively.

Note 1. Summary of Significant Accounting Policies (Continued)

Income Taxes

The Banc of San Jacinto County Bancshares, Inc., with the consent of its stockholders has elected to be taxed as an S corporation under the Internal Revenue Code. In lieu of corporation income taxes, stockholders of an S corporation are taxed on their proportionate share of the corporation's taxable income. Therefore, no provision or liability for federal income taxes is included in the consolidated financial statements.

A federal income tax return is filed for The Banc of San Jacinto County Bancshares, Inc., including the Bank of San Jacinto County, Coldspring, Texas, as a result of its election to treat the Bank as a qualified Subchapter S subsidiary.

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. The Company believes that it has appropriate support for any tax positions taken, and management has determined that there are no uncertain tax positions that are material to the consolidated financial statements.

The Company had no amount of interest and/or penalties recognized in the consolidated statements of operations for the years ended December 31, 2018 and 2017, nor any amount of interest and/or penalties payable that were recognized in the consolidated balance sheets as of December 31, 2018 or 2017, in relation to its income tax returns. Any penalties or interest would be recognized in income tax expense.

Comprehensive Income

Comprehensive income includes net earnings and other comprehensive income (loss) which, in the case of the Company, includes unrealized gains and losses on securities available-for-sale.

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*: *Revenue from Contracts with Customers.* The amendments in ASU 2014-09 supersede the revenue recognition requirements in Topic 605, *Revenue Recognition,* and most industry-specific guidance. The general principle of ASU 2014-09 requires an entity to recognize revenue upon the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance sets forth a five-step approach to be utilized for revenue recognition. ASU 2014-09, as deferred by ASU 2015-14, will be effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period. The FASB has also issued ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal Versus Agent Considerations (Reporting Revenue Gross Versus Net)*; ASU 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*; ASU 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients*, all of which were issued to improve and clarify the guidance in ASU 2014-09. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

Note 1. Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements (Continued)

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments*. The amendments in this Update supersede the guidance to classify equity securities with readily determinable fair values into different categories and require equity securities to be measured at fair value with changes in the fair value recognized through net income. The amendments allow equity investments that do not have readily determinable fair values to be remeasured at fair value either upon the occurrence of an observable price change or upon identification of an impairment. The amendments in this Update also simplify the impairment assessment of equity investments without readily determinable fair values by requiring assessment for impairment qualitatively at each reporting period. In addition, the amendments in this Update exempt all entities that are not public business entities from disclosing fair value information for financial instruments measured at amortized cost.

The provisions within this Update 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. This amendment excludes from net income gains or losses that the entity may not realize because those financial liabilities are not usually transferred or settled at their fair values before maturity. The amendments in this Update require separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (that is, securities or loans and receivables) on the balance sheet or in the accompanying notes to the financial statements.

The amendment is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial instruments. The existing incurred loss model will be replaced with a current expected credit loss (CECL) model for both originated and acquired financial instruments carried at amortized cost and off-balance sheet credit exposures, including loans, loan commitments, held-to-maturity debt securities, financial guarantees, net investment in leases, and most receivables. Recognized amortized cost financial assets will be presented at the net amount expected to be collected through an allowance for credit losses. Expected credit losses on off-balance sheet credit exposures will be recognized through a liability. Expected credit losses on available-for-sale (AFS) debt securities will also be recognized through an allowance; however, the allowance for an individual AFS debt security will be limited to the amount by which fair value is below amortized cost.

Note 1. Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements (Continued)

Unlike current guidance, which requires certain favorable changes in expected cash flows to be accreted into interest income, both favorable and unfavorable changes in expected credit losses (and therefore the allowance) will be recognized through credit loss expense as they occur. With the exception of purchased financial assets with a more than insignificant amount of credit deterioration since origination, for which the initial allowance will be added to the purchase price of the assets, the initial allowance on financial assets subject to the scope (whether originated or acquired) will be recognized through credit loss expense. Expanded disclosures will also be required. In November 2018, the FASB issued ASU 2018-19, *Codification Improvement to Topic 326, Financial Instruments - Credit Losses*. The amendments in this Update mitigate transition complexity and extend the effective date. The ASU is effective for fiscal years beginning after December 15, 2021, including interim periods within the same fiscal year. Early adoption is permitted for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. The Company does not intend to early-adopt. The Company is currently evaluating the impact on its consolidated financial statements of adopting this new guidance.

In January 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires that a lessee recognize the assets and liabilities that arise from leases classified as finance or operating. A lessee should recognize in the statement of financial condition 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. In transition, lessees are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. ASU 2016-02 is effective for financial statements issued for annual periods beginning after December 15, 2019. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

In March 2017, the FASB issued ASU 2017-08, *Receivables - Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities*, which amends the amortization period for certain purchased callable debt securities held at a premium. This amendment requires the premium to be amortized to the earliest call date. The amendment does not, however, require an accounting change for securities held at a discount; instead, the discount continues to be amortized to maturity. The amendments in this ASU more closely align the amortization period of premiums and discounts to expectations incorporated in market pricing on the underlying securities. This ASU is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2018. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

Note 1. Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements (Continued)

In May 2018, the FASB issued ASU 2018-06, *Codification Improvements to Topic 942, Financial Services - Depository and Lending*. The amendments in this Update supersede the guidance in Subtopic 942-740, *Financial Services - Depository and Lending - Income Taxes*, that is related to Circular 202 because that guidance has been rescinded by the Office of the Comptroller of the Currency (OCC) and is no longer relevant. This ASU is effective upon issuance.

Note 2. Securities

The amortized cost and fair values of securities, with gross unrealized gains and losses, at December 31, 2018 and 2017, are as follows:

December 31, 2018	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Estimated Fair Value**
Securities Available-for-Sale				
Debt Securities				
U.S. Agency Mortgage-Backed Securities	**$ 7,091,988**	**$ 760**	**$ (142,123)**	**$ 6,950,625**
Total Securities Available-for-Sale	**$ 7,091,988**	**$ 760**	**$ (142,123)**	**$ 6,950,625**
Securities Held-to-Maturity				
Debt Securities				
Municipal Bonds	**$ 1,290,000**	**$ -**	**$ -**	**$ 1,290,000**
Total Securities Held-to-Maturity	**$ 1,290,000**	**$ -**	**$ -**	**$ 1,290,000**

December 31, 2017	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Securities Available-for-Sale				
Debt Securities				
U.S. Agency Mortgage-Backed Securities	$ 5,560,618	$ 2,900	$ (42,736)	$ 5,520,782
Total Securities Available-for-Sale	$ 5,560,618	$ 2,900	$ (42,736)	$ 5,520,782
Securities Held-to-Maturity				
Debt Securities				
Municipal Bonds	$ 1,290,000	$ -	$ -	$ 1,290,000
Total Securities Held-to-Maturity	$ 1,290,000	$ -	$ -	$ 1,290,000

Note 2. Securities (Continued)

The amortized cost and fair value of securities by contractual maturity at December 31, 2018 are as follows:

	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Debt Securities				
Due in 1 Year or Less	$ 970	$ 970	$ 365,000	$ 365,000
Due After 1 Year Through 5 Years	262,624	259,244	925,000	925,000
Due After 5 Years Through 10 Years	470,376	460,480	-	-
Due After 10 Years	6,358,018	6,229,931	-	-
Total	$ 7,091,988	$ 6,950,625	$ 1,290,000	$ 1,290,000

Details concerning securities with unrealized losses at December 31, 2018 and 2017, are as follows:

	Securities With Losses Under 12 Months		Securities With Losses Over 12 Months		Total	
December 31, 2018	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
Securities Available-for-Sale						
Debt Securities						
U.S. Agency Mortgage-Backed Securities	$ 4,021,862	$ (55,987)	$ 2,642,469	$ (86,136)	$ 6,664,331	$ (142,123)
Total Securities Available-for-Sale	$ 4,021,862	$ (55,987)	$ 2,642,469	$ (86,136)	$ 6,664,331	$ (142,123)

	Securities With Losses Under 12 Months		Securities With Losses Over 12 Months		Total	
December 31, 2017	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
Securities Available-for-Sale						
Debt Securities						
U.S. Agency Mortgage-Backed Securities	$ 374,790	$ (2,471)	$ 2,853,222	$ (40,265)	$ 3,228,012	$ (42,736)
Total Securities Available-for-Sale	$ 374,790	$ (2,471)	$ 2,853,222	$ (40,265)	$ 3,228,012	$ (42,736)

The unrealized losses on the Company's investments at December 31, 2018 and 2017 were caused by interest rate increases. The contractual cash flows of these investments are guaranteed by agencies of the U.S. government. Accordingly, it is expected that the securities would not be settled at a price less than the amortized cost of the Company's investment. Because the decline in market value is attributable to changes in interest rates and not credit quality, and because the Company has the ability and intent to hold these investments until a recovery of fair value, which may be maturity, the Company does not consider these investments to be other-than-temporarily impaired at December 31, 2018.

Note 2. Securities (Continued)

There were no securities sold during the years ended December 31, 2018 and 2017.

At December 31, 2018 and 2017, securities with a carrying value of $1,276,526 and $1,506,820, respectively, were pledged.

Note 3. Loans Receivable

Loans receivable at December 31, 2018 and 2017, are summarized as follows:

	2018	2017
Commercial and Construction	$ 3,822,446	$ 1,888,292
Real Estate	12,250,500	12,851,252
Installment	894,577	1,035,566
Overdrafts	13,555	16,260
	16,981,078	15,791,370
Less: Allowance for Loan Losses	(241,314)	(243,963)
Total	$ 16,739,764	$ 15,547,407

The following table details the activity in the allowance for loan losses by portfolio segment for the years ended December 31, 2018:

December 31, 2018	Commercial and Construction	Real Estate	Installment	Overdrafts	Total
Allowance for Loan Losses:					
Beginning Balances	$ 29,956	$ 197,263	$ 16,484	$ 260	$ 243,963
Charge-Offs	(2,649)	-	-	-	(2,649)
Recoveries	-	-	-	-	-
Current Provision	28,130	(24,776)	(3,293)	(61)	-
Ending Balances	$ 55,437	$ 172,487	$ 13,191	$ 199	$ 241,314
Ending Balance Allocated to:					
Individually Evaluated for Impairment	$ -	$ -	$ -	$ -	$ -
Collectively Evaluated for Impairment	55,437	172,487	13,191	199	241,314
	$ 55,437	$ 172,487	$ 13,191	$ 199	$ 241,314
Ending Loans Receivable					
Disaggregated by Evaluation Method:					
Ending Balances:					
Individually Evaluated for Impairment	$ 62,817	$ 552,559	$ -	$ -	$ 615,376
Collectively Evaluated for Impairment	3,759,629	11,697,941	894,577	13,555	16,365,702
Ending Balance - Total	$ 3,822,446	$ 12,250,500	$ 894,577	$ 13,555	$ 16,981,078

Note 3. Loans Receivable (Continued)

The following table details the activity in the allowance for loan losses by portfolio segment for the years ended December 31, 2017:

December 31, 2017	Commercial and Construction	Real Estate	Installment	Overdrafts	Total
Allowance for Loan Losses:					
Beginning Balances	$ 51,453	$ 213,493	$ 23,435	$ 423	$ 288,804
Charge-Offs	(30,459)	-	(15,382)	-	(45,841)
Recoveries	1,000	-	-	-	1,000
Current Provision	7,962	(16,230)	8,431	(163)	-
Ending Balances	$ 29,956	$ 197,263	$ 16,484	$ 260	$ 243,963
Ending Balance Allocated to:					
Individually Evaluated for Impairment	$ -	$ -	$ -	$ -	$ -
Collectively Evaluated for Impairment	29,956	197,263	16,484	260	243,963
	$ 29,956	$ 197,263	$ 16,484	$ 260	$ 243,963
Ending Loans Receivable					
Disaggregated by Evaluation Method:					
Ending Balances:					
Individually Evaluated for Impairment	$ 6,601	$ 462,264	$ -	$ -	$ 468,865
Collectively Evaluated for Impairment	1,881,691	12,388,988	1,035,566	16,260	15,322,505
Ending Balance - Total	$ 1,888,292	$ 12,851,252	$ 1,035,566	$ 16,260	$ 15,791,370

A summary of current, past due, and nonaccrual loans as of December 31, 2018 and 2017 follows:

December 31, 2018	**30-59 Days Past Due**	**60-89 Days Past Due**	**Over 90 Days**	**Total Past Due**	**Current**	**Total Loans Receivable**	**Recorded Investment > 90 Days and Accruing**
Commercial and Construction	**$ 59,357**	**$ -**	**$ -**	**$ 59,357**	**$ 3,763,089**	**$ 3,822,446**	**$ -**
Real Estate	**19,387**	**-**	**-**	**19,387**	**12,231,113**	**12,250,500**	**-**
Installment	**-**	**-**	**-**	**-**	**894,577**	**894,577**	**-**
Overdrafts	**-**	**-**	**-**	**-**	**13,555**	**13,555**	**-**
Total	**$ 78,744**	**$ -**	**$ -**	**$ 78,744**	**$16,902,334**	**$16,981,078**	**$ -**

December 31, 2017	30-59 Days Past Due	60-89 Days Past Due	Over 90 Days	Total Past Due	Current	Total Loans Receivable	Recorded Investment > 90 Days and Accruing
Commercial and Construction	$ 32,606	$ -	$ -	$ 32,606	$ 1,855,686	$ 1,888,292	$ -
Real Estate	214,461	-	7,519	221,980	12,629,272	12,851,252	7,519
Installment	-	-	-	-	1,035,566	1,035,566	-
Overdrafts	-	-	-	-	16,260	16,260	-
Total	$ 247,067	$ -	$ 7,519	$ 254,586	$15,536,784	$15,791,370	$ 7,519

Note 3. Loans Receivable (Continued)

Nonaccrual loans at December 31, 2018 and 2017, are as follow:

	2018	2017
Commercial and Construction	$ -	$ -
Real Estate	-	2,244
Installment	-	-
Overdrafts	-	-
Total	$ -	$ 2,244

Credit Quality Indicators
The Company uses the following criteria to assess risk ratings with respect to its loan portfolio, which are consistent with regulatory guidelines:

Exceptional, Quality, Acceptable - Exceptional loans are loans that comply in all material respects with the Company's loan policies that are adequately secured with conforming collateral and that are extended to borrowers with documented ability to safely cover their total debt service requirements. Quality loans are loans with somewhat less structure than exceptional loans, but include strong financial statements, secured by other marketable securities, possibility of serious financial deterioration is unlikely, and possess sound repayment source. Acceptable loans are similar to quality loans, but have average to mediocre strength and have some deficiency or vulnerability to economic change.

Watch, Substandard, Doubtful - Loans classified as watch, substandard, or doubtful are loans with one or more deficiencies that cannot be tolerated or deteriorated key ratios. Classification to the watchlist is mandatory. Management classifies each loan as watch, substandard, or doubtful based on the severity of loan deficiencies.

Nonaccrual - Nonaccrual loans are loans that are no longer accruing interest. This includes loans in which payment is not expected in full, loans to borrowers who have shown deterioration in financial status, and loans that are 90 days or more past due unless well-secured and in the process of collection.

The Company's credit quality indicators are periodically updated on a case-by-case basis.

Note 3. Loans Receivable (Continued)

Credit Quality Indicators (Continued)

The following presents by class and by credit quality indicator, the recorded investment in the Company's loans as of December 31, 2018 and 2017:

December 31, 2018	Exceptional, Quality, or Acceptable	Watch	Substandard	Doubtful	Nonaccrual or Bankruptcy	Total
Commercial and Construction	$ 3,759,629	$ -	$ 62,817	$ -	$ -	$ 3,822,446
Real Estate	11,697,941	-	552,559	-	-	12,250,500
Installment	894,577	-	-	-	-	894,577
Overdrafts	13,555	-	-	-	-	13,555
Total	$ 16,365,702	$ -	$ 615,376	$ -	$ -	$ 16,981,078

December 31, 2017	Exceptional, Quality, or Acceptable	Watch	Substandard	Doubtful	Nonaccrual or Bankruptcy	Total
Commercial and Construction	$ 1,881,691	$ -	$ 6,601	$ -	$ -	$ 1,888,292
Real Estate	12,388,988	-	460,020	-	2,244	12,851,252
Installment	1,035,566	-	-	-	-	1,035,566
Overdrafts	16,260	-	-	-	-	16,260
Total	$ 15,322,505	$ -	$ 466,621	$ -	$ 2,244	$ 15,791,370

Impaired Loans

The following presents by class, information related to impaired loans as of December 31, 2018 and 2017:

December 31, 2018	Unpaid Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
Commercial and Construction	$ 62,817	$ 62,817	$ -	$ 62,817	$ -	$ 85,053
Real Estate	552,559	552,559	-	552,559	-	563,948
Installment	-	-	-	-	-	-
Overdrafts	-	-	-	-	-	-
Total	$ 615,376	$ 615,376	$ -	$ 615,376	$ -	$ 649,001

December 31, 2017	Unpaid Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
Commercial and Construction	$ 6,601	$ 6,601	$ -	$ 6,601	$ -	$ 5,701
Real Estate	462,264	462,264	-	462,264	-	473,097
Installment	-	-	-	-	-	-
Overdrafts	-	-	-	-	-	-
Total	$ 468,865	$ 468,865	$ -	$ 468,865	$ -	$ 478,798

Note 3. Loans Receivable (Continued)

Troubled Debt Restructurings

Troubled debt restructurings (TDRs) occur when a borrower is experiencing, or is expected to experience, financial difficulties in the near-term and, consequently, a modification that would otherwise not be considered is granted to the borrower. The concessions generally involve paying interest only for a period of time, reductions in the loan's interest rate, or an extension of the initial term of the loan, depending on the individual facts and circumstances of the borrower.

The Company had no TDRs as of December 31, 2018 and 2017.

Related Party Loans

Loans to officers and directors at December 31, 2018 and 2017, were approximately $124,000 and $141,000, respectively.

Note 4. Accrued Interest Receivable

Accrued interest receivable at December 31, 2018 and 2017, consisted of the following:

	2018	2017
Commercial and Construction Loans	**$ 52,564**	$ 39,833
Real Estate Loans	**38,090**	43,182
Installment Loans	**9,359**	7,099
Securities	**27,417**	12,795
Total	**$ 127,430**	$ 102,909

Note 5. Premises and Equipment

Premises and equipment at December 31, 2018 and 2017, are summarized as follows:

	2018	2017
Land	**$ 26,100**	$ 26,100
Building and Improvements	**1,316,495**	1,245,983
Equipment and Furniture	**827,605**	806,468
Bank Automobiles	**79,125**	79,125
	2,249,325	2,157,676
Less: Accumulated Depreciation	**(1,882,781)**	(1,791,216)
Total	**$ 366,544**	$ 366,460

Depreciation expense amounted to $91,565 and $88,074, for the years ended December 31, 2018 and 2017, respectively.

Note 6. Deposits

The composition of deposits at December 31, 2018 and 2017, is as follows:

	Interest Rates as of December 31, 2018	2018	2017
Demand Accounts	**0.00%**	**$ 14,221,988**	$ 16,227,471
NOW Accounts	**0.07%**	**4,847,291**	4,585,304
Savings Accounts	**0.07%**	**4,779,498**	5,337,885
Money Market Accounts	**0.07%**	**1,939,016**	2,070,471
Certificates of Deposit	**0.07% - 2.00%**	**8,192,712**	8,610,443
Total		**$ 33,980,505**	$ 36,831,574

Certificates of deposit at December 31, 2018 mature as follows:

Year Ending December 31,	Amount
2019	$ 6,220,410
2020	1,809,749
2021	82,937
2022	-
2023	79,616
Total	$ 8,192,712

Certificates of deposit that meet or exceed the Federal Deposit Insurance Coverage (FDIC) insurance limit of $250,000 at December 31, 2018 and 2017, were $2,432,279 and $2,426,966, respectively.

Deposits with Related Parties
As of December 31, 2018 and 2017, deposits from related parties totaled $1,543,745 and $1,021,082, respectively.

Interest-Bearing Deposits
Interest expense on deposits for the years ended December 31, 2018 and 2017, was as follows:

	2018	2017
NOW Accounts	**$ 3,256**	$ 3,276
Savings Accounts	**3,497**	3,496
Money Market Accounts	**1,264**	1,281
Certificates of Deposit	**65,646**	42,219
Total	**$ 73,663**	$ 50,272
Weighted Average Interest Rate	**0.21%**	0.15%

Note 6. Deposits (Continued)

Interest-Bearing Deposits (Continued)
The weighted average interest rate on NOW, savings, and money market accounts was 0.07%, as of December 31, 2018 and 2017. The weighted average interest rate on certificates of deposit as of December 31, 2018 and 2017, was 1.04% and 0.52%, respectively.

Note 7. Commitments and Contingent Liabilities

The Company's consolidated financial statements do not reflect various commitments and contingent liabilities which arise in the normal course of business and which involve elements of credit risk, interest rate risk, and liquidity risk. These commitments and contingent liabilities are commitments to extend credit and standby letters of credit.

Commitments to extend credit and standby letters of credit include exposure to some credit loss in the event of nonperformance of the customer. The Company's credit policies and procedures of credit commitments and financial guarantees are the same as those for extension of credit that are recorded on the consolidated balance sheets. Because these instruments have fixed maturity dates, and because many of them expire without being drawn upon, they do not generally present any significant liquidity risk to the Company. The Company does not anticipate any material losses as a result of the commitments and contingent liabilities.

The Company is involved in various legal actions arising from normal business activities. Management believes that the results of these matters, if any, will not materially affect the Company's financial position.

Note 8. Line of Credit

At December 31, 2018 and 2017, the Company had $500,000 available under a federal funds line of credit with The Independent BankersBank (TIB) which can be terminated with or without notice at any time by TIB.

Note 9. Financial Instruments with Off-Balance Sheet Risk

The Company's loans, commitments, and standby letters of credit have been granted primarily to customers in the Company's market area. The concentrations of credit by type of loan are set forth in the loan footnote. The distribution of commitments to extend credit approximates the distribution of loans outstanding. Commitments and standby letters of credit were granted primarily to commercial and real estate borrowers.

The market area generally includes the tri-county area of San Jacinto, Liberty, and Montgomery Counties. The economy of the primary market area depends heavily on the retail trade, service, and recreation industries.

Note 9. Financial Instruments with Off-Balance Sheet Risk (Continued)

The contract amounts of those instruments reflect the extent of the involvement the Company has in particular classes of financial instruments. As of December 31, 2018 and 2017, the Company had made various commitments to extend credit totaling approximately $1,162,000 and $674,000, respectively. Most of these commitments are at fixed rates.

The Company maintains cash deposits with various financial institutions. The accounts are insured by FDIC up to $250,000 per financial institution. At December 31, 2018, the Company's uninsured cash balances totaled $2,487,310.

Note 10. Regulatory Matters

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

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of total risk-based and Tier I risk-based capital (as defined in the regulations) to risk-weighted assets (as defined), and Tier I core capital (as defined) to adjusted total assets (as defined), and tangible capital to adjusted total assets (as defined). 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 adequacy capitalized risk-based capital ratios. The capital conservation buffer is being phased in from 0.00% for 2015 to 2.50% by 2019. The capital conservation buffer requirement for 2018 was 1.875% and for 2017 was 1.25%. Management believes, as of December 31, 2018, that the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2018, the most recent notification from the FDIC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier I risk-based, Tier I leverage ratios, as disclosed in the table below. There are no conditions or events since the notification that management believes have changed the Bank's prompt corrective action category.

Note 10. Regulatory Matters (Continued)

The Bank's actual capital amounts and ratios as of December 31, 2018 and 2017 are presented in the following table:

	Actual		Required for Capital Adequacy Purposes		Required to Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Dollars in Thousands)			
December 31, 2018						
Tier 1 Leverage Ratio						
(Tier 1 Capital to Average Assets)	**$ 5,527**	**13.76 %**	**$ 1,607**	**4.00 %**	**$ 2,008**	**5.00 %**
Common Equity Tier 1						
(to Risk-Weighted Assets)	**5,527**	**38.90**	**639**	**4.50**	**924**	**6.50**
Tier 1 Capital						
(to Risk-Weighted Assets)	**5,527**	**38.90**	**852**	**6.00**	**1,137**	**8.00**
Total Capital						
(to Risk-Weighted Assets)	**5,705**	**40.15**	**1,137**	**8.00**	**1,421**	**10.00**
December 31, 2017						
Tier 1 Leverage Ratio						
(Tier 1 Capital to Average Assets)	$ 5,219	13.79 %	$ 1,514	4.00 %	$ 1,893	5.00 %
Common Equity Tier 1						
(to Risk-Weighted Assets)	5,219	40.18	585	4.50	844	6.50
Tier 1 Capital						
(to Risk-Weighted Assets)	5,219	40.18	779	6.00	1,039	8.00
Total Capital						
(to Risk-Weighted Assets)	5,382	41.44	1,039	8.00	1,299	10.00

Note 11. Disclosure about Fair Value

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. To measure fair value, accounting guidance has established a hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. This hierarchy uses three levels of inputs to measure the fair value of assets and liabilities as follows:

- Level 1: Quoted prices for identical assets or liabilities in instruments traded in active markets that the entity has the ability to access as of the measurement date.

Note 11. Disclosure about Fair Value (Continued)

- Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

- Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Assets and Liabilities Measured on a Recurring Basis
The following describes the hierarchy designation, valuation methodology, and key inputs to measure fair value on a recurring basis for designated financial instruments:

Available-for-Sale Securities
Fair value estimates for investment securities are based on quoted market prices, where available (Level 1 inputs). If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments (Level 2). The carrying amount of accrued interest on securities approximates its fair value.

Assets and liabilities measured at fair value on a recurring basis are summarized below:

December 31, 2018	Fair Value Measurements Level 1	Level 2	Level 3	Total Estimated Fair Value
Assets:				
Securities Available-for-Sale				
U.S. Agency Mortgage-Backed Securities	$ -	$ 6,950,625	$ -	$ 6,950,625
Total	$ -	$ 6,950,625	$ -	$ 6,950,625

December 31, 2017	Fair Value Measurements Level 1	Level 2	Level 3	Total Estimated Fair Value
Assets:				
Securities Available-for-Sale				
U.S. Agency Mortgage-Backed Securities	$ -	$ 5,520,782	$ -	$ 5,520,782
Total	$ -	$ 5,520,782	$ -	$ 5,520,782

The Company did not record any liabilities at fair market value for which measurement of the fair value was made on a recurring basis at December 31, 2018 or 2017. There were no transfers between Level 1 or Level 2 during 2018 or 2017.

Note 11. Disclosure about Fair Value (Continued)

Assets and Liabilities Measured on a Non-Recurring Basis

The following describes the hierarchy designation, valuation methodologies, and key inputs for those assets that are measured at fair value on a non-recurring basis:

Impaired Loans

At the time a loan is considered impaired, it is recorded at the lower of carrying amount or fair value. Impaired loans carried at fair value generally receive specific allocations of the allowance for loan losses. For collateral-dependent loans, fair value is commonly based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches, including comparable sales and the income approach.

Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 2 classification of the inputs for determining fair value.

Impaired loans are measured for impairment using the fair value of collateral for collateral-dependent loans. At December 31, 2018, impaired loans had a gross carrying amount of approximately $615,000, with no valuation allowance. As of December 31, 2017, impaired loans had a gross carrying amount of approximately $469,000, with no valuation allowance.

Foreclosed Assets

Assets acquired through or instead of loan foreclosure are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. These assets are subsequently accounted for at the lower of carrying amount or fair value less estimated cost to sell. Fair value is commonly based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches, including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments typically result in a Level 2 classification of the inputs for determining fair value.

Note 11. Disclosure about Fair Value (Continued)

Assets and Liabilities Measured on a Non-Recurring Basis (Continued)

Foreclosed Assets (Continued)
The following tables present the Company's assets and liabilities measured at fair value on a non-recurring basis at December 31, 2018 and 2017:

	Fair Value Measurements			Total Estimated
December 31, 2018	**Level 1**	**Level 2**	**Level 3**	**Fair Value**
Assets:				
Impaired Loans, Net of Allowance	$ -	$ 615,376	$ -	$ 615,376
Foreclosed Assets	-	-	-	-
Total	$ -	$ 615,376	$ -	$ 615,376

	Fair Value Measurements			Total Estimated
December 31, 2017	Level 1	Level 2	Level 3	Fair Value
Assets:				
Impaired Loans, Net of Allowance	$ -	$ 468,865	$ -	$ 468,865
Foreclosed Assets	-	6,650	-	6,650
Total	$ -	$ 475,515	$ -	$ 475,515

Note 12. Employee Benefit Plan

The Company has a salary reduction plan under the provision of Section 401(k) of the Internal Revenue Code, which covers substantially all full-time employees. Employees may contribute up to the maximum amount allowed by law as tax deferred compensation. The Company may make a discretionary matching contribution up to a maximum of 6% of the employee's base salary. The Company currently has a discretionary match of 3% of compensation to eligible employees who defer 6% to 11% of their annual compensation, and 6% of compensation to eligible employees who defer 12% or more of their annual compensation. Employees are 100% vested in the employer discretionary match immediately. Retirement expenses for the years ended December 31, 2018 and 2017, were approximately $28,000 and $22,000, respectively, and were charged to salary and benefits expense.

Note 13. Subsequent Events

In accordance with the subsequent events topic of the FASB ASC, the Company evaluates events and transactions that occur after the consolidated balance sheet date for potential recognition in the consolidated financial statements. The effects of all subsequent events that provide additional evidence of conditions that existed at the consolidated balance sheet date are recognized in the consolidated financial statements as of December 31, 2018 and 2017. In preparing these consolidated financial statements, the Company evaluated the events and transactions that occurred from December 31, 2018 through May 15, 2019, the date these consolidated financial statements were available to be issued. Management has concluded that there are no events which require disclosure.

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Independent Auditor's Report on Supplementary Information

To the Board of Directors
The Banc of San Jacinto County Bancshares, Inc.
Coldspring, Texas

We have audited the consolidated financial statements of The Banc of San Jacinto County Bancshares, Inc. and Subsidiary as of and for the years ended December 31, 2018 and 2017, and have issued our report thereon, dated May 15, 2019, which contained an unmodified opinion on those consolidated financial statements. See pages 1 - 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole.

The accompanying supplementary information presented on Schedules I through IV is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly presented in all material respects in relation to the consolidated financial statements as a whole.

LaPorte

A Professional Accounting Corporation

Metairie, LA
May 15, 2019

THE BANC OF SAN JACINTO COUNTY BANCSHARES, INC. AND SUBSIDIARY **Schedule I**

Supplementary Information

Consolidating Balance Sheet

December 31, 2018

	The Banc of San Jacinto County Bancshares, Inc.	The Bank of San Jacinto County, Coldspring, Texas	Eliminations	Consolidated Totals
Assets				
Cash and Due from Banks - Non-Interest-Bearing	$ 7,690	$ 2,499,962	$ (7,690)	$ 2,499,962
Due from Banks - Interest-Bearing	-	11,324,065	-	11,324,065
Cash and Cash Equivalents	7,690	13,824,027	(7,690)	13,824,027
Securities, Available-for-Sale, at Fair Value	-	6,950,625	-	6,950,625
Securities, Held-to-Maturity, at Fair Value	-	1,290,000	-	1,290,000
Investment in Subsidiary	5,385,787	-	(5,385,787)	-
Loans Receivable, Net	-	16,739,764	-	16,739,764
Premises and Equipment, Net	-	366,544	-	366,544
Accrued Interest Receivable	-	127,430	-	127,430
Other Assets	-	101,380	-	101,380
Total Assets	$ 5,393,477	$ 39,399,770	$ (5,393,477)	$ 39,399,770
Liabilities and Stockholders' Equity				
Liabilities				
Deposits	$ -	$ 33,988,195	$ (7,690)	$ 33,980,505
Accrued Interest Payable	-	4,893	-	4,893
Accrued Expenses and Other Liabilities	-	20,895	-	20,895
Total Liabilities	-	34,013,983	(7,690)	34,006,293
Stockholders' Equity				
Common Stock	839	200,000	(200,000)	839
Additional Paid-In Capital	1,798,714	1,400,000	(1,400,000)	1,798,714
Retained Earnings	3,736,413	3,927,150	(3,927,150)	3,736,413
Treasury Stock	(1,126)	-	-	(1,126)
Accumulated Other Comprehensive Loss	(141,363)	(141,363)	141,363	(141,363)
Total Stockholders' Equity	5,393,477	5,385,787	(5,385,787)	5,393,477
Total Liabilities and Stockholders' Equity	$ 5,393,477	$ 39,399,770	$ (5,393,477)	$ 39,399,770

See independent auditor's report on supplementary information.

THE BANC OF SAN JACINTO COUNTY BANCSHARES, INC. AND SUBSIDIARY **Schedule II**

Supplementary Information

Consolidating Statement of Operations and Comprehensive Income

For the Year Ended December 31, 2018

	The Banc of San Jacinto County Bancshares, Inc.	The Bank of San Jacinto County, Coldspring, Texas	Eliminations	Consolidated Totals
Interest and Dividend Income				
Interest and Fees on Loans Receivable	$ -	$ 1,251,193	$ -	$ 1,251,193
Interest on Securities	-	156,708	-	156,708
Interest on Due from Banks	-	254,249	-	254,249
Total Interest Income	-	1,662,150	-	1,662,150
Interest Expense				
Interest on Deposits	-	73,663	-	73,663
Total Interest Expense	-	73,663	-	73,663
Net Interest Income	-	1,588,487	-	1,588,487
Provision for Loan Losses	-	-	-	-
Net Interest Income After Provision for Loan Losses	-	1,588,487	-	1,588,487
Non-Interest Income				
Service Charges	-	251,849	-	251,849
Delinquent, Assumption, and Other Fees	-	181,442	-	181,442
Other Income	-	12,926	-	12,926
Total Non-Interest Income	-	446,217	-	446,217
Non-Interest Expense				
Salaries and Benefits - Leased Employees	-	1,010,574	-	1,010,574
Occupancy, Equipment, and Data Processing	-	342,185	-	342,185
Other Operating Expenses	551	323,893	-	324,444
Total Non-Interest Expense	551	1,676,652	-	1,677,203
Equity in Earnings of Subsidiary	358,052	-	(358,052)	-
Net Income	357,501	358,052	(358,052)	357,501
Other Comprehensive Income				
Unrealized Net (Losses) Gains on Securities Available-for-Sale Arising During the Period, Net of Reclassification of Net Realized Gains and Losses	(101,527)	(101,527)	101,527	(101,527)
Total Other Comprehensive Loss	(101,527)	(101,527)	101,527	(101,527)
Total Comprehensive Income	$ 255,974	$ 256,525	$ (256,525)	$ 255,974

See independent auditor's report on supplementary information.

THE BANC OF SAN JACINTO COUNTY BANCSHARES, INC. AND SUBSIDIARY

Schedule III

Supplementary Information
Consolidating Statement of Changes in Stockholders' Equity
For the Year Ended December 31, 2018

	The Banc of San Jacinto County Bancshares, Inc.	The Bank of San Jacinto County, Coldspring, Texas	Eliminations	Consolidated Totals
Common Stock				
Balance at December 31, 2018 and 2017	$ 839	$ 200,000	$ (200,000)	$ 839
Additional Paid-In Capital				
Balance at December 31, 2018 and 2017	1,798,714	1,400,000	(1,400,000)	1,798,714
Retained Earnings				
Balance at December 31, 2017	3,428,911	3,619,098	(3,619,098)	3,428,911
Distributions	(49,999)	(50,000)	50,000	(49,999)
Net Income	357,501	358,052	(358,052)	357,501
Balance at December 31, 2018	3,736,413	3,927,150	(3,927,150)	3,736,413
Treasury Stock				
Balance at December 31, 2017	(6,126)	-	-	(6,126)
Sales of Treasury Stock	5,000	-	-	5,000
Balance at December 31, 2018	(1,126)	-	-	(1,126)
Accumulated Other Comprehensive Loss				
Balance at December 31, 2017	(39,836)	(39,836)	39,836	(39,836)
Other Comprehensive Loss	(101,527)	(101,527)	101,527	(101,527)
Balance at December 31, 2018	(141,363)	(141,363)	141,363	(141,363)
Total Stockholders' Equity	$ 5,393,477	$ 5,385,787	$ (5,385,787)	$ 5,393,477

See independent auditor's report on supplementary information.

THE BANC OF SAN JACINTO COUNTY BANCSHARES, INC. AND SUBSIDIARY **Schedule IV**

Supplementary Information
Consolidating Statement of Cash Flows
For the Year Ended December 31, 2018

	The Banc of San Jacinto County Bancshares, Inc.	The Bank of San Jacinto County, Coldspring, Texas	Eliminations	Consolidated Totals
Cash Flows from Operating Activities				
Net Income	$ 357,501	$ 358,052	$ (358,052)	$ 357,501
Adjustments to Reconcile Net Income to				
Net Cash Provided by Operating Activities				
Depreciation	-	91,565	-	91,565
Amortization and Accretion	-	27,446	-	27,446
Gain on Sale of Foreclosed Assets	-	(12,420)	-	(12,420)
(Increase) Decrease in:				
Accrued Interest Receivable	-	(24,521)	-	(24,521)
Other Assets	-	12,838	-	12,838
Increase (Decrease) in:				
Accrued Interest Payable	-	2,239	-	2,239
Accrued Expenses and Other Liabilities	(308,052)	(61,766)	308,052	(61,766)
Net Cash Provided by Operating Activities	49,449	393,433	(50,000)	392,882
Cash Flows from Investing Activities				
Purchases of Securities Available-for-Sale	-	(2,545,549)	-	(2,545,549)
Proceeds from Maturities, Prepayments, and Calls of Securities Available-for-Sale	-	986,733	-	986,733
Increase in Loans Receivable, Net	-	(1,200,663)	-	(1,200,663)
Purchases of Premises and Equipment	-	(91,649)	-	(91,649)
Proceeds from Sale of Foreclosed Assets	-	27,376	-	27,376
Net Cash Used in Investing Activities	-	(2,823,752)	-	(2,823,752)
Cash Flows from Financing Activities				
Decrease in Deposits, Net	-	(2,846,619)	(4,450)	(2,851,069)
Proceeds from Sale of Treasury Stock	5,000	-	-	5,000
Cash Dividends Paid	(49,999)	(50,000)	50,000	(49,999)
Net Cash Used in Financing Activities	(44,999)	(2,896,619)	45,550	(2,896,068)
Net Increase (Decrease) in Cash and Cash Equivalents	4,450	(5,326,938)	(4,450)	(5,326,938)
Cash and Cash Equivalents, Beginning of Year	3,240	19,150,965	(3,240)	19,150,965
Cash and Cash Equivalents, End of Year	$ 7,690	$ 13,824,027	$ (7,690)	$ 13,824,027
Supplemental Disclosure of Cash Flow Information				
Cash Paid During the Period for Interest	$ -	$ 71,424	$ -	$ 71,424
Non-Cash Investing and Financing Activities				
Repossessed Assets Acquired through Foreclosure	$ -	$ 10,956	$ -	$ 10,956

See independent auditor's report on supplementary information.