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, REX G. JOHNSON
Name of the Holding Company Director and Official

SECRETARY/TREASURER & DIRECTOR
Title of the Holding Company Director and Official

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

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

Signature of Holding Company Director and Official

03/28/2019
Date of Signature

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

HODGE BANCSHARES INC
Legal Title of Holding Company

P.O. BOX 1600
(Mailing Address of the Holding Company) Street / P.O. Box

HODGE	LA	71247-1600
City	State	Zip Code

4619 QUITMAN HWY
Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

FRANK E JOHNSON III	VP
Name	Title

318/259-7362
Area Code / Phone Number / Extension

318/259-9505
Area Code / FAX Number

FEJOHNSON@HODGEBANK.NET
E-mail Address

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

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

- [x] is included with the FR Y-6 report
- [ ] will be sent under separate cover
- [ ] is not prepared

For Federal Reserve Bank Use Only

RSSD ID _____
C.I. _____

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.

For Use By Tiered Holding Companies

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

Legal Title of Subsidiary Holding Company

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

City State Zip Code

Physical Location (if different from mailing address)

Legal Title of Subsidiary Holding Company

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

City State Zip Code

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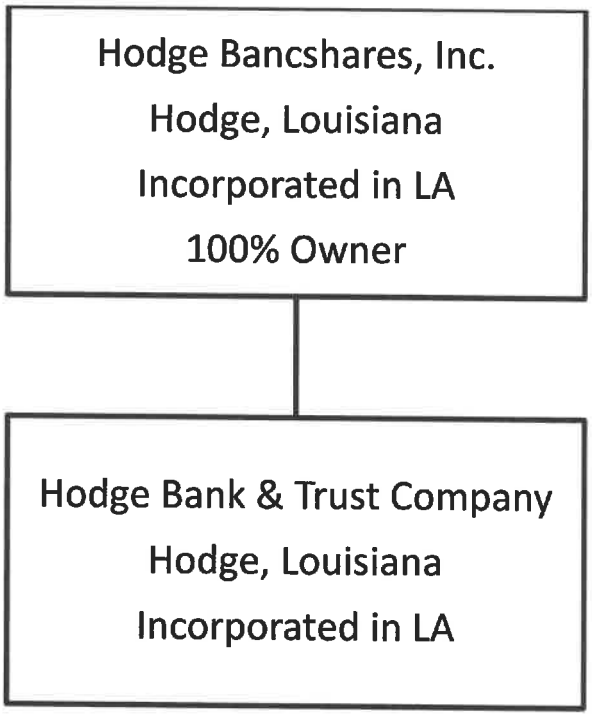
City State Zip Code

Physical Location (if different from mailing address)

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

Report Item

1. The bank holding company prepares an annual report for its securities holders and is not registered with the SEC. As specified by the appropriate Reserve Bank, the annual report will be forwarded when received from our accountants.
2. Organizational Chart



No entity on the organization chart has a LEI.

Form FR Y-6

HODGE BANCSHARES, INC
HODGE, LOUISIANA
Fiscal Year Ending December 31, 2018

Report Item 3: Securities Holders

Current Securities Holders with ownership, control or holdings of 5% or more with power to vote as of fiscal year ending 12-31-20XX				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 12-31-20XX		
(1)(a)	(1)(b)	(1)(c)		(2)(a)	(2)(b)	(2)(c)
Name & Address (City, State, Country)	Country of Citizenship or Incorporation	Number and Percentage of Each Class of Voting Securities		Name & Address (City, State, Country)	Country of Citizenship or Incorporation	Number and Percentage of Each Class of Voting Securities
Frank E. Johnson Quitman, LA, USA	USA	3846 - 28.08% Common Stock		None	N/A	N/A
Rex G. Johnson Quitman, LA, USA	USA	3846 - 28.08% Common Stock				
Frank Henderson Fouke, AR, USA	USA	2308 - 16.85% Common Stock				
Selwyn Kelley Columbus, GA, USA	USA	2222 - 16.22%				

Form FR Y-6

HODGE BANCSHARES, INC
HODGE, LOUISIANA
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**	**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)**
Frank E. Johnson Quitman, LA, USA	N/A	President & Director	Chairman (Hodge Bank & Trust Co.)	N/A	28.08	None	N/A
Rex G. Johnson Quitman, LA, USA	N/A	Secretary/Treasurer & Director	President/CEO (Hodge Bank & Trust Co.)	N/A	28.08	None	N/A
Frank Henderson Fouke, AR, USA	Agriculture Sales	Principal Securities Holder	N/A	N/A	16.85	None	N/A
Selwyn Kelley Columbus, GA, USA	Housewife	Principal Securities Holder	N/A	N/A	16.22	None	N/A

Results: A list of branches for your depository institution: HODGE BANK & TRUST COMPANY (ID_RSSD: 931355).
This depository institution is held by HODGE BANCSHARES, INC. (1130678) of HODGE, LA.
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
OK		Full Service (Head Office)	931355	HODGE BANK & TRUST COMPANY	4619 QUITMAN HIGHWAY	HODGE	LA	71247	JACKSON	UNITED STATES	Not Required	Not Required	HODGE BANK & TRUST

HODGE BANCSHARES, INC.
AND SUBSIDIARY

HODGE, LOUISIANA

DECEMBER 31, 2018 AND 2017

HODGE BANCSHARES, INC. AND SUBSIDIARY

HODGE, LOUISIANA

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HEARD, MCELROY, & VESTAL
LLC
CERTIFIED PUBLIC ACCOUNTANTS

2808 KILPATRICK BOULEVARD
MONROE, LOUISIANA 71201
318-388-3108 PHONE • 318-323-4266 FAX

302 DEPOT STREET, SUITE A
DELHI, LOUISIANA 71232
318-878-5573 PHONE • 318-878-5872 FAX

March 15, 2019

The Audit Committee and Stockholders
Hodge Bancshares, Inc. and Subsidiary
Hodge, Louisiana

Independent Auditor's Report

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

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

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

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

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

Heard McElroy & Vestal, LLC

Monroe, Louisiana

HODGE BANCSHARES, INC.
AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

	DECEMBER 31	
	2018	2017
ASSETS		
Cash and due from banks	$ 2,837,457	$ 2,524,959
Federal funds sold	2,025,000	1,525,000
Interest-bearing deposits with banks	1,846,263	3,046,842
Securities available-for-sale (Note 2)	7,513,978	8,387,638
Securities to be held-to-maturity (Note 2)	2,617,494	2,646,188
Loans (Note 3)	52,666,283	50,270,197
Overdrafts	44,625	281,291
Total loans	52,710,908	50,551,488
Less: Allowance for loan losses (Note 4)	(1,131,368)	(1,031,198)
Net loans	51,579,540	49,520,290
Bank premises and equipment - net (Note 5)	57,671	29,157
Accrued interest receivable	304,891	293,370
Cash surrender value of life insurance (Note 8)	262,075	172,362
Other	143,355	120,364
Total other assets	767,992	615,253
TOTAL ASSETS	$ 69,187,724	$ 68,266,170

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

HODGE BANCSHARES, INC.
AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS - CONTINUED

	DECEMBER 31	
	2018	2017
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits		
Demand - non-interest bearing	$ 10,860,097	$ 10,249,162
Demand - interest bearing	8,638,183	9,333,107
Certificates of deposit - $250,000 and over (Note 6)	5,495,140	5,510,140
Certificates of deposit - other (Note 6)	18,688,610	18,811,005
Savings	10,251,884	10,168,166
	53,933,914	54,071,580
Official checks outstanding	451,928	231,489
Accrued interest payable	61,592	49,070
Other liabilities	46,929	23,880
Accumulated postretirement benefits payable (Note 8)	617,480	682,489
	1,177,929	986,928
TOTAL LIABILITIES	55,111,843	55,058,508
COMMITMENTS AND CONTINGENT LIABILITIES (Note 12)	-	-
STOCKHOLDERS' EQUITY		
Common stock		
$1 par value, 1,000,000 shares authorized, 13,697 shares issued - 2018 and 2017	13,697	13,697
Capital surplus	565,902	565,902
Retained earnings	13,647,842	12,746,935
Accumulated other comprehensive income (loss)	(151,560)	(118,872)
TOTAL STOCKHOLDERS' EQUITY	14,075,881	13,207,662
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 69,187,724	$ 68,266,170

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

HODGE BANCSHARES, INC.
AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME

	YEAR ENDED DECEMBER 31	
	2018	2017
INTEREST INCOME		
Interest and fees on loans	$ 3,500,034	$ 3,274,117
Interest on investment securities		
Taxable	137,490	122,229
Tax-exempt	42,931	43,959
Interest on deposits in banks	37,293	31,051
Interest on federal funds sold	31,228	21,802
	3,748,976	3,493,158
INTEREST EXPENSE		
Interest on deposits	248,035	195,049
	248,035	195,049
NET INTEREST INCOME	3,500,941	3,298,109
PROVISION FOR LOAN LOSSES (Note 4)	158,000	440,000
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	3,342,941	2,858,109
OTHER INCOME		
Net gain on sales of other assets	-	2,569
Service fees and late charges	264,005	264,953
Collection, exchange and safe deposit rental	9,995	10,797
Miscellaneous income	131,700	101,255
	405,700	379,574
OTHER EXPENSES (Note 13)		
Personnel	1,009,427	1,099,695
Occupancy	90,126	99,957
Furniture and equipment	115,652	106,040
Other	382,678	394,576
	1,597,883	1,700,268
NET INCOME	$ 2,150,758	$ 1,537,415

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

HODGE BANCSHARES, INC.
AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	YEAR ENDED DECEMBER 31	
	2018	2017
Net income	$ 2,150,758	$ 1,537,415
Other comprehensive income		
Unrealized holding gain (loss) arising during period	(32,688)	(16,595)
Less - reclassification adjustment for gains realized in net income	-	-
Other comprehensive income (loss)	(32,688)	(16,595)
Comprehensive income	$ 2,118,070	$ 1,520,820

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

HODGE BANCSHARES, INC.
AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE TWO YEARS ENDED DECEMBER 31, 2018

	TOTAL	COMMON STOCK	CAPITAL SURPLUS
BALANCE - December 31, 2016	$ 12,789,587	$ 13,697	$ 565,902
Net income	1,537,415	-	-
Other comprehensive income (loss)	(16,595)	-	-
Dividends declared	(1,102,745)	-	-
BALANCE - December 31, 2017	13,207,662	13,697	565,902
Net income	2,150,758	-	-
Other comprehensive income (loss)	(32,688)	-	-
Dividends declared	(1,249,851)	-	-
BALANCE - December 31, 2018	$ 14,075,881	$ 13,697	$ 565,902

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

RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)
$ 12,312,265	$ (102,277)
1,537,415	-
-	(16,595)
(1,102,745)	-
12,746,935	(118,872)
2,150,758	-
-	(32,688)
(1,249,851)	-
$ 13,647,842	$ (151,560)

HODGE BANCSHARES, INC.
AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 31 2018	2017
OPERATING ACTIVITIES		
Interest received	$ 3,764,410	$ 3,558,206
Fees and commissions received	405,700	377,005
Interest paid	(235,513)	(180,745)
Cash paid to suppliers and employees	(1,636,464)	(1,770,896)
Income taxes paid	-	-
Net cash provided by operating activities	2,298,133	1,983,570
INVESTING ACTIVITIES		
Net change in federal funds sold	(500,000)	500,000
Activity in available-for-sale securities:		
Maturities, prepayments and calls	814,017	2,484,750
Purchases	-	(2,979,976)
Activity in held-to-maturity securities:		
Maturities, prepayments and calls	28,694	600,000
Net change in interest bearing deposits with banks	1,200,579	226,768
Loan originations and principal collections, net	(2,217,250)	(2,958,976)
Purchases of property and equipment	(31,893)	-
Proceeds from sale of other assets	-	8,287
Net (increase) decrease in other assets	(112,704)	10,695
Net cash (used in) investing activities	(818,557)	(2,108,452)
FINANCING ACTIVITIES		
Net increase (decrease) in demand deposits, NOW accounts and savings accounts	(271)	1,689,143
Net increase (decrease) in bank checks outstanding	220,439	(1,137,367)
Net increase (decrease) in certificates of deposit	(137,395)	457,300
Dividends paid	(1,249,851)	(1,102,745)
Net cash (used in) financing activities	(1,167,078)	(93,669)
NET INCREASE (DECREASE) IN CASH AND DUE FROM BANKS	312,498	(218,551)
CASH AND DUE FROM BANKS AT BEGINNING OF YEAR	2,524,959	2,743,510
CASH AND DUE FROM BANKS AT END OF YEAR	$ 2,837,457	$ 2,524,959

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

HODGE BANCSHARES, INC.
AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED

	YEAR ENDED DECEMBER 31	
	2018	2017
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net income	$ 2,150,758	$ 1,537,415
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on sale of other assets	-	(2,569)
Amortization/accretion of investment premium premium (discounts)	26,955	48,920
Depreciation	3,379	4,282
Postretirement benefits payments in excess of expense	(65,009)	(86,388)
Provision for loan losses	158,000	440,000
(Increase) decrease in:		
Accrued interest receivable	(11,521)	16,128
Increase (decrease) in:		
Accrued interest payable	12,522	14,304
Accrued expenses	23,049	11,478
Net cash provided by operating activities	$ 2,298,133	$ 1,983,570

DISCLOSURE OF ACCOUNTING POLICY

For the purpose of presentation in the Statements of Consolidated Cash Flows, cash and cash equivalents are defined as those amounts included in the balance sheet caption "Cash and due from banks."

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

HODGE BANCSHARES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation - The consolidated financial statements include the accounts of Hodge Bancshares, Inc. (the Company) and its wholly owned subsidiary, Hodge Bank and Trust Company (the Bank). All significant intercompany transactions and balances have been eliminated in consolidation.

Nature of Operations - Hodge Bancshares, Inc. (the Company) was organized in 1984 by certain officers and directors of Hodge Bank and Trust Company (the Bank) for the purpose of acquiring controlling interest in the Bank. On January 29, 1985, certain stockholders of the Bank exchanged 13,870 shares of Bank stock with a par value of $10 per share for 13,870 shares of Hodge Bancshares, Inc. stock with a par value of $1 per share and the assumption of debt of $48.66 per share of stock. Hodge Bancshares, Inc. purchased additional shares so that at December 31, 1985, it owned 89.536% of the Bank's stock. On October 18, 1999, the Company acquired the remaining shares of the Bank's stock, so that it currently owns 100% of the Bank's stock.

The Bank generates commercial mortgage and consumer loans and receives deposits from customers located primarily in Hodge, Louisiana and the surrounding areas. The Bank operates under a state bank charter and provides full banking services. As a state bank, the Bank is subject to regulation by the Louisiana State Office of Financial Institutions and the Federal Deposit Insurance Corporation.

The Bank is subject to competition from other financial institutions, and is also subject to the regulations of certain federal and state agencies and undergoes periodic examinations by those regulatory authorities.

The accounting and reporting policies of Hodge Bancshares, Inc. and Subsidiary conform to accounting principles generally accepted in the United States of America and general practices within the banking industry. The following is a description of the more significant of those policies.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for losses on loans, fair value of certain financial instruments, and the valuation of real estate acquired in connection with foreclosures in satisfaction of loans. In connection with the determination of the estimated losses on loans, management obtains independent appraisals for significant collateral.

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

While management uses available information to recognize losses on loans, future additions to the allowances may be necessary based on changes in local economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowances for losses on loans and foreclosed real estate. Such agencies may require the Bank to recognize additions to the allowances based on their judgments about information available to them at the time of their examination. Because of these factors, it is reasonably possible that the allowances for losses on loans and foreclosed real estate may change materially in the future. However, the amount of the change that is reasonably possible cannot be estimated.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Interest-Bearing Deposits in Banks - Interest-bearing deposits in banks mature in one to three years and are carried at cost.

Investment Securities – Securities are classified as held to maturity, available for sale, or trading. Management determines the appropriate classification of securities at the time of purchase. If management has the positive intent and ability to hold securities until maturity, then they are classified as held to maturity and carried at cost, adjusted for amortization of premiums and accretion of discounts which are recognized in interest income using the effective interest method over the period to maturity.

Debt securities not classified as held-to-maturity are classified as securities available for sale and carried at fair value with the unrealized gains and losses reported as a component of other comprehensive income, net of tax. Realized gains and 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 available for sale are determined using the specific-identification method. Securities held for resale in anticipation of short-term market movements are classified as trading and carried at fair value, with changes in unrealized holding gains and losses included in earnings. The Bank currently has no securities classified as trading.

The Bank reviews securities for impairment on at least an annual basis and more frequently when economic or market conditions warrant such an evaluation. Declines in the fair value of held-to-maturity and available for sale securities below their cost that are deemed to be other-than-temporary are reflected in earnings as realized losses to the extent the impairment is related to credit losses. The amount of impairment related to other factors is recognized in other comprehensive income. In estimating other-than-temporary impairment losses, management considers, among other things, the length of time and the extent to which the fair value has been less than cost, the financial condition and the near-term prospects of the issuer, and the intent and ability of the Bank to hold the security for a period of time sufficient to allow for any anticipated recovery in fair value. There were no impairment losses reported for the years ended December 31, 2018 and 2017.

Loans – Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off generally are reported at their outstanding unpaid principal balances adjusted for charge-offs and the allowance for loan losses. Interest income is accrued on the unpaid principal balance. Loan origination fees and those certain direct origination costs are recognized currently, and are not capitalized and amortized as the effect to income each year is deemed immaterial.

The accrual of interest on loans is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Past due status is based upon contractual terms of the loan. However, loans may be placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Allowance for Loan Losses - The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to income. 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 allowance for loan losses is maintained at a level management believes to be adequate to absorb probable loan losses. Management's periodic evaluation of the adequacy of the allowance for loan losses is based on estimated credit losses for specifically identified loans as well as estimated probable credit losses inherent in the remainder of the loan portfolio. Management considers a number of factors in estimating probable credit losses inherent in the loan portfolio, including historical loan loss experience for various types of loans, composition of the loan portfolio, past due trends in the loan portfolio, current trends, current economic conditions, industry exposure, and allowance allocation percentages for various grades of loans. These grades are assigned to loans based on internal and external loan reviews, loan risk, loan performance, the estimated value of underlying collateral, evaluation of a borrower's financial condition, and other factors considered relevant in grading loans.

The allowance consists of specific, general, and unallocated components. The specific component relates to loans that are classified by management as either doubtful, substandard or special mention. For such loans that are also classified as impaired, an allowance is established when the 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. The unallocated component reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest 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. Groups of loans with similar risk characteristics are collectively evaluated for impairment based on the group's historical loss experience adjusted for changes in trends, economic conditions, and other relevant factors that affect repayment of the loans.

Management's evaluation of the allowance for loan losses is inherently subjective as it requires material estimates. The actual amounts of loan losses realized in the near term could differ from the amounts estimated in arriving at the allowance for loan losses reported in the financial statements.

Bank Premises and Equipment - Land is carried at cost. Other premises and equipment are stated at cost less accumulated depreciation computed principally by the straight-line method for financial reporting purposes and accelerated methods for income tax purposes. Maintenance and repairs are expensed as incurred while major additions and improvements are capitalized. When premises, automobiles and equipment are retired or otherwise disposed of, the cost of the assets and related accumulated depreciation are removed from the accounts and the resulting gains or losses are recognized.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Other Real Estate – Real estate properties acquired through or in lieu of loan foreclosure are initially recorded at the asset's fair value less estimated selling costs at the date of foreclosure. Reductions in the balance at the date of acquisition are charged to the allowance for loan losses. Any subsequent write-downs to reflect current fair value are charged to noninterest expense. After foreclosure, valuations are periodically performed by management and property held for sale is carried at the lower of the new cost basis or fair value. The Bank had no other real estate, and there were no allowances for possible write-downs in the value of other real estate owned at December 31, 2018 or 2017, respectively.

Advertising Costs - Advertising costs are expensed as incurred. Advertising costs totaled $10,618 and $11,390 for the years ended December 31, 2018 and 2017, respectively.

Income Taxes - Hodge Bank and Trust Company and Hodge Bancshares, Inc. file a consolidated federal income tax return. Hodge Bancshares, Inc. elected S Corporation status and Hodge Bank and Trust Company elected to be treated as a Qualified S Corporation subsidiary effective January 1, 2000. In lieu of corporation income taxes, the stockholders are taxed on their proportionate share of the Company's taxable income. As such, no provision for income taxes has been recorded by the Company. However, the Company is required to review various tax positions it has taken with respect to the continued applicability of its tax status as an S corporation, and whether it is appropriately filing tax returns for all jurisdictions for which it has nexus. The Company does not expect its positions to change significantly over the next twelve months. Any penalties related to late filing or other requirements would be recognized as penalties expense in the Company's accounting records.

The Company files U.S. federal and Louisiana state income tax returns. The Company's federal and state income tax returns for the tax years 2015 and beyond remain subject to examination by the Internal Revenue Service and La. Department of Revenue.

Compensated Absences - Employees of the Bank are entitled to paid vacations, sick days and other time off depending on job classification, length of service and other factors. The Bank does not accumulate vacation or sick time. The estimate for the amount of compensation for future absences was immaterial and, accordingly, no liability has been recorded in the accompanying financial statements. The Bank's policy is to recognize the costs of compensated absences when paid to employees.

Troubled Debt Restructurings - In situations where, for economic or legal reasons related to a borrower's financial difficulties, the Bank grants a concession for other than an insignificant period of time to the borrower that the Bank would not otherwise consider, the related loan is classified as a troubled debt restructuring (TDR). The Bank strives to identify borrowers in financial difficulty early and work with them to modify to more affordable terms before their loan reaches nonaccrual status. These modified terms may include rate reductions, principal forgiveness, payment forbearance, and other actions intended to minimize the economic loss and to avoid foreclosure or repossession of the collateral. In cases where the Bank grants the borrower new terms that provide for a reduction of either interest or principal, the Bank measures any impairment on the restructuring as previously noted for impaired loans.

HODGE BANCSHARES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

Comprehensive Income – Accounting policies generally require that recognized revenue, expenses, gains and losses be included in net income. Certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the stockholders' equity section of the balance sheet. Such items, along with net income, are components of comprehensive income.

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

The provisions within this Update require an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument- specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option. This amendment excludes from net income gains or losses that the entity may not realize because those financial liabilities are not usually transferred or settled at their fair values before maturity. The amendments in this Update require separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (that is, securities or loans and receivables) on the balance sheet or in the accompanying notes to the financial statements.

The amendments in **ASU 2016-01** are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company has elected to early adopt the provision that allows the Company not to disclose the fair value of financial instruments in accordance with guidance in ASC 825. The adoption of the remaining provisions is not expected to have a material impact on the Company's consolidated financial statements.

In June 2016, the FASB issued **Accounting Standards Update ("ASU) No. 2016-13**, Financial Instruments – Credit Losses (Topic 326): *Measurements of Credit Losses on Financial Instruments*. Under current U.S. GAAP, companies generally recognize credit losses when it is probable that the loss has been incurred. The amendments in the ASU replace the incurred loss model for recognition of credit losses with a methodology that reflects expected credit losses over the life of the loan and requires consideration based on historical experience, current conditions, and reasonable and supportable forecasts. The new standard also requires enhanced disclosures related to the significant estimates and judgements used in estimating credit losses, as well as the credit quality and underwriting standards of an organization's portfolio. In addition, **ASU 2016-13** amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration.

HODGE BANCSHARES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

ASU-2016-13 will be effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. The Bank is currently evaluating the potential impact of **ASU 2016-13** on its financial statements.

In March 2017, the FASB issued **Accounting Standards Update ("ASU") No. 2017-08**, *Receivables-Nonrefundable Fees and Other Costs* (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities. This standard amends the amortization period for certain purchased callable debt securities held at a premium. In particular, this amendment requires the premium to be amortized to the earliest call date. The amendments do not, however, require an accounting change for securities held at a discount; instead, the discount continues to be amortized to maturity. Notably, the amendments in this ASU more closely align the amortization period of premiums and discounts to expectations incorporated in market pricing of the underlying securities. Securities within the scope of **ASU 2017-08** are purchased debt securities that have explicit, non-contingent call features that are callable at fixed prices and on present dates. The amendments of ASU **2017-08** become effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2019. The institution is currently evaluating the potential impact of **ASU 2017-08** on its financial statements; however, the adoption is not expected to have a material impact on the institution's financial statements.

NOTE 2 - INVESTMENT SECURITIES

The carrying amounts (amortized cost) of investments securities and their approximate fair values are as follows:

Securities available for sale December 31, 2018	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Debt securities:				
U. S. Government agency securities	$ 6,980,408	$ -	$ 162,239	$ 6,818,169
Mortgage backed securities and CMO's	685,130	10,932	253	695,809
	$ 7,665,538	$ 10,932	$ 162,492	$ 7,513,978

Securities to be held to maturity December 31, 2018	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
State and municipal securities	$ 2,617,494	$ 2,609	$ 14,999	$ 2,605,104

HODGE BANCSHARES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 2 - INVESTMENT SECURITIES - CONTINUED

Securities available for sale December 31, 2017	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Debt securities:				
U. S. Government agency securities	$ 7,477,109	$ -	$ 148,031	$ 7,329,078
Mortgage backed securities and CMO's	1,029,401	29,159	-	1,058,560
	$ 8,506,510	$ 29,159	$ 148,031	$ 8,387,638

Securities to be held to maturity December 31, 2017	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
State and municipal securities	$ 2,646,188	$ 2,021	$ 14,505	$ 2,633,704

Securities with carrying amounts of approximately $5,646,237 at December 31, 2018, and $6,469,157 at December 31, 2017, were pledged to secure public deposits and for other purposes required or permitted by law.

The carrying value and estimated market value of investment debt securities available for sale at December 31, 2018, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or repay obligations with or without call or prepayment penalties.

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

	Securities available - for-sale		Securities to be held to maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 2,001,057	$ 1,982,530	$ 1,055,383	$ 1,054,387
Due from one to five years	5,106,977	4,965,471	1,562,111	1,550,717
Due from five to ten years	356,866	360,886	-	-
Due after ten years	200,638	205,091	-	-
	$ 7,665,538	$ 7,513,978	$ 2,617,494	$ 2,605,104

HODGE BANCSHARES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 2 - INVESTMENT SECURITIES - CONTINUED

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 Twelve Months		Over Twelve Months		Total	
December 31, 2018	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Securities available-for-sale						
Debt securities:						
U.S. Government agency securities						
- Notes	$ -	$ -	$ 162,239	$ 6,818,169	$ 162,239	$ 6,818,169
- Mortgage backed securities and pools	-	-	253	116,223	253	116,223
	$ -	$ -	$ 162,492	$ 6,934,392	$ 162,492	$ 6,934,392
Securities to be held to maturity						
State and municipal securities	$ -	$ -	$ 14,999	$ 1,753,851	$ 14,999	$ 1,753,851

	Less Than Twelve Months		Over Twelve Months		Total	
December 31, 2017	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Securities available-for-sale						
Debt securities:						
U.S. Government agency securities						
- Notes	$ 34,612	$ 2,945,869	$ 113,419	$ 4,383,208	$ 148,031	$ 7,329,077
- Mortgage backed securities and pools	-	-	-	-	-	-
	$ 34,612	$ 2,945,869	$ 113,419	$ 4,383,208	$ 148,031	$ 7,329,077
Securities to be held to maturity						
State and municipal securities	$ 6,667	$ 1,900,642	$ 7,838	$ 305,988	$ 14,505	$ 2,206,630

The unrealized losses on the Bank's investment in debt securities were caused by interest rate increases. The Bank expects to recover the amortized cost basis over the term of the securities. Because the decline in market value is attributable to changes in interest rates and not credit quality, and because the Bank does not intend to sell the investments and it is not more likely than not the Bank will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Bank does not consider those investments to be other-than-temporarily impaired at December 31, 2018.

For the years ended December 31, 2018 and 2017, proceeds from sales and redemptions of securities available for sale and held to maturity amounted to $842,711 and $3,084,750, respectively, with no realized gain or loss.

HODGE BANCSHARES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 3 – LOANS

Major classifications of loans at December 31, are as follows:

	2018	2017
Real estate	$ 34,260,753	$ 32,098,622
Consumer	6,937,942	6,276,258
Commercial & Industrial	11,467,588	11,895,317
	$ 52,666,283	$ 50,270,197

Maturity and repricing information on loans outstanding at December 31, 2018 is as follows:

MATURITY/REPRICING DATES

	3 Months or Less	3-12 Months	1-3 Years	3-5 Years	More Than 5 Years	Total
Real Estate						
Fixed rates	$ 8,877,934	$ 13,021,627	$ 6,958,194	$ 3,620,644	$ 900,392	$ 33,378,791
Variable rates	-	881,962	-	-	-	881,962
	8,877,934	13,903,589	6,958,194	3,620,644	900,392	34,260,753
Consumer						
Fixed rates	817,086	1,444,888	2,165,312	1,996,595	503,961	6,927,842
Variable rates	10,100	-	-	-	-	10,100
	827,186	1,444,888	2,165,312	1,996,595	503,961	6,937,942
Commercial						
Fixed rates	3,664,279	3,558,194	2,586,806	805,455	38,088	10,652,822
Variable rates	814,766	-	-	-	-	814,766
	4,479,045	3,558,194	2,586,806	805,455	38,088	11,467,588
TOTALS	$ 14,184,165	$ 18,906,671	$ 11,710,312	$ 6,422,694	$ 1,442,441	$ 52,666,283

The following table details loans individually and collectively evaluated for impairment at December 31, 2018 and 2017:

	2018		
	Loans Evaluated for Impairment		
	Individually	Collectively	Total
Real estate	5,955,264	28,305,489	34,260,753
Commercial and Industrial	1,775,853	9,691,735	11,467,588
Consumer and other	193,050	6,744,892	6,937,942
	7,924,167	44,742,116	52,666,283

	2017		
	Loans Evaluated for Impairment		
	Individually	Collectively	Total
Real estate	4,377,945	27,720,677	32,098,622
Commercial and Industrial	2,056,939	9,838,378	11,895,317
Consumer and other	286,568	5,989,690	6,276,258
	6,721,452	43,548,745	50,270,197

A loan is considered impaired, in accordance with the impairment accounting guidance (ASC 310-10-35-16), when based on current information and events, it is probable the Bank will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan.

NOTE 3 – LOANS - CONTINUED

At December 31, 2018 and 2017, the carrying amount of impaired loans and the related allowance consisted of the following:

	Impaired Loans				
2018	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Real Estate	3,998,590	3,929,483	-	3,702,229	234,589
Commercial and Industrial	1,287,554	1,260,538	-	1,092,556	84,480
Consumer and other	106,828	95,482	-	127,108	4,258
Subtotal	5,392,972	5,285,503	-	4,921,892	323,327
With an allowance recorded:					
Real Estate	2,068,019	2,025,781	289,758	1,506,614	119,860
Commercial and Industrial	521,228	515,315	218,628	827,925	32,573
Consumer and other	138,140	97,568	36,568	155,722	16,493
Subtotal	2,727,387	2,638,664	544,954	2,490,260	168,926
Total:					
Real Estate	6,066,609	5,955,264	289,758	5,208,843	354,449
Commercial and Industrial	1,808,782	1,775,853	218,628	1,920,480	117,053
Consumer and other	244,968	193,050	36,568	282,830	20,751
Total	8,120,359	7,924,167	544,954	7,412,152	492,252

	Impaired Loans				
2017	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Real Estate	3,479,924	3,474,975	-	3,420,888	264,959
Commercial and Industrial	926,361	924,573	-	1,480,391	118,431
Consumer and other	198,530	158,733	-	153,632	17,122
Subtotal	4,604,815	4,558,281	-	5,054,911	400,512
With an allowance recorded:					
Real Estate	945,208	902,970	53,475	682,565	53,838
Commercial and Industrial	1,134,621	1,132,366	421,724	1,080,600	56,851
Consumer and other	173,304	127,835	61,255	183,083	1,998
Subtotal	2,253,133	2,163,171	536,454	1,946,248	112,687
Total:					
Real Estate	4,425,132	4,377,945	53,475	4,103,453	318,796
Commercial and Industrial	2,060,982	2,056,939	421,724	2,560,991	175,283
Consumer and other	371,834	286,568	61,255	336,715	19,120
Total	6,857,948	6,721,452	536,454	7,001,159	513,199

NOTE 3 – LOANS - CONTINUED

Credit Indicators

Loans are categorized into risk categories based on relevant information about the ability of borrowers to service their debt, such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The following definitions are utilized for risk ratings, which are consistent with the definitions used in supervisory guidance:

Special Mention – These loans reveal emerging weaknesses, specifically in repayment of the loan and need to be monitored on a regular basis. These loans have potential areas of concern such as excessive delinquencies, little or no principal reduction during the life of the loan, declining financial condition, or external factors such as negative economic or marketing conditions.

Substandard – These loans are inadequately protected by current net worth or pledged collateral. Credit line has shown inability or severe strain in meeting repayment terms, or no repayment has been experienced on the credit.

Doubtful – These loans contain serious weaknesses, such as inadequate repayment experience or collateral exposure. It is unlikely the Bank will collect all monies owed. A Doubtful classification causes the loan to be placed on non-accrual status.

Loss – These loans are considered uncollectible and their continuance as a Bank asset is unwarranted.

Loans not meeting the above criteria are considered to be pass related loans and are not analyzed individually.

The Bank has not changed its risk categories during the year and it performs quarterly evaluations for its loan risk categories. The Bank considers loans to evaluate for impairment as those that do not fall into the pass category.

The table below illustrates the carrying amount of loans by credit quality indicator at December 31, 2018 and 2017:

2018	Pass	Special Mention	Substandard	Doubtful	Loss	Total
Real Estate:						
Construction & Land Development	3,478,634	-	24,639	-	-	3,503,273
Farmland	1,245,274	-	-	-	-	1,245,274
Closed-End 1-4 Family Residential First Liens	19,041,443	-	842,182	-	-	19,883,625
Closed-End 1-4 Family Residential Junior Liens	935,646	-	31,966	-	-	967,612
Non-Farm, Non Residential	8,660,969	-	-	-	-	8,660,969
Commercial and Industrial	10,952,273	-	515,315	-	-	11,467,588
Consumer and other	6,840,374	-	97,568	-	-	6,937,942
	51,154,612	-	1,511,670	-	-	52,666,283

HODGE BANCSHARES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 3 – LOANS - CONTINUED

2017	Pass	Special Mention	Substandard	Doubtful	Loss	Total
Real Estate:						
Construction & Land Development	3,066,058	-	10,066	-	-	3,076,124
Farmland	1,501,024	-	-	-	-	1,501,024
Closed-End 1-4 Family Residential First Liens	19,811,396	-	860,938	-	-	20,672,334
Closed-End 1-4 Family Residential Junior Liens	909,808	-	31,966	-	-	941,774
Non-Farm, Non Residential	5,907,366	-	-	-	-	5,907,366
Commercial and Industrial	10,762,951	-	1,132,366	-	-	11,895,317
Consumer and other	6,148,423	-	127,835	-	-	6,276,258
	48,107,025	-	2,163,171	-	-	50,270,197

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

	Past Due 30-89 Days	Past Due Over 90 Days and Accruing	Past Due Over 90 Days Non-Accruing	Total Past Due	Current	Total Loans
December 31, 2018						
Real estate	135,253	-	1,104,052	1,239,305	33,021,448	34,260,753
Commercial and Industrial	322,899	-	144,708	467,607	10,999,981	11,467,588
Consumer and other	87,476	-	144,492	231,968	6,705,974	6,937,942
	545,628	-	1,393,252	1,938,880	50,727,403	52,666,283

	Past Due 30-89 Days	Past Due Over 90 Days and Accruing	Past Due Over 90 Days Non-Accruing	Total Past Due	Current	Total Loans
December 31, 2017						
Real estate	850,190	73,833	476,902	1,400,925	30,697,697	32,098,622
Commercial and Industrial	267,880	131,980	60,618	460,478	11,434,839	11,895,317
Consumer and other	89,770	-	154,000	243,770	6,032,488	6,276,258
	1,207,840	205,813	691,520	2,105,173	48,165,024	50,270,197

HODGE BANCSHARES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 4 - ALLOWANCE FOR LOAN LOSSES

Changes in the allowance for loan losses for the year ended December 31, were as follows:

	2018	2017
Balance, beginning of year	$ 1,031,198	$ 1,035,233
Provision for loan losses	158,000	440,000
	1,189,198	1,475,223
Recoveries	84,598	266,242
	1,273,796	1,741,475
Loans charged off	(142,428)	(710,277)
Balance, end of year	$ 1,131,368	$ 1,031,198

The following tables detail the balance in the allowance for loan losses by portfolio segment at December 31, 2018 and 2017:

2018	Balance January 1, 2018	Provision for Loan Losses	Loans Charged Off	Recoveries	Balance December 31, 2018
Real Estate:					
Construction & Land Development	22,530	11,236	(1,607)	109	32,268
Farmland	11,065	(3,472)	-	-	7,593
Closed-End 1-4 Family Residential First Liens	184,152	(11,815)	(25,000)	-	147,337
Closed-End 1-4 Family Residential Junior Liens	23,668	(66)	(13,835)	-	9,767
Non-Farm, Non Residential	32,160	248,396	-	-	280,555
Commercial and Industrial	563,565	(93,287)	(52,523)	43,306	461,061
Individual - Family, Personal, Installment	194,059	7,008	(49,463)	41,183	192,787
	1,031,198	158,000	(142,428)	84,598	1,131,368

2017	Balance January 1, 2017	Provision for Loan Losses	Loans Charged Off	Recoveries	Balance December 31, 2017
Real Estate:					
Construction & Land Development	22,553	(23)	-	-	22,530
Farmland	12,621	(1,556)	-	-	11,065
Closed-End 1-4 Family Residential First Liens	140,859	18,421	(33,946)	58,818	184,152
Closed-End 1-4 Family Residential Junior Liens	17,175	6,493	-	-	23,668
Non-Farm, Non Residential	33,285	(1,125)	-	-	32,160
Commercial and Industrial	595,559	341,601	(511,302)	137,707	563,565
Individual - Family, Personal, Installment	213,182	76,189	(165,029)	69,717	194,059
	1,035,233	440,000	(710,277)	266,242	1,031,198

HODGE BANCSHARES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 4 - ALLOWANCE FOR LOAN LOSSES - CONTINUED

2018	Allowance for Loan Losses Disaggregated by Impairment Method		
	Individually	Collectively	Total
Real Estate:			
Construction & Land Development	11,639	20,629	32,268
Farmland	-	7,593	7,593
Closed-End 1-4 Family Residential First Liens	29,000	118,337	147,337
Closed-End 1-4 Family Residential Junior Liens	3,954	5,813	9,767
Non-Farm, Non Residential	245,165	35,390	280,555
Commercial and Industrial	218,628	242,433	461,061
Individual - Family, Personal, Installment	36,568	156,219	192,787
	544,954	586,414	1,131,368

2017	Allowance for Loan Losses Disaggregated by Impairment Method		
	Individually	Collectively	Total
Real Estate:			
Construction & Land Development	2,000	20,530	22,530
Farmland	-	11,065	11,065
Closed-End 1-4 Family Residential First Liens	34,514	149,638	184,152
Closed-End 1-4 Family Residential Junior Liens	16,961	6,707	23,668
Non-Farm, Non Residential	-	32,160	32,160
Commercial and Industrial	421,724	141,841	563,565
Individual - Family, Personal, Installment	61,255	132,804	194,059
	536,454	494,744	1,031,198

Loans on which the accrual of interest has been discontinued or reduced totaled $1,393,252 and $691,520 at December 31, 2018 and 2017, respectively. Net interest income for 2018 and 2017 would have been higher by approximately $83,000 and $55,000, respectively, had interest been accrued at contractual rates on nonperforming loans. No additional funds are committed to be advanced in connection with impaired loans.

The following table summarizes information relative to loan modifications determined to be troubled debt restructurings. As of December 31, 2018, all the troubled debt restructurings are included in impaired loans.

	2018		
	Number of Contracts	Outanding Recorded Investment Pre-Modification	Post-Modification
Loans secured by real estate:			
- 1-4 family residential	3	317,550	319,534
- Other real estate	2	54,045	54,427
Commercial and Industrial	1	14,909	14,909
	6	386,504	388,870

HODGE BANCSHARES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 5 - BANK PREMISES AND EQUIPMENT

Bank premises and equipment at December 31, consist of the following:

	2018			
	ESTIMATED LIVES	COST	ACCUMULATED DEPRECIATION	NET
Land	-	$ 35,000	$ -	$ 35,000
Building	5 to 40 yrs.	363,703	347,599	16,104
Furniture and equipment	3 to 40 yrs.	352,816	346,249	6,567
		$ 751,519	$ 693,848	$ 57,671

	2017			
	ESTIMATED LIVES	COST	ACCUMULATED DEPRECIATION	NET
Land	-	$ 10,000	$ -	$ 10,000
Building	5 to 40 yrs.	363,703	346,311	17,392
Furniture and equipment	3 to 40 yrs.	345,922	344,157	1,765
		$ 719,625	$ 690,468	$ 29,157

Depreciation expense charged to operations totaled $3,379 and $4,282 in 2018 and 2017, respectively.

NOTE 6 – TIME DEPOSITS

At December 31, 2018, the scheduled maturities of Certificates of Deposit and IRAs are as follows:

2019	21,002,121
2020	3,004,290
2021	111,483
2022	27,310
2023	38,546
	24,183,750

NOTE 7 - PROFIT-SHARING PLAN

The Bank has established a profit-sharing plan (the Plan) which covers substantially all employees with at least one year of service. The Plan is a defined contribution plan based on profits of the Bank. Contributions to the Plan were $83,067 during 2018 and $83,108 during 2017.

HODGE BANCSHARES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 8 - DEFERRED COMPENSATION PLAN

In 1986, the Bank adopted a deferred compensation plan for some directors who choose to participate in the plan. The plan is a non-qualified plan for tax purposes. The benefits are unfunded and non-assignable.

Although not required to do so, the Bank has purchased life insurance contracts on the participants of the plan at a cost of $21,030 and $27,210 in 2018 and 2017, respectively. The participants have no interest in the policies, the proceeds of which are subject to the claims of general creditors. In 2018 and 2017, a portion of the cost of the life insurance contracts was paid from accumulated cash value of the policies.

The Bank has recognized the accumulated post-retirement benefit obligation relative to the deferred compensation plan as well as the cash surrender value of the life insurance available to fund this obligation.

At December 31, 2018, the present value of the obligation was $617,480 and the cash surrender value of insurance was $262,075. At December 31, 2017, the present value of the obligation was $682,489 and the cash surrender value of insurance was $172,362. Benefits paid under the plan totaled $137,158 and $142,468 for the years ended December 31, 2018 and 2017, respectively.

NOTE 9 - RELATED PARTIES

The Bank has entered into transactions with its directors, significant stockholders and their affiliates (Related Parties). Such transactions were made in the ordinary course of business on substantially the same terms and conditions, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other customers, and did not, in the opinion of management, involve more than normal credit risk or present other unfavorable features. The aggregate amount of loans to such related parties at December 31, 2018 and 2017, was $2,415,720 and $2,842,537, respectively. During 2018, new loans to such related parties totaled approximately $143,580 and repayments totaled approximately $570,397.

NOTE 10 - CONCENTRATIONS OF CREDIT RISK

The Bank's loans and commitments have been granted primarily to customers in the Bank's market area, most of which are depositors of the Bank. The concentrations of credit by type of loan are set forth in Note 3. To reduce the credit risk related to these loans, the Bank may deem it necessary to obtain collateral. The amount and nature of the collateral obtained is based on the Bank's credit evaluation of the customer. Collateral held varies but may include deposits, accounts receivable, inventory, property, plant and equipment and real estate.

Additionally, at times, the Bank maintains deposits in federally insured financial institutions in excess of federally insured limits. Management monitors the soundness of these financial institutions and feels the Bank's risk is negligible.

NOTE 11- BORROWINGS

Effective May 14, 2018, the Bank has the ability to borrow funds under a Federal Funds Master Purchase Agreement. The agreement with First National Banker's Bank includes a $4,300,000 unsecured federal funds line, and this line matures June 30, 2019. Borrowings under this line, including the rates and maturities for such borrowings, are at the sole discretion of the issuing bank and depend upon the availability of funds. Outstanding borrowings under this federal funds line were $-0- at December 31, 2018.

NOTE 12 - OFF–BALANCE SHEET ACTIVITIES

The Bank is party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. Those instruments involve, to varying degrees, elements of credit and interest-rate risk in excess of the amount recognized in the statement of financial condition. The contract or notional amounts of these instruments reflect the extent of the Bank's involvement in particular classes of financial instruments.

The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit and standby letters of credit is represented by the contractual notional amount of these instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments. Unless noted otherwise, the Bank does not require collateral or other security to support financial instruments with credit risk.

COMMITMENTS TO EXTEND CREDIT

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

Commitments to extend credit are agreements to lend to a customer as long as there is not violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the counterparty.

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. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Bank has not incurred any losses on its commitments in either 2018 or 2017.

At December 31, 2018 and 2017, the following financial instruments were outstanding whose contract amounts represent credit risk:

	2018	2017
Commitments to extend credit secured by real estate	$ 1,824,355	$ 1,385,604
Other commitments to extend credit	$ 575,436	$ 492,982
Standby letters of credit	$ 29,756	$ 29,756

HODGE BANCSHARES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 13 – ANALYSIS OF OTHER EXPENSES

The following is a breakdown of other expenses:

	YEAR ENDED DECEMBER 31	
	2018	2017
PERSONNEL		
Salaries and other compensation	$ 749,338	$ 784,264
Payroll taxes	54,833	57,249
Insurance and benefits	205,256	258,182
	$ 1,009,427	$ 1,099,695
OCCUPANCY		
Depreciation - building	$ 1,288	$ 1,288
Real estate taxes	66,880	68,846
Utilities	9,230	10,410
Repairs and maintenance	12,728	19,413
	$ 90,126	$ 99,957
FURNITURE AND EQUIPMENT		
Depreciation	$ 2,091	$ 2,994
Equipment rental	-	733
Service contracts	17,918	18,535
Data processing expense	93,683	80,531
Repairs and maintenance	1,707	2,495
Auto	253	752
	$ 115,652	$ 106,040
OTHER		
Advertising	$ 10,618	$ 11,390
ATM Interchange and online banking fees	75,361	72,598
Charitable contributions	7,274	7,080
Correspondent bank fees	11,603	11,624
Courier service	1,068	497
Credit reports	7,055	6,277
Deferred compensation	21,030	27,210
Directors fees	24,800	25,200
Dues and subscriptions	6,386	6,944
FDIC assessment	37,932	37,771
Insurance and bonds	22,350	23,214
Legal and professional fees	78,270	82,670
Losses and recoveries	2	6
Miscellaneous	19,480	20,524
Other real estate expense	-	315
Postage	21,151	22,789
Stationery and supplies	27,798	27,212
Telephone	8,456	9,330
Cash short	2,044	1,925
	$ 382,678	$ 394,576

HODGE BANCSHARES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 14 - REGULATORY MATTERS

The Bank is subject to various regulatory capital requirements administered by the federal 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, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities and certain off - balance - sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company and its subsidiary bank to maintain minimum amounts and ratios (set forth in the table below) of Total, Tier 1 and Common Equity /Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), and tangible and core capital (as defined) to tangible assets (as defined). Management believes that as of December 31, 2018, the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2018, the most recent notification from the Federal Deposit Insurance Corporation categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized the Bank must maintain minimum Total risk-based, Tier I risk-based, Common Equity/ Tier 1 risk-based and Tier I leverage ratios as set forth in the following table. There are no conditions or events since that notification that management believes have changed the institution's category.

The Bank's actual and required capital amounts and ratios are as follows:

	Actual		For Capital Adequacy Purposes:		To Be Well Capitalized Under Prompt Corrective Action Provisions:	
	Amount (000's)	Ratio	Amount (000's)	Ratio	Amount (000's)	Ratio
As of December 31, 2018:						
Total Capital Ratio (to Risk-Weighted Assets)	$13,445	29.3%	≥$3,677	≥8.0%	≥$4,596	≥10.0%
Tier I Capital Ratio (to Risk-Weighted Assets)	$12,864	28.0%	≥$2,758	≥6.0%	≥$3,677	≥8.0%
Common Equity/Tier 1 Capital Ratio (to Risk-Weighted Assets)	$12,864	28.0%	≥$2,068	≥4.5%	≥$2,988	≥6.5%
Leverage Capital Ratio (to Average Assets)	$12,864	18.6%	≥$2,076	≥4.0%	≥$3,460	≥5.0%

HODGE BANCSHARES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 14 - REGULATORY MATTERS – CONTINUED

	Actual		For Capital Adequacy Purposes:		To Be Well Capitalized Under Prompt Corrective Action Provisions:	
	Amount (000's)	Ratio	Amount (000's)	Ratio	Amount (000's)	Ratio
As of December 31, 2017:						
Total Capital Ratio (to Risk-Weighted Assets)	$12,533	28.8%	≥$3,482	≥8.0%	≥$4,352	≥10.0%
Tier I Capital Ratio (to Risk-Weighted Assets)	$11,983	27.5%	≥$2,611	≥6.0%	≥$3,482	≥8.0%
Common Equity/Tier 1 Capital Ratio (to Risk-Weighted Assets)	$11,983	27.5%	≥$1,959	≥4.5%	≥$2,829	≥6.5%
Leverage Capital Ratio (to Average Assets)	$11,983	17.5%	≥$2,056	≥4.0%	≥$3,427	≥5.0%

NOTE 15 – FAIR VALUE MEASUREMENTS

Fair value measurements are used to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with **FASB ASC 820,** "*Fair Value Measurement and Disclosures*," the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

The fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

Fair Value Hierarchy - In accordance with this guidance, financial assets and financial liabilities, generally measured at fair value, are grouped in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

NOTE 15 – FAIR VALUE MEASUREMENTS - CONTINUED

Level 1 – Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuation is based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 – Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

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

	Level 1	Level 2	Level 3	Total
December 31, 2018				
Available-for-sale securities	$ -	$ 7,513,978	$ -	$ 7,513,978
December 31, 2017				
Available-for-sale securities	$ -	$ 8,387,638	$ -	$ 8,387,638

NOTE 16 - SUBSEQUENT EVENTS

The Company has evaluated events and transactions that occurred after the balance sheet date through March 15, 2019, the date for which the financial statements were available for distribution, for potential recognition and disclosure. No subsequent events requiring potential recognition or disclosure were noted.

OTHER FINANCIAL INFORMATION

HEARD, MCELROY, & VESTAL
LLC
CERTIFIED PUBLIC ACCOUNTANTS

2808 KILPATRICK BOULEVARD
MONROE, LOUISIANA 71201
318-388-3108 PHONE • 318-323-4266 FAX

302 DEPOT STREET, SUITE A
DELHI, LOUISIANA 71232
318-878-5573 PHONE • 318-878-5872 FAX

March 15, 2019

The Audit Committee and Stockholders
Hodge Bancshares, Inc. and Subsidiary
Hodge, Louisiana

Independent Auditor's Report on Other Financial Information

We have audited the consolidated financial statements of Hodge Bancshares, Inc. and Subsidiary as of and for the years ended December 31, 2018 and 2017, and have issued our report thereon dated March 15, 2019, which contained an unmodified opinion on the consolidated financial statements as a whole on page 1. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information on Pages 31 through 32 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Heard, McElroy & Vestal, LLC

Monroe, Louisiana

HODGE BANCSHARES, INC. AND SUBSIDIARY

DETAILS OF CONSOLIDATED BALANCE SHEET

DECEMBER 31, 2018

	Hodge Bancshares, Inc.	Hodge Bank and Trust Company	Eliminations DR (CR)	Consolidated
ASSETS				
Cash and due from banks	$ 18,414	$ 2,837,457	$ (18,414)	$ 2,837,457
Federal funds sold	-	2,025,000	-	2,025,000
Interest-bearing deposits with banks	1,345,000	1,846,263	(1,345,000)	1,846,263
Securities available-for-sale	-	7,513,978	-	7,513,978
Securities to be held-to-maturity	-	2,617,494		2,617,494
Investment in Subsidiary	12,712,467	-	(12,712,467)	-
Loans	-	52,666,283	-	52,666,283
Overdrafts	-	44,625	-	44,625
Total loans	-	52,710,908	-	52,710,908
Less: Allowance for loan losses	-	(1,131,368)	-	(1,131,368)
Net loans		51,579,540	-	51,579,540
Bank premises and equipment - net	-	57,671	-	57,671
Accrued interest receivable	-	304,891	-	304,891
Cash surrender value of life insurance	-	262,075	-	262,075
Other	-	143,355	-	143,355
Total other assets	-	767,992	-	767,992
TOTAL ASSETS	$ 14,075,881	$ 69,187,724	$ (14,075,881)	$ 69,187,724
LIABILITIES AND STOCKHOLDERS' EQUITY				
LIABILITIES				
Deposits				
Demand - non-interest bearing	$ -	$ 10,871,429	$ 11,332	$ 10,860,097
Demand - interest bearing	-	8,645,265	7,082	8,638,183
Certificates of deposit - $250,000 and over	-	5,840,140	345,000	5,495,140
Certificates of deposit - other	-	19,688,610	1,000,000	18,688,610
Savings	-	10,251,884	-	10,251,884
		55,297,328	1,363,414	53,933,914
Official checks outstanding	-	451,928	-	451,928
Accrued interest payable	-	61,592	-	61,592
Other liabilities	-	46,929	-	46,929
Accumulated postretirement benefits payable	-	617,480	-	617,480
	-	1,177,929	-	1,177,929
TOTAL LIABILITIES	-	56,475,257	1,363,414	55,111,843
COMMITMENTS AND CONTINGENT LIABILITIES	-	-	-	-
STOCKHOLDERS' EQUITY				
Common stock	13,697	156,250	156,250	13,697
Capital surplus	565,902	6,843,750	6,843,750	565,902
Retained earnings	13,647,842	5,864,027	5,864,027	13,647,842
Accumulated other comprehensive income (loss)	(151,560)	(151,560)	(151,560)	(151,560)
TOTAL STOCKHOLDERS' EQUITY	14,075,881	12,712,467	12,712,467	14,075,881
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 14,075,881	$ 69,187,724	$ 14,075,881	$ 69,187,724

See auditors' report on other financial information.

HODGE BANCSHARES, INC. AND SUBSIDIARY

DETAILS OF CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2018

	Hodge Bancshares, Inc.	Hodge Bank and Trust Company	Eliminations DR (CR)	Consolidated
INTEREST INCOME				
Interest and fees on loans	$ -	$ 3,500,034	$ -	$ 3,500,034
Interest on investment securities				
Taxable	-	137,490	-	137,490
Tax-exempt	-	42,931	-	42,931
Interest on deposits in banks	13,009	37,293	13,009	37,293
Interest on federal funds sold	-	31,228	-	31,228
	13,009	3,748,976	13,009	3,748,976
INTEREST EXPENSE		-		-
Interest on deposits	-	261,044	(13,009)	248,035
NET INTEREST INCOME	13,009	3,487,932	-	3,500,941
PROVISION FOR LOAN LOSSES	-	158,000	-	158,000
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	13,009	3,329,932	-	3,342,941
OTHER INCOME				
Service fees and late charges	-	264,005	-	264,005
Collection, exchange and safe deposit rental	-	9,995	-	9,995
Miscellaneous income	-	131,700	-	131,700
	-	405,700		405,700
OTHER EXPENSES				
Personnel	-	1,009,427	-	1,009,427
Occupancy	-	90,126	-	90,126
Furniture and equipment	-	115,652	-	115,652
Other	3,964	378,714	-	382,678
	3,964	1,593,919	-	1,597,883
INCOME BEFORE EQUITY IN EARNINGS OF SUBSIDIARY	9,045	2,141,713	-	2,150,758
EQUITY IN EARNINGS OF SUBSIDIARY	2,141,713	-	2,141,713	-
NET INCOME	$ 2,150,758	$ 2,141,713	$ 2,141,713	$ 2,150,758

See auditors' report on other financial information.