FIRST GRAHAM BANCORP, INC.

Graham, Texas

Fiscal Year Ended December 31, 2018

ANNUAL REPORT OF HOLDING COMPANIES - FR Y-6

Report Item 1:	**Annual Report to Shareholders**	**Two copies are included in pdf format.**
Report Item 2 a:	**Organization Chart is included in pdf format.**	
Report Item 2 b:	**Structure verification list submitted electronically via email on 3-21-2019.** **PDF file submitted with this filing.**	
Report Item 3:	**Securities Holders**	**Pdf file submitted with this filing.**
Report Item 4:	**Insiders**	**Pdf file submitted with this filing.**

Submitted by: Donna Goray, Secretary Treasurer

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, Charles A. Rosebrough, III
Name of the Holding Company Director and Official

Chairman of the Board, Director and President
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

3/26/19
Date of Signature

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

For Federal Reserve Bank Use Only

RSSD ID ______
C.I. ______

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

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

Reporter's Name, Street, and Mailing Address

First Graham Bancorp, Inc.
Legal Title of Holding Company

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

City	State	Zip Code
Graham	TX	76450

Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Name	Title
Donna Goray	Secretary-Treasurer

940 521-3608
Area Code / Phone Number / Extension

940 549-2397
Area Code / FAX Number

donna.goray@cierabank.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.

FIRST GRAHAM BANCORP, INC.
AND SUBSIDIARIES

CONSOLIDATED
FINANCIAL STATEMENTS

YEARS ENDED
DECEMBER 31, 2018 AND 2017

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

To the Audit Committee of
The Board of Directors of
First Graham Bancorp, Inc. and Subsidiaries
Graham, Texas

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of First Graham Bancorp, Inc. and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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. 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.

400 Pine St., Ste. 600 | Abilene, TX 79601-5190 | T 325.672.4000 | TF 800.588.2525 | F 325.672.7049 | EOE

Opinion

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

Eide Bailly LLP

Abilene, Texas
March 13, 2019

FIRST GRAHAM BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
Cash and due from banks	$ 27,842,580	$ 64,840,185
Securities available for sale	55,606,882	49,121,732
Loans	450,486,524	398,541,333
Allowance for loan losses	(9,584,922)	(8,419,394)
Net loans	440,901,602	390,121,939
Premises and equipment, net	14,659,871	15,210,405
Cash value life insurance	16,275,179	15,839,330
Foreclosed assets	472,754	607,378
Goodwill	5,977,855	5,977,855
Restricted investments, carried at cost	2,967,743	2,933,543
Accrued interest receivable	2,250,850	2,131,136
Other assets	853,578	779,952
Total assets	$ 567,808,894	$ 547,563,455
LIABILITIES AND SHAREHOLDERS' EQUITY		
Demand deposits	$ 165,493,721	$ 169,853,836
Savings, NOW and money market deposits	198,869,003	181,785,538
Time deposits	116,716,421	119,475,950
Total deposits	481,079,145	471,115,324
Advances from Federal Home Loan Bank	10,000,000	-
Guaranteed preferred beneficial interest in junior subordinated debentures	6,186,000	6,186,000
Accrued interest payable	385,230	247,460
Other liabilities	5,465,158	4,307,965
Total liabilities	503,115,533	481,856,749
Commitments and contingencies (Note 15 and 16)		
Shareholders' equity:		
Capital stock, $.50 par value, 1,500,000 shares authorized, 411,186 issued, with 1,132 and 4,260 shares held in treasury in 2018 and 2017, respectively	205,593	205,593
Capital surplus	10,391,983	10,221,803
Retained earnings	54,363,145	55,468,737
Accumulated other comprehensive income (loss)	(1,156)	661,103
	64,959,565	66,557,236
Treasury stock, at cost	(266,204)	(850,530)
Total shareholders' equity	64,693,361	65,706,706
Total liabilities and shareholders' equity	$ 567,808,894	$ 547,563,455

The accompanying notes are an integral part of this statement.

FIRST GRAHAM BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Interest income:		
Loans (including fees)	$ 24,525,768	$ 22,778,289
Interest (net of amortization and accretion) on investment securities:		
Taxable	9,354	10,654
Tax-exempt	1,370,638	1,257,389
Other restricted investments	102,250	85,974
Deposits with other financial institutions	722,595	442,721
Total interest income	26,730,605	24,575,027
Interest expense:		
Deposits	2,677,907	1,976,845
Other borrowings	456,808	271,734
Total interest expense	3,134,715	2,248,579
Net interest income	23,595,890	22,326,448
Provision for loan losses	(4,407,148)	(415,000)
Net interest income after provision for loan losses	19,188,742	21,911,448
Other income:		
Trust income	613,234	633,841
Service charges on deposit accounts	524,626	596,171
Other service charges and fees	846,709	809,667
Gain on sale of foreclosed assets	63,167	231,518
Earnings on cash value life insurance	501,722	487,131
Rental income	411,644	365,171
Other	52,080	247,240
Total other income	3,013,182	3,370,739
Other expense:		
Salaries and employee benefits	9,692,474	9,414,084
Equipment and occupancy expense	2,293,594	2,250,228
Computer services	864,409	549,680
Legal and professional fees	355,860	314,265
Write-down on foreclosed assets	48,981	-
Other	2,659,454	2,457,133
Total other expense	15,914,772	14,985,390
Net income	$ 6,287,152	$ 10,296,797

FIRST GRAHAM BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Net income	$ 6,287,152	$ 10,296,797
Other comprehensive income (loss):		
Change in unrealized (depreciation) appreciation on securities available for sale	(662,259)	474,056
Total other comprehensive income (loss)	(662,259)	474,056
Total comprehensive income	$ 5,624,893	$ 10,770,853

The accompanying notes are an integral part of this statement.

FIRST GRAHAM BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2018 AND 2017

	Capital Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total
Balance, December 31, 2016	$ 205,593	$10,221,803	$ 52,496,608	$ 187,047	$ (850,530)	$ 62,260,521
Net income	-	-	10,296,797	-	-	10,296,797
Unrealized appreciation on securities available for sale	-	-	-	474,056	-	474,056
Distributions to shareholders ($18.00 per share)	-	-	(7,324,668)	-	-	(7,324,668)
Balance, December 31, 2017	205,593	10,221,803	55,468,737	661,103	(850,530)	65,706,706
Net income	-	-	6,287,152	-	-	6,287,152
Treasury stock sold	-	170,180	-	-	584,326	754,506
Unrealized depreciation on securities available for sale	-	-	-	(662,259)	-	(662,259)
Distributions to shareholders ($18.00 per share)	-	-	(7,392,744)	-	-	(7,392,744)
Balance, December 31, 2018	$ 205,593	$10,391,983	$ 54,363,145	$ (1,156)	$ (266,204)	$ 64,693,361

The accompanying notes are an integral part of this statement.

FIRST GRAHAM BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Cash flows from operating activities:		
Net income	$ 6,287,152	$ 10,296,797
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for depreciation	692,575	690,194
Provision for loan losses	4,407,148	415,000
Gain on sales of foreclosed assets	(63,167)	(231,518)
Premium amortization net of discount accretion on securities	511,286	384,263
Loss on disposal of premises and equipment	-	867
Write-down on foreclosed assets	48,981	-
Net increase in cash value life insurance	(435,849)	(140,900)
(Increase) decrease in accrued interest receivable	(119,714)	(358,335)
Decrease in other assets	(73,626)	201,450
Increase in accrued interest payable	137,770	25,817
Increase in other liabilities	1,157,192	541,607
Total adjustments	6,262,596	1,528,445
Net cash provided by operating activities	12,549,748	11,825,242
Cash flows from investing activities:		
Proceeds from sales and maturities of available-for-sale securities	83,751,509	87,679,199
Purchase of available-for-sale securities	(91,410,203)	(89,970,671)
Net increase in restricted investments, carried at cost	(34,200)	(21,500)
Net decrease (increase) in loans	(55,204,280)	7,977,306
Capital expenditures	(142,041)	(1,520,613)
Proceeds from sales of foreclosed assets	166,279	835,176
Proceeds from sales of premises and equipment	-	3,885
Purchase of cash value life insurance	-	(1,700,000)
Net cash provided (used) by investing activities	(62,872,936)	3,282,782
Cash flows from financing activities:		
Net increase (decrease) in demand deposits	(4,360,115)	25,904,303
Net increase in savings, NOW and money market deposits	17,083,465	10,528,435
Net increase (decrease) in time deposits	(2,759,529)	6,206,292
Federal Home Loan Bank advances and repayments	10,000,000	(10,031,164)
Sale of treasury stock	754,506	-
Distributions to shareholders	(7,392,744)	(7,324,668)
Net cash provided by financing activities	13,325,583	25,283,198
Net increase (decrease) in cash and due from banks	(36,997,605)	40,391,222
Cash and due from banks, beginning of year	64,840,185	24,448,963
Cash and due from banks, end of year	$ 27,842,580	$ 64,840,185

The accompanying notes are an integral part of this statement.

FIRST GRAHAM BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

1. **Summary of significant accounting policies**

The accounting policies of First Graham Bancorp, Inc. (the Company) and subsidiaries conform to accounting principles generally accepted in the United States of America and to general practices within the banking industry. The Company was incorporated for the purpose of becoming a bank holding company and provides full banking services.

Ciera Bank generates commercial (including agricultural), mortgage and consumer loans and receives deposits from customers primarily in Young, Jack, Palo Pinto, Stephens, Denton, Tarrant, Parker, Collin and Dallas counties and the surrounding areas.

Consolidation and ownership - The consolidated financial statements include the accounts of First Graham Bancorp, Inc. and its wholly owned subsidiaries, 1st in Graham Co. and Ciera Bank. All the capital stock of First Security Bank, N.A. (FSB) and West Side Bank and Trust (WSBT) was merged into First National Bank in Graham (FNB) prior to conversion to a state chartered bank. FNB made application with the Texas Department of Banking to become a Texas state chartered bank. The application was approved and conversion was as of December 6, 2013. Upon conversion the name was changed to Ciera Bank. All material intercompany accounts and transactions have been eliminated upon consolidation.

First Graham Statutory Trust I (Trust), a statutory trust created under the laws of the state of Delaware, is not consolidated and the investment in the trust is carried in other assets at $186,000, in accordance with authoritative guidance. The Trust is a wholly-owned trust subsidiary of the Company. (See Note 8.)

Restrictions on cash and due from banks - Under regulations promulgated by the Federal Reserve Board, the Company was required to maintain average reserve balances with the Federal Reserve Bank. The amounts of those reserve balances were $9,300,000 and $8,168,000 as of December 31, 2018 and 2017, respectively.

Investment securities - Management determines the appropriate classification of debt securities at the time of purchase. Debt securities are classified as available for sale or held to maturity. Securities available for sale are those securities which the Company may decide to sell prior to their maturity in response to change in interest rates, liquidity needs, or for other purposes. Securities available for sale are reported at fair value. The net unrealized gain or loss on securities available for sale is reported as accumulated other comprehensive income, a separate component of shareholders' equity, until realized. Securities held to maturity are securities which the Company has the positive intent and ability to hold to maturity. Held-to-maturity securities are reported at amortized cost. Management is no longer classifying security purchases as held to maturity.

Amortized cost of debt securities is adjusted for amortization of premiums and accretion of discounts to call or maturity, whichever is earlier, or in the case of mortgage-backed securities, over the estimated life of the securities, computed by the interest method. Realized gains (losses) on securities available for sale are included in other income and, when applicable, are reported as a reclassification adjustment in other comprehensive income. Gains and losses on the sale of securities are determined on a trade date basis, using the specific identification method.

Declines in the fair value of individual held-to-maturity and available-for-sale securities below their cost that are other than temporary result in write-downs of the individual securities to their fair value. The related write-downs are included in earnings as realized losses. 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 conditions 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.

The Company's investment portfolio consists of traditional investments, primarily in U.S. Agency securities, obligations of U.S. government sponsored enterprises and agencies, mortgage pass-through securities, corporate stock, mutual funds and general obligation municipal bonds. Pricing for such securities is generally readily available and transparent in the market. The Company utilizes independent third party pricing services to value its investment securities. The Company reviews the prices supplied by the independent pricing services as well as the underlying pricing methodologies for reasonableness and to ensure such prices are aligned with traditional pricing matrices. The Company validates quarterly, on a sample basis, prices supplied by the independent pricing services by comparison to prices obtained from other third party sources.

Loans and allowance for loan losses - Ciera Bank (the Bank) grants commercial, agricultural, residential and consumer loans to customers primarily in Young, Jack, Palo Pinto, Stephens, Denton, Tarrant, Parker, Collin and Dallas counties and surrounding areas. Although the Bank has a diversified loan portfolio, their debtors' ability to honor their contracts is substantially dependent upon the general economic conditions of the region. Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at their outstanding principal balance adjusted for any charge-offs and the allowance for loan losses. Interest is recognized over the term of the loan and is accrued on the unpaid principal balance.

The Company has certain lending policies and procedures in place that are designed to maximize loan income with an acceptable level of risk. Management reviews and approves these policies and procedures on a regular basis and makes changes as appropriate. Management receives and reviews periodic reports related to loan originations, quality, concentrations, delinquencies, nonperforming and potential problem loans. Diversification in the loan portfolio is a means of managing risk associated with fluctuations in economic conditions, both by type of loan and geographic location.

Commercial loans are underwritten after evaluating and understanding the borrower's ability to operate profitably and effectively. Underwriting standards are designed to determine whether the borrower possesses sound business ethics and practices and to evaluate current and projected cash flows to determine the ability of the borrower to repay their obligations as agreed. Commercial loans are primarily made based on the identified cash flows of the borrower and, secondarily, on the underlying collateral provided by the borrower. Most commercial loans are secured by the assets being financed or other business assets, such as accounts receivable or inventory and include personal guarantees.

Agricultural loans are subject to underwriting standards and processes similar to commercial loans. These agricultural loans are based primarily on the identified cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. Most agricultural loans are secured by the agriculture related assets being financed, such as farm land, cattle or equipment and include personal guarantees.

Residential and commercial real estate loans are subject to underwriting standards and processes similar to commercial and agricultural loans. These loans are underwritten primarily based on projected cash flows and, secondarily, as loans secured by real estate. The repayment of real estate loans is generally largely dependent on the successful operation of the property securing the loans, the business conducted on the property securing the loan, or the cash flow of the borrower for residential real estate loans. Real estate loans may be more adversely affected by conditions in the real estate markets or in the general economy. The properties securing the Company's real estate portfolio are generally diverse in terms of type and geographic location. This diversity helps reduce the exposure to adverse economic events that affect any single market or industry. Generally, real estate loans are owner occupied which further reduces the Company's risk.

Consumer loan underwriting utilizes methodical credit standards and analysis to supplement the Company's underwriting policies and procedures. The Company's loan policy addresses types of consumer loans that may be originated and the collateral, if secured, which must be perfected. The relatively small individual dollar amounts of consumer loans that are spread over numerous individual borrowers also minimize the Company's risk.

The allowance consists of specific and general allocation components. The specific component relates to loans that are classified as either doubtful, substandard or special mention. The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. The Company performs periodic and systematic detailed reviews of its lending portfolios to identify credit risks and assess the overall collectability of those portfolios. The allowance on certain homogeneous loan portfolios is based on aggregated portfolio segment evaluations. Management's periodic evaluation of the adequacy of the allowance is based on the Bank's past loan loss experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral and current economic conditions. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available.

The Company's residential and commercial real estate portfolios are comprised primarily of homogeneous loans secured by residential and commercial real estate. The amount of losses incurred in the homogeneous loan pools is estimated based upon how many of the loans will default and the loss in the event of default. The Company estimates how many of the homogeneous loans will default based on the individual loans' attributes aggregated into pools of homogeneous loans with similar attributes. The attributes that are most significant to the probability of default and are used to estimate default include the loan-to-value, borrower credit score, months since origination, geography and present collection status. The estimate is based on the Company's historical experience with the loan portfolio. The estimate is adjusted to reflect an assessment of environmental factors that are not reflected in the historical data, such as changes in real estate values, local and national economies, underwriting standards and the regulatory environment.

The allowance on the remaining portfolio segments (agriculture, commercial and consumer) is calculated using loss rates delineated by risk rating and product type. Factors considered when assessing loss rates include the value of the underlying collateral, the industry of the obligor, the obligor's liquidity and other financial and qualitative factors. These factors are updated regularly for changes in economic and business conditions. Included in the analysis of these loan portfolios are reserves which are maintained to cover uncertainties that affect the Company's estimate of probable losses including economic uncertainty and large, single defaults.

Although we believe we use the best information available to make loan loss allowance determinations, future adjustments could be necessary if circumstances or economic conditions differ substantially from the assumptions used in making our initial determinations. A further downturn in the economy and employment could result in increased levels of non-performing assets and charge-offs, increased loan provisions and reductions in income. Additionally, bank regulatory agencies periodically review our allowance for loan losses and could require additions to the loan loss allowance based on their judgment on information available to them at the time of their examination.

Nonperfoming loans are reviewed in accordance with applicable accounting guidance on impaired loans and troubled debt restructurings (TDRs). If necessary, a specific allowance is established for these loans if they are deemed to be impaired. A loan is considered impaired when, based on current information and events, it is probable the scheduled payments of principal or interest will be uncollectible when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis by the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price or the fair value of the collateral for collateral-dependent loans.

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

Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Company does not separately identify individual consumer and residential loans for impairment disclosures, unless such loans are subject to a restructuring agreement.

The outstanding balance of residential real estate and real estate secured loans that is in excess of the estimated property value, less estimated costs to sell, is charged off no later than the end of the month in which the account becomes 180 days past due. The estimated property value, less costs to sell, is determined utilizing appraisals or broker opinions of the fair value of the collateral. The outstanding balance of loans within the remaining loan segments (agriculture, commercial and consumer) are charged off no later than the end of the month in which the account becomes 120 days past due. For secured loans, accounts are written down to the collateral value. The fair value of the collateral is estimated by management based on current financial information, inspections and appraisals. For unsecured loans, the outstanding balance is written off.

Loans within all portfolio segments, except consumer, are generally placed on nonaccrual status and classified as nonperforming at 90 days past due. Accrued interest receivable is reversed when a loan is placed on nonaccrual status. Interest collections on nonaccrual loans are applied as principal reductions. These loans may be restored to accrual status when all principal and interest is current and full repayment of the remaining contractual principal and interest is expected, or when the loan otherwise becomes well-secured and is in the process of collection.

Loans whose contractual terms have been modified in a TDR and are current at the time of the restructuring remain on accrual status if there is demonstrated performance prior to the restructuring and repayment in full under the restructured terms is expected. Otherwise, the loans are placed on nonaccrual status and reported as nonperforming until there is sustained repayment performance for a reasonable period, generally six months. TDRs that are on accrual status are reported as performing TDRs through the end of the calendar year in which the restructuring occurred or the year in which the loans are returned to accrual status. In addition, if accruing TDRs bear less than a market rate of interest at the time of modification, they are reported as performing TDRs throughout the remaining lives of the loans.

A troubled debt restructured loan is a loan which the Company, for reasons related to a borrower's financial difficulties, grants a concession to the borrower that the Company would not otherwise consider. The loan terms which have been modified or restructured due to a borrower's financial difficulty include, but are not limited to, a reduction in the stated interest rate; an extension of the maturity at an interest rate below current market; a reduction in the face amount of the debt; a reduction in the accrued interest; or re-aging, extensions, deferrals, renewals and rewrites. A troubled debt restructured loan would generally be considered impaired.

Premises and equipment - Land is carried at cost and premises and equipment are stated at cost less accumulated depreciation. Gains and losses on sales and retirements are reflected in current operations. Depreciation for financial reporting purposes is computed based on the estimated useful lives of assets using the straight-line method. Costs incurred for maintenance and repair are expensed currently. Depreciation expense for the years ended December 31, 2018 and 2017 was $692,573 and $690,194, respectively.

Bank owned life insurance - Bank owned life insurance (BOLI) represents life insurance on the lives of certain employees and former employees who have provided positive consent allowing the Company to be the beneficiary of such policies. These policies are recorded at their cash surrender value, or the amount that can be realized upon surrender of the policy. Income from these policies and changes in the cash surrender value are recorded in earnings on cash value life insurance under other income.

Other assets - The Company accounts for business combinations under the purchase method of accounting. Tangible and intangible assets and liabilities of the acquired entity are recorded at fair value on the purchase date. Intangible assets with finite useful lives continue to be amortized and goodwill and intangible assets with indefinite lives are not amortized but instead tested for impairment in accordance with authoritative guidance. Impairment testing is performed annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. In making such determination, the Company evaluates the performance, on an undiscounted basis, of the underlying businesses which gave rise to such amount. In case of impairment, the recorded costs would be written down to fair value on a discounted basis. There was no impairment recorded for the years ended December 31, 2018 or 2017.

The Bank, as a member of the Federal Home Loan Bank (FHLB) system, is required to maintain an investment in capital stock of the FHLB in an amount equal to the greater of 1% of its outstanding home loans or 5% of advances from the FHLB. No ready market exists for the FHLB stock, and it has no quoted market value. The stock is carried at $1,919,100 and $1,884,900 as of December 31, 2018 and 2017, respectively and is included in Restricted investments. FHLB stock was pledged as collateral for FHLB advances. (See Note 7.)

The Company also holds The Independent BankersBank and Federal Reserve stock totaling $325,843, and $722,800, respectively, as of December 31, 2018 and 2017. There is no readily determinable fair value and there are contractual restrictions on the sale or transfer of the stocks. These stocks are carried at cost in Restricted investments and evaluated for declines in value.

Foreclosed assets - Assets acquired through, or in lieu of, loan foreclosure are to be sold and are initially recorded at fair value less estimated selling cost at the date of foreclosure. All write-downs based on the asset's fair value at the date of acquisition are charged to the allowance for loan losses. After foreclosure, property held for sale is carried at the lower of the new cost basis or fair value less cost to sell and depreciation is not recorded. Impairment losses on property to be held and used are measured at the amount by which the carrying amount of the property exceeds its fair value and depreciated based on the remaining useful life. Costs of significant property improvements are capitalized, whereas costs relating to holding property are expensed. Valuations are periodically performed by management, and any subsequent write downs are recorded as a charge to other real estate expense, if necessary, to reduce the carrying value of the property to the lower of cost or fair value minus estimated costs to sell.

Long-term assets - Premises and equipment and other long-term assets are reviewed for impairment when events indicate their carrying amount may not be recoverable from future undiscounted cash flows. If impaired, the assets are recorded at discounted amounts.

Loan origination fees and costs - Fees and costs associated with originating loans are recognized in income generally in the period in which fees were received and/or costs were incurred. Under generally accepted accounting principles, such fees and costs generally are deferred and recognized over the life of the loan as an adjustment of the yield. For the two years presented in the statements of income, management believes not deferring such fees and costs and amortizing them over the life of the related loans does not materially affect the Company's financial position or results of operations.

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

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

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

Off-balance-sheet financial instruments - In the ordinary course of business the Bank has entered into off-balance-sheet financial instruments consisting of stand-by letters of credit and commitments on lines of credit. Such financial instruments are recorded in the financial statements when they are funded. Guarantees that are not derivative contracts are to be recorded on the Company's consolidated statement of financial condition at their fair value at inception, in accordance with authoritative guidance. For the two years presented in the consolidated balance sheets, management believes not recording the liability related to guarantees does not materially affect the Company's financial position or results of operations.

Trust services - Assets held by the Company in fiduciary or agency capacities for customers are not included in the accompanying statements of condition, since such items are not assets of the Company. Fees and expenses associated with providing trust services are included in the statements of income.

Profit sharing plan - The Company has a 401-K deferred compensation plan available to all eligible employees. The Company contributions amounted to $257,350 and $239,072 in 2018 and 2017, respectively, which is included in salaries and employee benefits expense.

Advertising and promotions expense - Advertising and promotion costs are expensed as incurred. Total advertising and promotions expense for the years ended December 31, 2018 and 2017 was $230,220 and $249,404, respectively.

Significant group concentrations of credit risk - Most of the Company's activities are with customers located in Young, Jack, Palo Pinto, Stephens, Tarrant, Denton, Parker, Collin and Dallas counties and the surrounding areas. Notes 2 and 3 discuss the types of securities the Company invests in and the types of lending the Company engages in. The Company does not have any significant concentrations to any one industry or customer.

The majority of cash and cash equivalents of the Company are maintained with major financial institutions in the United States. As such, interest bearing, non-transaction account deposits with these financial institutions may exceed the amount of insurance provided on such deposits. Management believes that the risk of loss associated with such balances is minimal due to the financial strength of the correspondent banks and counterparty financial institutions. The Company has not experienced any losses in such accounts. In monitoring this risk, the Company periodically evaluates the stability of the financial institutions with which it has deposits. At December 31, 2018 and 2017, the deposits, as reported by banks, were $1,585,075 and $21,344,646, respectively.

Federal income taxes - The Company and its subsidiaries have elected S corporation status and, as such, will no longer be liable for federal income taxes. Earnings and losses are included in the personal income tax returns of the shareholders and taxed depending on their personal tax structure. The Company is subject to the State of Texas tax on taxable margin. The margin tax was immaterial for the years ended December 31, 2018 and 2017. The tax is current and does not have a deferred tax component. The Company is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2015 or Texas state tax examination by tax authorities for years before 2014. The Company recognizes interest accrual on and penalties related to unrecognized tax positions in tax expense. During the year ended December 31, 2018 the Company recognized no interest and penalties.

Cash and cash equivalents - For purposes of presentation in the statements of cash flows, cash and cash equivalents include cash on hand, and amounts due from banks, including interest-bearing deposits in banks with an original maturity of three months or less.

Compensated absences - Compensated absences for short-term disability pay have not been accrued since they cannot be reasonably estimated. The Company's policy is to recognize these costs when actually paid.

Use of estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for losses on loans and the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans.

Date of management's review of subsequent events - Management has evaluated subsequent events through March 13, 2019 the date which the consolidated financial statements were available to be issued.

2. Investment securities

The amortized cost and estimated market value of securities as shown in the consolidated financial statements at December 31, 2018 and 2017 are as follows:

Available-for-sale securities	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
2018				
U.S. Agency securities	$ -	$ -	$ -	$ -
Mortgage-backed securities	121	2	1	122
State and municipal securities	55,607,917	365,427	366,584	55,606,760
Total	$ 55,608,038	$ 365,429	$ 366,585	$ 55,606,882
2017				
U.S. Agency securities	$ 1,000,000	$ -	$ 1,211	$ 998,789
Mortgage-backed securities	383	-	1	382
State and municipal securities	47,460,246	816,728	154,413	48,122,561
Total	$ 48,460,629	$ 816,728	$ 155,625	$ 49,121,732

Securities at amortized cost of approximately $24,611,997 at December 31, 2018 and $24,202,794 at December 31, 2017 were pledged to secure public deposits and for other purposes required or permitted by law. Estimated market values of pledged securities were $24,740,594 and $24,698,899 at December 31, 2018 and 2017, respectively.

The amortized cost and estimated market value of securities at December 31, 2018, by contractual maturity and expected maturity, are shown below. Maturities may differ from contractual maturities in mortgage-backed securities because the mortgages underlying the securities may be called or repaid without penalty.

	Available for Sale	
	Amortized Cost	Estimated Market Value
Due in one year or less	$ 1,465,832	$ 1,465,431
Due one to five years	24,903,576	24,759,153
Due five to ten years	15,453,405	15,598,251
Due after ten years	13,785,104	13,783,925
	55,607,917	55,606,760
Mortgage-backed securities	121	122
	$ 55,608,038	$ 55,606,882

There were no sales of securities during 2018 or 2017.

Information pertaining to securities with gross unrealized losses at December 31, 2018 and 2017 aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows:

	Less Than 12 Months		12 Months or Greater	
	Gross Unrealized Losses	Market Value	Gross Unrealized Losses	Market Value
Available-for-sale securities				
2018				
U.S. Agency securities	$ -	$ -	$ -	$ -
Mortgage-backed securities	-	-	1	120
State and municipal securities	31,240	7,210,470	335,344	14,183,873
	$ 31,240	$ 7,210,470	$ 335,345	$ 14,183,993
2017				
U.S. Agency securities	$ 1,211	$ 998,789	$ -	$ -
Mortgage-backed securities	1	382	-	-
State and municipal securities	61,681	6,534,255	92,732	5,125,310
	$ 62,893	$ 7,533,426	$ 92,732	$ 5,125,310

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

At December 31, 2018, the 40 debt securities with unrealized losses have depreciated approximately 1.68% from the Company's amortized cost basis. These securities are guaranteed by the U.S. Government, other governments, or municipalities. These unrealized losses relate principally to current interest rates for similar types of securities. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition. As management has the ability to hold debt securities until maturity, or for the foreseeable future if classified as available-for-sale, no declines are deemed to be other-than-temporary.

3. Loans

Loans at December 31, 2018 and 2017 are comprised of the following:

	2018	2017
Residential real estate	$ 115,054,837	$ 108,425,080
Agriculture	10,959,155	12,492,446
Commercial real estate	250,229,331	214,422,834
Commercial	59,589,967	56,068,731
Consumer and other	13,013,684	6,627,118
Overdrafts	1,639,550	505,124
Total loans	450,486,524	398,541,333
Allowance for loan losses	(9,584,922)	(8,419,394)
Net loans	$ 440,901,602	$ 390,121,939

The following table sets forth information regarding the activity in the allowance for loan losses for the year ended December 31, 2018:

	Residential Real Estate	Agriculture	Commercial Real Estate	Commercial	Consumer and Other	Total
Allowance for loan losses						
Beginning balance	$ 1,680,723	$ 131,998	$ 5,466,680	$ 1,074,574	$ 65,419	$ 8,419,394
Provision	117,679	(29,882)	261,554	3,930,745	127,052	4,407,148
Recoveries	-	-	15,443	56,694	26,662	98,799
Charge-offs	-	-	-	(3,313,601)	(26,818)	(3,340,419)
Ending balance	$ 1,798,402	$ 102,116	$ 5,743,677	$ 1,748,412	$ 192,315	$ 9,584,922
Ending balance allocated to loans individually evaluated for impairment	$ -	$ -	$ -	$ 680,312	$ 18,758	$ 699,070
Ending balance allocated to loans collectively evaluated for impairment	$ 1,798,402	$ 102,116	$ 5,743,677	$ 1,068,100	$ 173,557	$ 8,885,852
Loans receivable						
Ending balance allocated to loans individually evaluated for impairment	$ -	$ -	$ 2,062,071	$ 1,360,624	$ -	$ 3,422,695
Ending balance allocated to loans collectively evaluated for impairment	115,054,837	10,959,155	248,167,260	58,229,343	14,653,234	447,063,829
Ending balance	$115,054,837	$ 10,959,155	$ 250,229,331	$ 59,589,967	$ 14,653,234	$ 450,486,524

The following table sets forth information regarding the activity in the allowance for loan losses for the year ended December 31, 2017:

	Residential Real Estate	Agriculture	Commercial Real Estate	Commercial	Consumer and Other	Total
Allowance for loan losses						
Beginning balance	$ 2,075,532	$ 192,644	$ 4,163,616	$ 1,259,871	$ 183,765	$ 7,875,428
Provision	(389,148)	(60,646)	1,196,465	(229,494)	(102,177)	415,000
Recoveries	3,600	-	106,599	44,197	44,085	198,481
Charge-offs	(9,261)	-	-	-	(60,254)	(69,515)
Ending balance	$ 1,680,723	$ 131,998	$ 5,466,680	$ 1,074,574	$ 65,419	$ 8,419,394
Ending balance allocated to loans individually evaluated for impairment	$ -	$ -	$ -	$ 134,648	$ -	$ 134,648
Ending balance allocated to loans collectively evaluated for impairment	$ 1,680,723	$ 131,998	$ 5,466,680	$ 939,926	$ 65,419	$ 8,284,746

Loans receivable

Ending balance allocated to loans individually evaluated for impairment	$ 317,638	$ -	$ 3,375,405	$ 170,000	$ -	$ 3,863,043
Ending balance allocated to loans collectively evaluated for impairment	108,107,442	12,492,446	211,047,429	55,898,731	7,132,242	394,678,290
Ending balance	$108,425,080	$ 12,492,446	$ 214,422,834	$ 56,068,731	$ 7,132,242	$ 398,541,333

The Company monitors credit quality within its portfolio segments based on primary credit quality indicators. All of the Company's loans are evaluated using pass rated or specific allocation as the primary credit quality indicator. The term specific allocation refers to those loans that are internally classified or listed by the Company as special mention, substandard, doubtful or loss. These assets pose an elevated risk and may have a high probability of default or total loss.

The classifications of loans reflect a judgment about the risks of default and loss associated with the loan. The Company reviews the rating on credits monthly. Ratings are adjusted to reflect the degree of risk and loss that is felt to be inherent in each credit as of each monthly reporting period. The methodology is structured so that specific allocations are increased in accordance with deterioration in credit quality (and a corresponding increase in risk and loss).

Credits rated special mention show clear signs of financial weaknesses or deterioration in credit worthiness; however, such concerns are not so pronounced that the Company generally expects to experience significant loss within the short-term. Such credits typically maintain the ability to perform within standard credit terms and credit exposure is not as prominent as credits rated more harshly.

Credits rated substandard are those in which the normal repayment of principal and interest may be, or has been, jeopardized by reason of adverse trends or developments of a financial, managerial, economic or political nature, or important weaknesses exist in collateral. A protracted workout on these credits is a distinct possibility. Prompt corrective action is therefore required to strengthen the Company's position, and/or to reduce exposure and to assure that adequate remedial measures are taken by the borrower. Credit exposure becomes more likely in such credits and a serious evaluation of the secondary support to the credit is performed.

Credits rated doubtful are those in which full collection of principal appears highly questionable, and which some degree of loss is anticipated, even though the ultimate amount of loss may not yet be certain and/or other factors exist which could affect collection of debt. Based upon available information, positive action by the Company is required to avert or minimize loss. Credits rated doubtful are generally also placed on nonaccrual.

Credits rated loss are those that are considered uncollectible and of such little value that their continuance as bankable assets is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather that it is not practical or desirable to defer writing off this basically worthless asset even though partial recovery may be affected in the future.

Pass rated refers to loans that are not considered criticized. In addition to this primary credit quality indicator, the Company uses other credit quality indicators for certain types of loans.

The following table sets forth information regarding the internal classification of the loan portfolio:

	Pass	Special Mention	Substandard	Doubtful	Loss	Total
December 31, 2018						
Residential real estate	$ 115,054,837	$ -	$ -	$ -	$ -	$ 115,054,837
Agriculture	10,959,155	-	-	-	-	10,959,155
Commercial real estate	238,975,669	8,869,714	2,383,948	-	-	250,229,331
Commercial	57,729,343	500,000	-	1,360,624	-	59,589,967
Consumer and other	14,586,278	-	66,956	-	-	14,653,234
	$ 437,305,282	$ 9,369,714	$ 2,450,904	$ 1,360,624	$ -	$ 450,486,524
December 31, 2017						
Residential real estate	$ 108,107,442	$ -	$ 317,638	$ -	$ -	$ 108,425,080
Agriculture	12,492,446	-	-	-	-	12,492,446
Commercial real estate	209,714,263	-	4,708,571	-	-	214,422,834
Commercial	55,800,679	-	268,052	-	-	56,068,731
Consumer and other	7,041,074	-	91,168	-	-	7,132,242
	$ 393,155,904	$ -	$ 5,385,429	$ -	$ -	$ 398,541,333

The following table sets forth information regarding the delinquencies within the loan portfolio:

	30-89 Days Past Due	90 Days and Greater	Total Past Due	Current	Total Loans	Recorded Investment >90 Days Still Accruing
December 31, 2018						
Residential real estate	$ 514,980	$ 26,687	$ 541,667	$ 114,513,170	$ 115,054,837	$ 26,687
Agriculture	-	-	-	10,959,155	10,959,155	-
Commercial real estate	4,710,249	-	4,710,249	245,519,082	250,229,331	-
Commercial	527,421	-	527,421	59,062,546	59,589,967	-
Consumer and other	65,575	418	65,993	14,587,241	14,653,234	418
	$ 5,818,225	$ 27,105	$ 5,845,330	$ 444,641,194	$ 450,486,524	$ 27,105
December 31, 2017						
Residential real estate	$ 1,054,184	$ 29,526	$ 1,083,710	$ 107,341,370	$ 108,425,080	$ 29,526
Agriculture	-	-	-	12,492,446	12,492,446	-
Commercial real estate	855,887	-	855,887	213,566,947	214,422,834	-
Commercial	30,433	-	30,433	56,038,298	56,068,731	-
Consumer and other	194,623	4,473	199,096	6,933,146	7,132,242	4,473
	$ 2,135,127	$ 33,999	$ 2,169,126	$ 396,372,207	$ 398,541,333	$ 33,999

The following table sets forth information regarding the nonaccrual status within the loan portfolio:

	2018	2017
Residential real estate	$ -	$ 317,638
Agriculture	-	-
Commercial real estate	2,062,071	3,375,405
Commercial	1,360,624	170,000
Consumer and other	-	-
	$ 3,422,695	$ 3,863,043

The following table sets forth information regarding impaired loans with a related allowance:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
December 31, 2018					
Residential real estate	$ -	$ 8,393	$ -	$ 158,819	$ 7,620
Agriculture	-	-	-	-	-
Commercial real estate	2,062,071	2,237,435	18,759	2,718,738	33,721
Commercial	1,360,624	1,360,624	680,312	765,312	-
Consumer and other	-	-	-	-	-
	$ 3,422,695	$ 3,606,452	$ 699,071	$ 3,642,869	$ 41,341

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
December 31, 2017					
Residential real estate	$ 317,638	$ 345,475	$ -	$ 158,819	$ 10,019
Agriculture	-	-		-	-
Commercial real estate	3,375,405	4,070,869	-	3,543,879	-
Commercial	170,000	170,000	134,648	429,918	-
Consumer and other	-	-	-	-	-
	$ 3,863,043	$ 4,586,344	$ 134,648	$ 4,132,616	$ 10,019

At December 31, 2018 the Company had impaired loans totaling $2,023,012 with no related allowance. At December 31, 2017 the Company had impaired loans totaling $3,693,043 with no related allowance. Loans with carrying amounts of $17,500 and $118,529 were transferred to foreclosed assets in 2018 and 2017, respectively. The Company has no commitments to loan additional funds to the borrowers of impaired or nonaccrual loans.

As of December 31, 2018, and 2017, the Bank has a recorded investment in troubled debt restructuring of $952,862 and $1,980,635, respectively. The Company has allocated $0 of specific allowance for those loans at December 31, 2018 and 2017 and has not committed to lend additional amounts.

Loans modified as troubled debt restructurings during the year ended December 31, 2018 were insignificant to the Company. There were no loans modified during the year ended December 31, 2017.

There were no subsequent payment defaults occurring within 12 months from the date of the restructuring of any of the loans classified as troubled debt restructurings. The Company has no commitments to loan additional funds to borrowers whose loans have been modified. None of the loan modifications had a material impact on the calculation of the allowance for loan losses.

4. **Premises and equipment**

	2018	2017
Land	$ 3,679,903	$ 3,679,903
Land held for development	366,431	366,431
Building and improvements	16,549,826	16,509,848
Furniture and equipment	5,335,274	5,233,214
	25,931,434	25,789,396
Accumulated depreciation and amortization	(11,271,563)	(10,578,991)
	$ 14,659,871	$ 15,210,405

The Company began construction of a new bank facility during 2015 at their Fort Worth location. The construction was completed and the building occupied in January 2017.

5. **Foreclosed assets**

A summary of the balance of foreclosed assets at year end is presented below:

	2018	2017
Residential real estate	$ 456,154	$ 590,778
Commercial real estate	16,600	16,600
	$ 472,754	$ 607,378

6. **Time deposits**

The aggregate amount of time deposits that meet or exceed the FDIC limits of $250,000 or more was $28,560,189 and $32,743,448 at December 31, 2018 and 2017, respectively. Interest expense on time deposits totaled $1,628,567 in 2018 and $1,242,694 in 2017.

At December 31, 2018 scheduled maturities of time deposits are as follows:

2019	$ 77,022,987
2020	20,928,981
2021	5,985,883
2022	7,121,426
2023	5,657,144
	$ 116,716,421

7. **Advances from Federal Home Loan Bank**

The Company has a secured line of credit with the FHLB in the amount of $199,532,200 at December 31, 2018 and $187,468,000 at December 31, 2017, which is secured by FHLB stock, deposit accounts with the FHLB, and a blanket lien on its outstanding loan portfolio.

The Company had outstanding borrowings of $10,000,000 and $0 from the FHLB at December 31, 2018 and 2017, respectively, consisting of advances to provide the Bank funding for fixed-rate mortgage loans and various other loans. These advances had interest rates ranging from 2.565% to 2.58%. In connection with the total borrowings, the Bank agreed to secure the advances with a blanket-floating lien. They granted the FHLB collateral in first lien mortgage residential loans, FHLB stock, and deposit accounts with the FHLB. These advances matured in February 2019.

8. Subordinated debentures

In September 2004, the Company completed the private placement of $6,186,000 in subordinated debentures to First Graham Statutory Trust I (Trust). The Trust funded the purchase of the subordinated debentures through the sale of trust preferred securities to Preferred Term Securities XV, Ltd. with a liquidation value of $6,186,000. Using interest payments made by the Company on the debentures, the Trust began paying quarterly dividends to preferred security holders on December 20, 2004. The annual percentage rate of the interest payable on the subordinated debentures and distributions payable on the preferred securities had an initial rate of 4.17% and is variable at 3-Month LIBOR plus an interest factor, not to exceed the maximum rate permitted by New York law, making the rate 5.092% and 3.92548% as of December 31, 2018, and 2017, respectively. Dividends on the preferred securities are cumulative and the Trust may defer the payments for up to five years. The preferred securities mature on September 30, 2034 unless the Company elects and obtains regulatory approval to accelerate the maturity date.

Interest expense incurred on the subordinated debentures for the years ended December 31, 2018 and 2017 was $279,705 and $219,925, respectively.

Subordinated debt may be included in regulatory Tier 1 capital subject to a limitation that such amounts not exceed 25.00% of Tier 1 capital. The remainder of subordinated debt is included in Tier II capital. There is no limitation for inclusion of subordinated debt in total risk-based capital and, as such, all subordinated debt was included in total risk-based capital.

9. Treasury stock

Treasury stock is shown at cost and consists of 1,132 and 4,260 shares in 2018 and 2017, respectively, of Company common stock.

10. Regulatory matters

The Bank is subject to various regulatory capital requirements administered by the federal and state banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weighting, and other factors. Prompt corrective action provisions are not applicable to bank holding companies.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital to average assets (as defined). Management believes, as of December 31, 2018 and 2017 that the Bank met all capital adequacy requirements to which it is subject.

As of December 31, 2018, the Bank's capital ratios exceed those levels necessary to be categorized 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, and Tier I leverage ratios as set forth in the following table. There are no conditions or events since that notification which management believes would change the Bank's category.

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

Management believes that as of December 31, 2018, the Bank would meet all capital requirements under the Basel III Capital rules on a fully phased-in basis as if such requirements were currently in effect; however, final rules are subject to regulatory discretion and could result in the need for additional capital levels in the future. There are no conditions or events since the notification that management believes have changed the Bank's category. The Bank's actual capital amounts and ratios and minimum amounts and ratios as calculated under regulatory accounting practices are presented in the following table.

	Actual		Minimum required for capital adequacy purposes - Basel III phase-in schedule		Minimum required for capital adequacy purposes - Basel III fully phased-in		Required to be considered well capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(dollars in thousands)							
As of December 31, 2018								
Total Capital to Risk Weighted Assets:								
Ciera Bank	$ 70,471	13.88%	$ 50,146	9.875%	$ 53,319	10.5%	$ 50,780	10.0%
Common Equity Tier 1 Capital (CETI) to Risk Weighted Assets:								
Ciera Bank	64,084	12.62	32,372	6.375	35,546	7.0	33,007	6.5
Tier I Capital to Risk Weighted Assets:								
Ciera Bank	64,084	12.62	39,989	7.875	43,163	8.5	40,624	8.0
Tier I Capital to Average Total Assets:								
Ciera Bank	64,084	11.34	22,609	4.0	22,609	4.0	28,261	5.0
As of December 31, 2017								
Total Capital to Risk Weighted Assets:								
Ciera Bank	$ 69,839	16.08%	$ 40,174	9.25%	$ 45,603	10.5%	$ 43,431	10.0%
Common Equity Tier 1 Capital (CETI) to Risk Weighted Assets:								
Ciera Bank	64,374	14.82	24,973	5.75	30,402	7.0	28,230	6.5
Tier I Capital to Risk Weighted Assets:								
Ciera Bank	64,374	14.82	31,488	7.25	36,917	8.5	34,745	8.0
Tier I Capital to Average Total Assets:								
Ciera Bank	64,374	11.87	21,685	4.0	21,685	4.0	27,106	5.0

11. Bank owned life insurance and deferred compensation

The Company has invested in cost recovery life insurance. Policies were purchased with various carriers on the lives of certain executive officers and directors participating in the deferred compensation plan (Plan). The Bank is the sole owner and beneficiary of the life insurance policies. The amount of coverage is designed to provide sufficient revenues to fund said Plan and the policy death benefit also indemnifies the Bank against the death benefit provision of the Plan.

At December 31, 2018 and 2017, the accrued deferred compensation payable is $3,211,116 and $2,887,976 respectively, and the cash surrender value of the life insurance is $16,275,179 and $15,839,330, respectively.

Executive officers and directors participating in the Plan can defer a portion of their compensation. The Company agreed to pay interest on the balance of deferred funds, to be adjusted every five years. Interest was 7% at December 31, 2018 and 2017. In addition, the agreements were amended to allow directors, as of January 2004, the option to defer 100% of their compensation. The Company may elect to match the deferred compensation of executive officers up to 50%, not to exceed $4,000 annually. In 2014, a director deferral plan was offered to directors who had not previously been participating in a plan. The new Plan allows directors to defer fees up to $12,000 per year and is the same in all other respects. As of December 31, 2017, there were 12 directors participating in the new Plan. Three are participating under the January 2004 plan and are allowed to defer 100% of their fees.

12. Lease commitments

The Company leases land under a non-cancelable lease agreement expiring December 31, 2047. The monthly lease payment was $740 in 2018 and 2017. The monthly lease payment was adjusted January 1, 2017 based on the change in the Consumer Price Index (CPI); and is to be adjusted every five years thereafter. Future minimum rental payments are calculated under the current CPI.

The Company has an operating lease agreement for a branch facility, expiring June 30, 2022. The monthly lease was $11,978 beginning June 2017 and was $10,416 in 2016 through May 2017. The Company will be responsible for 25% of all taxes, insurance and maintenance expenses. (See Note 13.)

Approximate future minimum lease payments are as follows:

2019	$ 153,008
2020	153,008
2021	152,817
2022	8,886
2023 and thereafter	222,138
	$ 689,857

The Company leases additional property and equipment on a quarterly or monthly basis. Rental expense for all the operating leases for the years ended December 31, 2018 and 2017 was $200,191 and $226,893, respectively.

13. Related-party transactions

Ciera Bank has entered into agreements with 1st in Graham Co. to lease certain banking facilities. The lease provides for a term of twelve months, renewable January 1 of each year. All leases are accounted for as operating leases and are eliminated upon consolidation. Net rent expense paid to 1st in Graham Co. by Ciera Bank amounted to $24,000 in 2018 and 2017.

Ciera Bank has an operating lease agreement with a company, whose member owner is a shareholder of the Company and a director. Rent paid to this company amounted to $123,950 in 2017. The Bank no longer has a lease agreement with this company as of the end of 2017.

Ciera Bank had an operating lease agreement with a company, whose member owners are shareholders of the Company and are directors. Rent paid to this company amounted to $28,125 in 2017. The lease has expired as of the end of 2017.

The aggregate amount of loans owed to Ciera Bank by directors, officers, and employees amounted to approximately $8,043,297 and $7,405,690 at December 31, 2018 and 2017, respectively. During 2018, new loans to such related parties amounted to $1,238,060 and repayments amounted to $600,453. All transactions were made in the ordinary course of business on substantially the same terms and conditions, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other customers, and did not, in the opinion of management, involve more than normal credit risk or present other unfavorable features.

Ciera Bank held deposits of $7,928,821 and $6,758,195 for executive officers and directors at December 31, 2018 and 2017, respectively.

Each year, the Company retains various legal counsel. Fees paid to related party legal counsel were immaterial in 2018 and 2017. Director and committee fees paid totaled $381,900 and $355,600 during 2018 and 2017, respectively. Deferred fees included in the above totaled $190,800 and $175,800 in 2018 and 2017, respectively.

14. Statements of cash flows

Supplemental cash flow information for the years ended December 31, 2018 and 2017 is as follows:

	2018	2017
Cash transactions:		
Interest paid	$ 2,996,945	$ 2,222,762
Noncash investing and financing activities:		
Change in unrealized security values	(662,259)	474,056
Other assets acquired through foreclosure	17,500	118,529

15. Commitments and contingencies

In the normal course of business, the Company is involved in various other legal proceedings. Management has concluded, based upon advice of counsel, that the result of these proceedings will not have a material effect on the Company's financial condition or results of operations.

16. Financial instruments with off-balance sheet risk

Ciera Bank is party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of their customers. These financial instruments include stand-by letters of credit and commitments to extend credit. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the financial statements. The Bank's exposure to credit loss in the event of nonperformance is represented by the contractual amount of those instruments. The Bank has not been required to perform on any financial guarantees and have not incurred any losses on their commitments in either 2018 or 2017.

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

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Standby letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee. Those guarantees are issued primarily to support public and private borrowing arrangements. Essentially all letters of credit issued have expiration dates within one year. The credit risk involved in issuing standby letters of credit is essentially the same as that involved in extending loan facilities to customers. The Bank's policy of obtaining collateral, and the nature of such collateral, is essentially the same as that involved in making commitments to extend credit. Since many of the letters of credit and loan commitments may expire without being drawn upon, the total contract amount does not necessarily represent future cash requirements. The distribution of commitments on lines of credit approximates the distribution of loans outstanding.

Fair values for off-balance-sheet lending commitments are based on fees currently charged to enter into similar agreements, considering the difference between current levels of interest rates and the committed rates and the counterparties' credit standing. The fair value of these financial instruments is considered insignificant. Additionally, these financial instruments have no carrying value.

The total amounts of financial instruments with off-balance-sheet risk as of December 31, 2018 are as follows:

	Contract Amount
Commitments on lines of credit	$ 120,273,769
Stand-by letters of credit	5,743,990

17. Fair value measurement

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

Authoritative guidance requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. The income approach uses valuation techniques to convert future amounts, such as cash flows or earnings, to a single present amount on a discounted basis. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (replacement costs). Valuation techniques should be consistently applied.

Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, authoritative guidance establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

The fair value hierarchy is as follows:

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

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

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

A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below. In general, fair value is based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. While management believes the Company's valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Securities available for sale - Securities classified as available for sale are reported at fair value utilizing Level 2 inputs. For these securities, the Company obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, credit information and the security's term and conditions, among other things.

Impaired loans - Impaired loans are reported at the fair value of the underlying collateral if repayment is expected solely from the collateral. Collateral values are estimated using Level 2 or Level 3 inputs based on third party or internally developed appraisals.

Foreclosed assets - These assets are reported at estimated fair value, less estimated selling costs. Fair value is based on third party or internally developed appraisals considering the assumptions in the valuation and are considered Level 2 or Level 3 inputs.

At December 31, 2018 and 2017 the Company had no financial liabilities measured at fair value on a recurring basis.

Fair value of assets measured on a recurring basis at December 31, 2018 and 2017 are as follows:

	Fair Value	Level 1	Level 2	Level 3
Securities available for sale:				
2018				
U. S. Agency securities	$ -	$ -	$ -	$ -
Mortgage-backed securities	122	-	122	-
State and municipal securities	55,606,760	-	55,606,760	-
	$ 55,606,882	$ -	$ 55,606,882	$ -

Securities available for sale:	Fair Value	Level 1	Level 2	Level 3
2017				
U. S. Agency securities	$ 998,789	$ -	$ 998,789	$ -
Mortgage-backed securities	382	-	382	-
State and municipal securities	48,122,561	-	48,122,561	-
	$ 49,121,732	$ -	$ 49,121,732	$ -

Certain financial assets and financial liabilities are measured at fair value on a nonrecurring basis, that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment).

The following represents the carrying value of financial assets and financial liabilities measured at fair value on a nonrecurring basis as of December 31, 2018 and 2017, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	Level 1	Level 2	Level 3
2018			
Foreclosed assets	$ -	$ 472,754	$ -
Impaired loans	-	-	2,723,624
2017			
Foreclosed assets	$ -	$ 607,378	$ -
Impaired loans	-	-	3,728,395

During the year ended December 31, 2018, certain impaired loans were remeasured and reported at fair value through a specific valuation allowance allocation of the allowance for possible loan losses based upon the fair value of the underlying collateral. Impaired loans with a carrying value of $3,422,695 were reduced by specific valuation allowance allocations totaling $699,071 to a total reported fair value of $2,723,624 based on collateral valuations utilizing Level 3 valuation inputs.

During the year ended December 31, 2017, certain impaired loans were remeasured and reported at fair value through a specific valuation allowance allocation of the allowance for possible loan losses based upon the fair value of the underlying collateral. Impaired loans with a carrying value of $3,863,043 were reduced by specific valuation allowance allocations totaling $134,648 to a total reported fair value of $3,728,395 based on collateral valuations utilizing Level 3 valuation inputs.

The following table represents the Bank's Level 3 financial assets and liabilities, the valuation techniques used to measure the fair value of those financial assets and liabilities, and the significant unobservable inputs and the ranges of values for those inputs:

	Fair Value at		Principal Valuation Technique	Significant Unobservable Inputs	Range of Significant Input Values
	2018	2017			
Impaired loans	$ 2,723,624	$ 3,728,395	Appraisal of collateral	Appraisal adjustments	10-30%

Resulting gains and/or losses on foreclosed assets are included under other income or other expenses, respectively.

Foreclosed real estate is valued at the time the loan is foreclosed upon and the asset is transferred to foreclosed assets. The value is based primarily on third party appraisals, less costs to sell. Appraisals based upon comparable sales result in Level 2 classification while appraisals based upon expected cash flows of the property result in a Level 3 classification. The appraisals are generally discounted based on management's historical knowledge, changes in market conditions from time of valuation, and/or management's expertise and knowledge of the client and client's business. Foreclosed real estate is reviewed and evaluated on at least an annual basis for additional impairment and adjusted accordingly, based on the same factors identified above.

The Company did not change the methodology used to determine fair value for any financial instruments during the years ended December 31, 2018 or 2017. Accordingly, for any given class of financial instruments, the Company did not have any transfers between Level 1, Level 2, or Level 3 during the years ended December 31, 2018 or 2017.

First Graham Bancorp, Inc.
GRAHAM ★ TEXAS

March 15, 2019

TO THE HOLDERS OF SHARES OF COMMON STOCK:

NOTICE IS HEREBY GIVEN that pursuant to the call of its Directors, the regular annual meeting of shareholders of First Graham Bancorp, Inc., (the Company) will be held at The Ridglea Country Club, at 3700 Bernie Anderson Avenue, Fort Worth, Texas, U.S.A. on March 28, 2019 at 10:30 a.m. for the purpose of considering and voting upon the following matters:

1. Election of Directors: The election of the three (3) persons listed in the Proxy Statement dated March 15, 2019 accompanying the notice of said meeting.

2. Whatever Other Business may be brought before the meeting or any adjournment thereof.

Only those Shareholders of record at the close of business on March 15, 2019 shall be entitled to notice of the meeting and to vote at the meeting.

By order of the Board of Directors

Donna Goray

Donna Goray
Secretary to the Board of Directors

SINCE MAJORITY APPROVAL OF THE OUTSTANDING SHARES IS NECESSARY TO PASS THE PROPOSALS CONTAINED IN THE NOTICE OF MEETING, WE URGE YOU TO SIGN AND RETURN THE ENCLOSED PROXY AS PROMPTLY AS POSSIBLE .... WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING IN PERSON. IF YOU DO ATTEND THE MEETING, YOU MAY THEN WITHDRAW YOUR PROXY. THE PROXY MAY BE REVOKED AT ANY TIME PRIOR TO ITS EXERCISE.

First Graham Bancorp, Inc.

GRAHAM ★ TEXAS

To Our Shareholders,

In reviewing the Annual Report this year, you will notice a decline in consolidated net income comparing 2018 with 2017. In the final days of 2018, Ciera Bank received notice of a bankruptcy filing related to a large borrower. During the same time period, another loan that was maturing began to show repayment issues. The decision was made to recognize the potential $4,000,000 loss in these credits in 2018. Both loans are in the process of collection and management is optimistic that recoveries will be recognized in 2019.

This year, total assets grew by 3.6% to more than $567 million, just under the budgeted target of 4%. Loan growth (net of reserves) grew at 13% to more than $440 million. Deposits are up nearly $10 million to $481 million. The equity capital to assets ratio continued to be strong at 11.3%. Operating income continued to grow as earning assets increased. Net interest income before provision expense was up over 5% for the year and as earning assets continue to grow, we are confident this trend will continue.

The Bank is strong and continues to consolidate and improve its operations in both the loan and deposit areas. Exceptional employees and officers continue to make the Ciera Bank team unrivaled in dedication and loyalty and always responsive to the needs of their customers and to each of the communities they serve. Each location offers outstanding service in a community bank atmosphere, where employees truly care and work to be respectful of the customer's time and resources. As the Bank upgrades its processes and technology, to improve both the product lineup and operational efficiencies, the growth in our customer base continues. New relationships are developed each and every day as evidenced by the growth in our loans and deposits.

As your investment in First Graham Bancorp, Inc. increases in value each year, the Board of Directors and Management of the Bank are mindful of the trust you have placed in our Team. We will continue to work hard to deserve that trust and deliver exceptional returns to you as an investor and as a member of the Ciera Bank family.

Respectfully Yours,

Charles A. Rosebrough, III.
Chairman of the Board

P.O. Box 540 ★ Graham, Texas 76450 ★ 940-549-2040 ★ 940-549-4574 Fax

FIRST GRAHAM BANCORP, INC.

PROXY
FOR
ANNUAL MEETING

KNOW ALL MEN BY THESE PRESENTS that I, the undersigned Shareholder of First Graham Bancorp, Inc., Graham, Texas, U.S.A., do hereby nominate, constitute and appoint Wayne Christian, Stanley H. Peavy, Jr. and Stanley H. Peavy, III. (no officer or employee of the Bank or Corporation may be named as proxy) or any one of them (with full power to act alone), my true and lawful attorney(s) with full power of substitution for me and in my place and stead to vote all the Common Stock of said Corporation, standing in my name on its books on March 15, 2019, at the annual meeting of its Shareholders to be held at 10:30 a.m. on March 28 2019 or at any adjournments thereof with all the powers the undersigned would possess if personally present, as follows:

( ) ( )	**FOR** **AGAINST**	1.	The election of the three (3) persons listed in the March 15, 2019 Proxy Statement, accompanying the notice of said meeting.
( ) ( )	**FOR** **AGAINST**	2.	Whatever Other Business may be brought before the meeting or any adjournments thereof. Management at present knows of no other business to be presented by or on behalf of the Corporation or its management at the meeting.

This proxy confers authority to vote "FOR" the propositions listed above unless "AGAINST" is indicated. If any other business is presented at said meeting, the Proxy shall be voted in accordance with the recommendations of management.

The Board of Directors recommends a vote "FOR" the above listed propositions. This Proxy is solicited on behalf of management and may be revoked prior to its exercise.

______________________________(L.S.)

______________________________(L.S.)

When signing as attorney, executor, administrator, trustee, or guardian, please give full title. If more than one trustee, all should sign. All joint owners must sign.

PROXY STATEMENT

The Annual Meeting of Shareholders of First Graham Bancorp, Inc., Graham, Texas, will be held at The Ridglea Country Club, located at 3700 Bernie Anderson Avenue, in Fort Worth, Texas on March 28, 2019 at 10:30 a.m. The following resolutions will be made at this time:

1. **Election of Directors:** A resolution will be offered to elect the following three (3) persons to the Corporation's Board of Directors. Those to be nominated and their type of business are listed for shareholder information.

Directors

Kyle Peavy
Banking

Charles A. Rosebrough, III.
Ranching and Investments

Bruce Stephens
Ranching and Investments

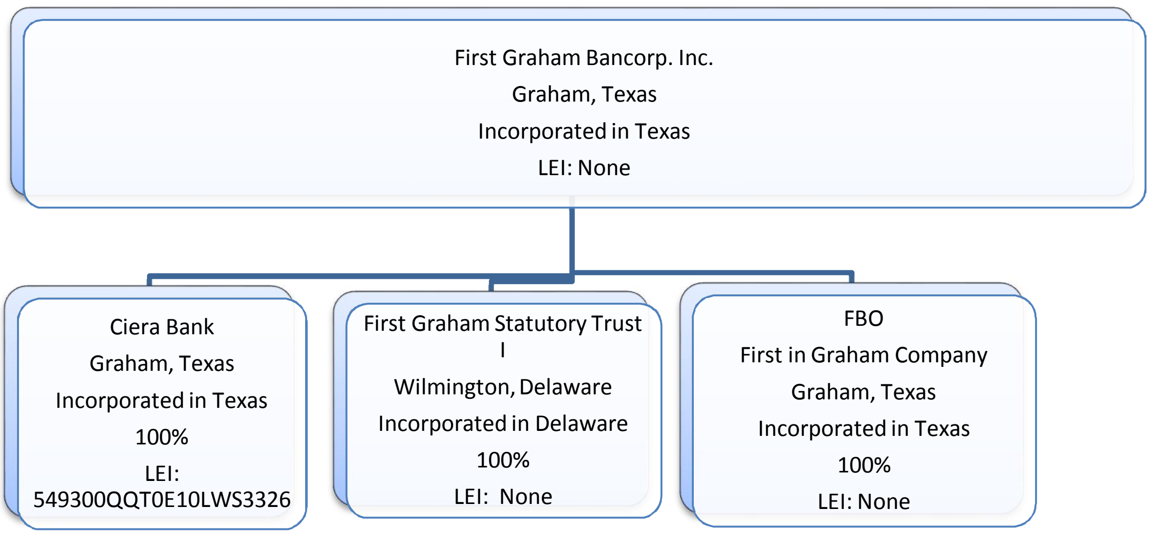
2. **Other Business:** Management knows of no other business that will be brought to the Shareholders meeting.

Donna Goray

Donna Goray
Secretary to the Board of Directors
March 15, 2019

Report Item 2a: Organizational Chart
12/31/2018

Ciera Bank, First Graham Statutory Trust I and First in Graham Company are all 100% owned by parent, First Graham Bancorp, Inc.



Results: A list of branches for your holding company: FIRST GRAHAM BANCORP, INC. (1107700) of GRAHAM, 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)	327855	CIERA BANK	623 ELM STREET	GRAHAM	TX	76450	YOUNG	UNITED STATES	Not Required	Not Required	CIERA BANK	327855	
OK		Full Service	3448368	ALEDO BRANCH	301 S FM 1187	ALEDO	TX	76008	PARKER	UNITED STATES	Not Required	Not Required	CIERA BANK	327855	
OK		Full Service	3541997	AUBREY BRANCH	958 SOUTH HIGHWAY 377	AUBREY	TX	76227	DENTON	UNITED STATES	Not Required	Not Required	CIERA BANK	327855	
OK		Full Service	2603423	BRYSON BRANCH	300 EAST DEMPSEY STREET	BRYSON	TX	76427	JACK	UNITED STATES	Not Required	Not Required	CIERA BANK	327855	
OK		Full Service	4498520	DENTON BRANCH	321 WEST OAK STREET	DENTON	TX	76201	DENTON	UNITED STATES	Not Required	Not Required	CIERA BANK	327855	
OK		Full Service	114756	FLOWER MOUND BRANCH	1801 CROSS TIMBERS ROAD	FLOWER MOUND	TX	75028	DENTON	UNITED STATES	Not Required	Not Required	CIERA BANK	327855	
OK		Full Service	827953	FORT WORTH BRANCH	1501 SUMMIT AVENUE	FORT WORTH	TX	76102	TARRANT	UNITED STATES	Not Required	Not Required	CIERA BANK	327855	
OK		Full Service	3541979	HICKORY CREEK BRANCH	3970 FM-2181, SUITE 100	HICKORY CREEK	TX	75065	DENTON	UNITED STATES	Not Required	Not Required	CIERA BANK	327855	

Form FR Y-6
First Graham Bancorp, Inc.
Fiscal Year Ending December 31, 2018

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

Current securities holders with ownership, control or holdings of 5% or more with power to vote as of fiscal year ending 12-31-2018					Securities holders not listed in 3(1)(a) through 3(1)(c) that had ownership, control or holdings of 5% or more with power to vote during the fiscal year ending 12-31-2018		
(1)(a) Name City, State, Country	**(1)(b) Country of Citizenship or Incorporation**	**(1)(c) Number and Percentage of Each Class of Voting Securities**			**(2)(a) Name City, State, Country**	**(2)(b) Country of Citizenship or Incorporation**	**(2)(c) Number and Percentage of Each Class of Voting Securities**
S.H. Peavy, Jr. Graham, TX	USA	11,928	2.93%	Common	N/A	N/A	N/A
Sandra Peavy Graham, TX	USA	3,446	0.84%	Common	N/A	N/A	N/A
Emily Peavy Bryant New Braufels, TX	USA	260	0.06%	Common	N/A	N/A	N/A
Phillip Ross Peavy Grapevine, TX	USA	260	0.06%	Common	N/A	N/A	N/A
Robert Preston Peavy Rockwall, TX	USA	260	0.06%	Common	N/A	N/A	N/A
Cecilia Ann Peavy Hindman Dallas, TX	USA	22,809	5.56%	Common	N/A	N/A	N/A
Erin Colleen Hindman, Minor Cecilia Ann Peavy, Guardian Dallas, TX	USA	260	.06%	Common	N/A	N/A	N/A

Form FR Y-6
First Graham Bancorp, Inc.
Fiscal Year Ending December 31, 2018

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

Current securities holders with ownership, control or holdings of 5% or more with power to vote as of fiscal year ending 12-31-2018			**Securities holders not listed in 3(1)(a) through 3(1)(c) that had ownership, control or holdings of 5% or more with power to vote during the fiscal year ending 12-31-2018**		
(1)(a) Name City, State, Country	**(1)(b) Country of Citizenship or Incorporation**	**(1)(c) Number and Percentage of Each Class of Voting Securities**	**(2)(a) Name City, State, Country**	**(2)(b) Country of Citizenship or Incorporation**	**(2)(c) Number and Percentage of Each Class of Voting Securities**
Mia Bridget Hindman Cecilia Ann Peavy, Guardian Dallas, TX	USA	260 .06% Common	N/A	N/A	N/A
[2] Richard Kyle Peavy Graham, TX,	USA	42,000 10.32% Common	N/A	N/A	N/A
[3] Stanley H. Peavy, III Graham, TX	USA	24,858 6.11% Common	N/A	N/A	N/A
Ivy Challen Peavy, Minor Stanley H. Peavy, III, Guardian Graham, TX	USA	260 .06% Common	N/A	N/A	N/A
Stanley H. Peavy, IV, Minor Stanley H. Peavy, III, Guardian Graham, TX	USA	260 .06% Common	N/A	N/A	N/A

[1] Includes 14,000 shares held in trust for SH Peavy, III.

[2] Includes 14,000 shares held in trust for Cecilia Peavy Hindman. and
14,000 shares held in trust for Brian F. Peavy and
4,652 shares held in Brian F. Peavy Bank Stock Trust.

[3] Includes 14,000 shares held in trust for Richard Kyle Peavy.

TOTAL PEAVY FAMILY	**106,861 26.06% Common**	

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First Graham Bancorp, Inc.
Fiscal Year Ending December 31, 2018

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

Current securities holders with ownership, control or holdings of 5% or more with power to vote as of fiscal year ending 12-31-2018					**Securities holders not listed in 3(1)(a) through 3(1)(c) that had ownership, control or holdings of 5% or more with power to vote during the fiscal year ending 12-31-2018**		
(1)(a) Name City, State, Country	**(1)(b) Country of Citizenship or Incorporation**	**(1)(c) Number and Percentage of Each Class of Voting Securities**			**(2)(a) Name City, State, Country**	**(2)(b) Country of Citizenship or Incorporation**	**(2)(c) Number and Percentage of Each Class of Voting Securities**
Charles A. Rosebrough, III Graham, TX	USA	28,511	7.01%	Common	N/A	N/A	N/A
Nancy King Rosebrough Graham, TX	USA	28,511	7.01%	Common	N/A	N/A	N/A
4 Jane R. Gilcrease Fort Worth, TX	USA	15,189	3.73%	Common	N/A	N/A	N/A
5 Charles A. Rosebrough, IV Fort Worth, TX	USA	15,794	3.88%	Common	N/A	N/A	N/A
6 Mary Rosebrough Fort Worth, TX	USA	15,188	3.73%	Common	N/A	N/A	N/A

4 Includes 7,250 shares held in trust for Mary Rosebrough.
5 Includes 7,250 shares held in trust for Jane Gilcrease.
6 Includes 7,250 shares held in trust for Charles A. Rosebrough, IV. 25.36

TOTAL ROSEBROUGH FAMILY	**103,193**	**25.36%**	**Common**	

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First Graham Bancorp, Inc.
Fiscal Year Ending December 31, 2018

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

Current securities holders with ownership, control or holdings of 5% or more with power to vote as of fiscal year ending 12-31-2018					**Securities holders not listed in 3(1)(a) through 3(1)(c) that had ownership, control or holdings of 5% or more with power to vote during the fiscal year ending 12-31-2018**		
(1)(a) Name City, State, Country	**(1)(b) Country of Citizenship or Incorporation**	**(1)(c) Number and Percentage of Each Class of Voting Securities**			**(2)(a) Name City, State, Country**	**(2)(b) Country of Citizenship or Incorporation**	**(2)(c) Number and Percentage of Each Class of Voting Securities**
Paige Stephens Jenson Overland Park, KS	USA	2,000	0.49%	Common	N/A	N/A	N/A
Jain Stephens Ranft Graham, TX	USA	2,812	0.69%	Common	N/A	N/A	N/A
Kara Stephens Ranft Fort Worth, TX	USA	4,000	0.98%	Common	N/A	N/A	N/A
Bruce Stephens Graham, TX	USA	46,658	11.47%	Common	N/A	N/A	N/A
Drake Stephens Graham, TX	USA	5,313	1.31%	Common	N/A	N/A	N/A
Ronald D. Stephens Graham, TX	USA	2,725	0.67%	Common	N/A	N/A	N/A
TOTAL STEPHENS FAMILY		**63,508**	**15.61%**	**Common**			

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First Graham Bancorp, Inc.
Graham, Texas
Fiscal Year Ending December 31, 2018

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

(1) Names & Address (City, State, Country)	(2) Principal Occupation if other than with holding company	(3)(a) Title & Position with holding company	(3)(b) Title & Position with Subsidiaries (include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (include names of other businesses)	(4)(a) Percentage of Voting Securities in holding company	(4)(b) (Subs are 100% Owned by FGB) Percentage of Voting Securities in Subsidiaries (include names of subsidiaries) *	(4)(c) List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
Bruce Stephens Graham, TX USA	Rancher	Director Vice Pres	Director Ciera Bank		11.47%	N/A	
			Vice Pres, Director First in Graham Co				
			Vice Pres, Director First Graham Statutory Trust				
				Pres- M-B Co of Graham		N/A	M-B Company of Graham 98%
				Partner Graham Rathole Services,Inc		N/A	Graham Rathole Services,Inc 34%
				Pres Stepco Transportation, Inc.		N/A	Stepco Transportation, Inc. 50%
				Owner B & B Fertilizer		N/A	B & B Fertilizer 100%
				VP Tucker & Stephens Bulldozers		N/A	Tucker & Stephens Bulldozers 28%
				Owner Oliver Pharmacy, LLC		N/A	Oliver Pharmacy, LLC 50%
				Owner RBS Investments		N/A	RBS Investments 34%
				Owner M-B Medical Leasing, Inc		N/A	M-B Medical Leasing, Inc 50%
Ronald Stephens Graham, TX USA	Attorney	Principal Securities Holder	N/A	Pres Wes Mor Drilling, Inc.	0.67%	N/A	Wes Mor Drilling, Inc. 25%
(father of Bruce)							

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First Graham Bancorp, Inc.
Graham, Texas
Fiscal Year Ending December 31, 2018

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

(1) Names & Address (City, State, Country)	(2) Principal Occupation if other than with holding company	(3)(a) Title & Position with holding company	(3)(b) Title & Position with Subsidiaries (include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (include names of other businesses)	(4)(a) Percentage of Voting Securities in holding company	(4)(b) (Subs are 100% Owned by FGB) Percentage of Voting Securities in Subsidiaries (include names of subsidiaries) *	(4)(c) List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
Drake Stephens Graham, TX USA (brother of Bruce)	Trucking	Principal Securities Holder	N/A	VP RBS Investments	1.31%	N/A	RBS Investments 33%
				VP Graham Rathole, Inc.			Graham Rathole Services,Inc 33%
Jain Ranft Graham, TX USA (sister of Bruce)	Office Manager	Principal Securities Holder	N/A	VP RBS Investments	0.69%	N/A	RBS Investments 33%
				VP Graham Rathole, Inc.			Graham Rathole Services,Inc 33%
Kara Rariden Fort Worth, TX USA (Daughter of Bruce)	Attorney	Principal Securities Holder	N/A	Step Den Lancaster, LLC Member	0.98%	N/A	Step Den Lancaster, LLC 50%
				Pres- Motu Group, Inc, President		N/A	Motu Group, Inc 100%
				Mgr- Lease Tanglewood, LLC		N/A	Lease Tanglewood, LLC 50%
Paige Jensen Overland Park, KS USA (Daughter of Bruce)	Homemaker	Principal Securities Holder	N/A	Owner Step Den Associates	0.49%	N/A	Step Den Associates 33%
				Owner Step Den Olympus			Step Den Olympus 33%
				Owner Step Den Carlton, LLC			Step Den Carlton, LLC 33%
				Owner Step Den Lancaster, LLC			Step Den Lancaster, LLC 33%
				Owner Step Den Main, LLC			**Step Den Main, LLC 33%**
Total Stephens Family Ownership 15.61%							

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First Graham Bancorp, Inc.
Graham, Texas
Fiscal Year Ending December 31, 2018

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

(1) Names & Address (City, State, Country)	(2) Principal Occupation if other than with holding company	(3)(a) Title & Position with holding company	(3)(b) Title & Position with Subsidiaries (include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (include names of other businesses)	(4)(a) Percentage of Voting Securities in holding company	(4)(b) (Subs are 100% Owned by FGB) Percentage of Voting Securities in Subsidiaries (include names of subsidiaries) *	(4)(c) List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
1 Kyle Peavy Graham, TX USA (Son of SH Peavy, Jr)	Banker	VP & Director	VP- First In Graham Company VP- First Graham Statutory Trust Exec VP- Ciera Bank	Partner-DAP Partnership	10.32%	N/A	
							DAP Partnership 25%
Emily Peavy Bryant TX USA (Daughter of Kyle)	Registered Nurse	Principal Securities Holder	N/A	N/A	0.06%	N/A	N/A
Preston Peavy TX USA (Son of Kyle)	Police Officer	Principal Securities Holder	N/A	N/A	0.06%	N/A	N/A
Phillip Peavy TX USA (Son of Kyle)	Banker/Credit Trainee	Principal Securities Holder	N/A	N/A	0.06%	N/A	N/A
Stanley H Peavy, Jr Graham, TX USA (Father of Kyle, Stanley III and Cecilia Hindman, Brian & husband of Sandra.)	Investor	Principal Securities Holder	N/A	N/A	2.93%	N/A	N/A
Sandra Peavy Graham, TX USA (Mother of Kyle, Stanley III and Cecilia Hindman, Brian & wife of SH Peavy, Jr.)	Homemaker	Principal Securities Holder	N/A	N/A	0.84%	N/A	N/A

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First Graham Bancorp, Inc.
Graham, Texas
Fiscal Year Ending December 31, 2018

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

(1) Names & Address (City, State, Country)	(2) Principal Occupation if other than with holding company	(3)(a) Title & Position with holding company	(3)(b) Title & Position with Subsidiaries (include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (include names of other businesses)	(4)(a) Percentage of Voting Securities in holding company	(4)(b) (Subs are 100% Owned by FGB) Percentage of Voting Securities in Subsidiaries (include names of subsidiaries) *	(4)(c) List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
[2] Stanley H. Peavy, III, Graham, TX USA (Son of SH Peavy, Jr.)	Attorney	Principal Securities Holder	Director- Ciera Bank	Owner - Peavy Law Firm	6.11%	N/A	Peavy Law Firm 100%
Stanley H. Peavy, IV Graham, TX USA (Son of Stanley H. Peavy III)	(Minor)	Principal Securities Holder	N/A	N/A	0.06%	N/A	N/A
Ivy Peavy Graham, TX USA (Daughter of Stanley H. Peavy, III)	(Minor)	Principal Securities Holder	N/A	N/A	0.06%	N/A	N/A
[3] Cecilia Peavy Hindman Dallas, TX USA (Daughter of SH Peavy, Jr.	Attorney	Principal Securities Holder	N/A	N/A	5.56%	N/A	N/A
Erin Hindman Dallas, TX USA (Daughter of Cecilia)	(Minor)	Principal Securities Holder	N/A	N/A	0.06%	N/A	N/A
Mia Bridget Hindman Dallas, TX USA (Daughter of Cecilia)	(Minor)	Principal Securities Holder	N/A	N/A	0.06%	N/A	N/A

[1] Includes 14,000 shares held in trust for Cecilia Peavy Hindman. and 14,000 shares held in trust for Brian F. Peavy and 4,652 shares held in E Bank Stock Trust.
[2] Includes 14,000 shares held in trust for Richard Kyle Peavy.
[3] Includes 14,000 shares held in trust for SH Peavy, III.

Total Peavy Family Ownership 26.06%

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First Graham Bancorp, Inc.
Graham, Texas
Fiscal Year Ending December 31, 2018

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

(1)	(2)	(3)(a)	(3)(b)	(3)(c)	(4)(a)	(4)(b)	(4)(c)
Names & Address (City, State, Country)	Principal Occupation if other than with holding company	Title & Position with holding company	Title & Position with Subsidiaries (include names of subsidiaries)	Title & Position with Other Businesses (include names of other businesses)	Percentage of Voting Securities in holding company	(Subs are 100% Owned by FGB) Percentage of Voting Securities in Subsidiaries (include names of subsidiaries) *	List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)

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First Graham Bancorp, Inc.
Graham, Texas
Fiscal Year Ending December 31, 2018

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

(1) **Names & Address (City, State, Country)**	**(2)** **Principal Occupation if other than with holding company**	**(3)(a)** **Title & Position with holding company**	**(3)(b)** **Title & Position with Subsidiaries (include names of subsidiaries)**	**(3)(c)** **Title & Position with Other Businesses (include names of other businesses)**	**(4)(a)** **Percentage of Voting Securities in holding company**	**(4)(b)** **(Subs are 100% Owned by FGB) Percentage of Voting Securities in Subsidiaries (include names of subsidiaries)** *	**(4)(c)** **List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)**
Charles A. Rosebrough, III Graham, TX USA	Rancher,Oil & Gas Producer	Chairman, Pres & Director	Pres- First In Graham Company		7.01%	N/A	
			Pres- First Graham Statutory Trust				
			Chairman- Ciera Bank				
				Pres - Graham Source Corp, Inc.			Graham Source Corp,Inc 50%
				Partner- King Rosebrough Partners, LTD			25% Ltd partnership Int
				Partner- Tarrant Oil & Gas Producers			Tarrant Oil & Gas Producers 42%
				Member- KRP FW 2014, LLC			KRP FW 2014, LLC 75%
				Member- TO&GP,LLC			TO&GP. LLC 25%
				Member- GSGT Aviation, LLC			GSGT Aviation, LLC 50%
				SWD Dexter#1, LLC, Member			100%
				6300 Ridglea O & G, LLC Member			6300 Ridge O & G 25%
Nancy King Rosebrough Graham, TX USA (Wife of Charles)	Homemaker	Principal Securities Holder	N/A	N/A	7.01%	N/A	N/A
4 Jane R. Gilcrease Ft Worth, TX USA (Daughter of C A Rosebrough, III)	Homemaker	Principal Securities Holder	N/A	N/A	3.73%	N/A	N/A

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First Graham Bancorp, Inc.
Graham, Texas
Fiscal Year Ending December 31, 2018

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

(1) Names & Address (City, State, Country)	(2) Principal Occupation if other than with holding company	(3)(a) Title & Position with holding company	(3)(b) Title & Position with Subsidiaries (include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (include names of other businesses)	(4)(a) Percentage of Voting Securities in holding company	(4)(b) (Subs are 100% Owned by FGB) Percentage of Voting Securities in Subsidiaries (include names of subsidiaries) *	(4)(c) List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
5 Mary Rosebrough Ft Worth, TX USA (Daughter of CA Rosebrough, III)	Homemaker	Principal Securities Holder	N/A	N/A	3.73%	N/A	N/A
6 Charles A. Rosebrough, IV. Ft Worth, TX USA (Son of CA Rosebrough, III)	Banker	Principal Securities Holder	VP, Sr Credit Analyst - Ciera Bank	N/A	3.88%	N/A	N/A

4 Includes 7,250 shares held in trust for Mary Rosebrough.
5 Includes 7,250 shares held in trust for Charles A. Rosebrough, IV.
6 Includes 7,250 shares held in trust for Jane Gilcrease.

Total Rosebrough Family Ownership - 25.36%