

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, James E. Lindemann
 Name of the Holding Company Director and Official
Chairman of the Board
 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.

James E. Lindemann
 Signature of Holding Company Director and Official
 02/28/2019
 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

Industry Bancshares, Inc.
 Legal Title of Holding Company
P O Box 87
 (Mailing Address of the Holding Company) Street / P.O. Box

Industry	TX	78944
City	State	Zip Code

7910 Ernst Parkway
 Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:
James Doak Hartley President
 Name Title
979 357 1903
 Area Code / Phone Number / Extension
979 357 4736
 Area Code / FAX Number
bschulz@isbtx.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? No Yes

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

1. a letter justifying this request is being provided along with the report

2. a letter justifying this request has been provided separately ...

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

For Use By Tiered Holding Companies

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

Legal Title of Subsidiary Holding Company

(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

Physical Location (if different from mailing address)

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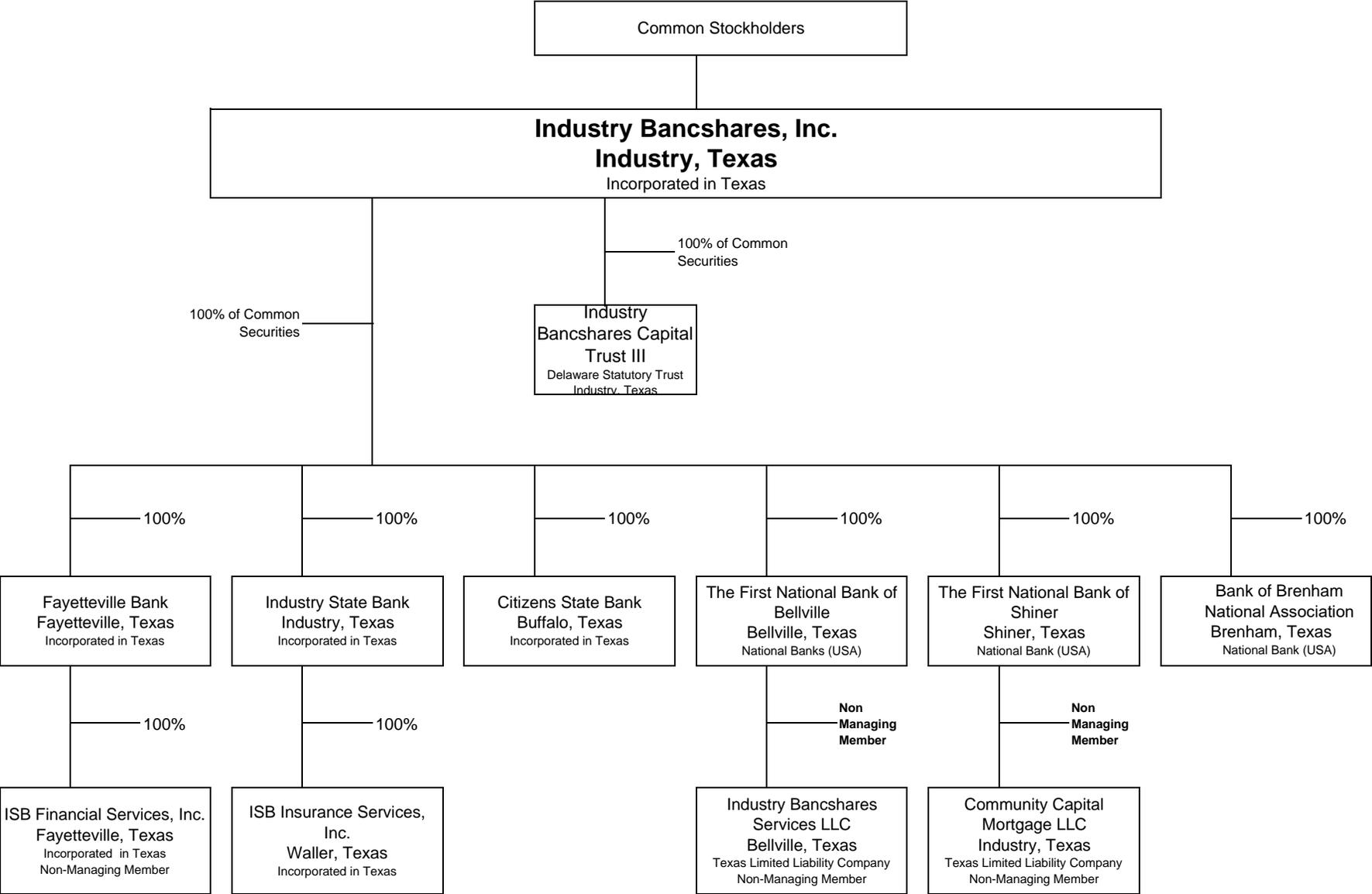
Legal Title of Subsidiary Holding Company

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

City State Zip Code

Physical Location (if different from mailing address)

**Industry Bancshares, Inc.
Organizational Chart**



No legal entity identifier(LEI) for the above

Form FR Y-6
Industry Bancshares, Inc.
 Industry, TX
 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 12-31-2018			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 & Address (City, State, Country)	(1)(b) Country of Citizenship or Incorporation	(1)(c) Number and Percentage of Each Class of Voting Securities	(2)(a) Name & Address (City, State, Country)	(2)(b) Country of Citizenship or Incorporation	(2)(c) Number and Percentage of Each Class of Voting Securities
N/A	N/A	N/A	N/A	N/A	N/A

Form FR Y-6

Industry Bancshares, Inc.

Industry, TX
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)
James Lindemann Industry, TX, USA	N/A	CEO & Chairman of the Board	Chairman of the Board (Industry State Bank)	General Partner (Lindemann Holdings, Ltd.)	3.96%	N/A	
			Chairman of the Board (Citizens State Bank, Buffalo)	Vice President (Lindemann Vintage Properties)			Lindemann Vintage Properties (50%)
			Chairman of the Board (Fayetteville Bank)	Industry State Bank 401K-ESOP Trustee			
			Chairman of the Board (The First National Bank of Bellville)				
			Chairman of the Board (The First National Bank of Shiner)				
			Chairman of the Board (Bank of Brenham)				
			President (ISB Insurance Services, Inc.)				
			President/Secretary/Treasurer (Industry Bancshares Services, LLC.)				

Bradley Lindemann Brenham, TX, USA	N/A	Secretary & Advisory Director	Advisory Director (Industry State Bank)	N/A	0.05%	N/A	N/A
			Advisory Director (Citizens State Bank, Buffalo)				
			Advisory Director (Fayetteville Bank)				
			Advisory Director (The First National Bank of Bellville)				
			Advisory Director (The First National Bank of Shiner)				
			Advisory Director (Bank of Brenham)				
			Secretary (ISB Insurance Services, Inc.)				
Michael E. Aldredge Bellville, TX, USA	Retired Rancher	Director	Director (The First National Bank of Bellville)	Owner (Mill Creek Land & Cattle Co. Ltd.)	1.03%	N/A	N/A
W. T. Byler Chappell Hill, TX, USA	Rancher)	Director	Director (The First National Bank of Bellville)	General Partner (WTB Ltd.)	4.58%	N/A	
				General Partner (WTB II Ltd.)			
				General Partner (WTB III, Ltd.)			
				Chief Operating Officer (W T Byler Co.)			
				Owner (Byler Cattle Co.)			Byler Cattle Co. (100%)

Burnie Galle New Ulm, TX, USA	Construction	Director	Director (Industry State Bank)	General Partner (Galle Construction)	0.94%	N/A	Galle Construction (50%) New Bremen Ranch, Ltd (27%) Walnut Management (27%)
Thomas E. Harcrow, Jr. Buffalo, TX, USA	CPA	Director	Director (Citizens State Bank, Buffalo)	Owner (Thomas E. Harcrow, Jr. CPA) President Harcrow & Harcrow, P C	0.23%	N/A	Thomas E. Harcrow, Jr. CPA (100%) Harcrow & Harcrow (75.00%)
Stephen T. James Brenham, Tx, USA	Retired Corp Sales	Director	Director (Bank of Brenham, Brenham,)	Partner (Millennium Partnership) Partner (Texas Millennium LLC)	0.08%	N/A	Millennium Partnership (33.3%) Texas Millennium LLC (33.3%)
Arno W. Krebs, Jr. Bryan, TX, USA	Retired Attorney	Director	N/A	Trustee (Arno W. Krebs, Jr. Trust)	1.43%	N/A	N/A
Ronald L. Rudloff Cypress, TX, USA	Business Executive	Director	Director (Industry State Bank) Executive Vice President (ISB Insurance Services, Inc.)	N/A	0.61%	N/A	N/A
Richard L. Schilling Fayetteville, TX, USA	Business Executive	Director	Director (Fayetteville Bank)	President (Addicks Fire & Safety, Inc.) President (Fayette Fire & Safety, Inc.)	0.52%	N/A	Addicks Fire & Safety, Inc. (33%) Fayette Fire & Safety, Inc. (50%)
David W. Schulz New Ulm, TX, USA	Businessman	Director	Director (Industry State Bank)	General Partner (David & Bonnie Schulz Equity Partnership, Ltd.) General Partner (David & Bonnie Schulz Real Estate Partnership, Ltd.) General Partner (David & Bonnie Schulz Ranch Partnership, Ltd.) General Partner	0.80%	N/A	Schulz Services Partnership, Ltd. (97%)

(Schulz Services Partnership,
Ltd.)

Sandra Schmidt Industry, TX, USA	Businesswoman	Director	Director (Industry State Bank)	Secretary (P&S Building Supply, Inc.)	0.32%	N/A	N/A
James Doak Hartley Columbus, TX. USA	N/A	President & Director	Director-Vice Chairman Board (Industry State Bank) Director-Vice Chairman Board (Citizens State Bank, Buffalo) Director-Vice Chairman Board (Fayetteville Bank) Director-Vice Chairman Board (The First National Bank of Bellville) Director-Vice Chairman Board (The First National Bank of Shiner) Director-Vice Chairman Board (Bank of Brenham) Director (ISB Insurance Services, Inc.)		0.17%	NA	N/A
Kelly Minear Katy, Tx. USA	Businessman		Director (The First National Bank of Shiner)	General Partner 4-M Limited Vice President (Minear Bros) Board (Welhausen Land & Cattle, Co.)	0.29%	N/A	4-M Limited (25%) Minear Bros (25%)

Results: A list of branches for your holding company: INDUSTRY BANCSHARES, INC. (2112439) of INDUSTRY, 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.

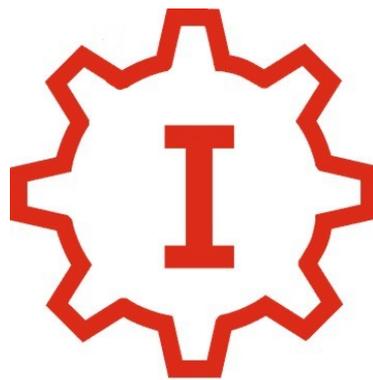
Note:

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)	3042234	BANK OF BRENHAM, NATIONAL ASSOCIATION	501 SOUTH AUSTIN	BRENHAM	TX	77833	WASHINGTON	UNITED STATES	Not Required	Not Required	BANK OF BRENHAM, NATIONAL ASSOCIATION	3042234	
OK		Full Service (Head Office)	54656	CITIZENS STATE BANK	1330 WEST COMMERCE STREET	BUFFALO	TX	75831-9705	LEON	UNITED STATES	Not Required	Not Required	CITIZENS STATE BANK		54656
OK		Full Service	3492192	CENTERVILLE BRANCH	400 EAST SAINT MARY'S	CENTERVILLE	TX	75833	LEON	UNITED STATES	Not Required	Not Required	CITIZENS STATE BANK		54656
OK		Full Service	4353553	CLIFTON BRANCH	505 WEST FIFTH STREET	CLIFTON	TX	76634	BOSQUE	UNITED STATES	Not Required	Not Required	CITIZENS STATE BANK		54656
OK		Full Service	552657	DAWSON BRANCH	109 NORTH MAIN STREET	DAWSON	TX	76639	NAVARRO	UNITED STATES	Not Required	Not Required	CITIZENS STATE BANK		54656
OK		Full Service	276355	GROESBECK BRANCH	409 SOUTH ELLIS STREET	GROESBECK	TX	76642-1898	LIMESTONE	UNITED STATES	Not Required	Not Required	CITIZENS STATE BANK		54656
OK		Full Service	3395088	HUBBARD BRANCH	107 NORTHEAST 3RD STREET	HUBBARD	TX	76648	HILL	UNITED STATES	Not Required	Not Required	CITIZENS STATE BANK		54656
OK		Full Service	2526205	ITASCA BRANCH	201 EAST MAIN STREET	ITASCA	TX	76055	HILL	UNITED STATES	Not Required	Not Required	CITIZENS STATE BANK		54656
OK		Full Service	4198183	TEAGUE BRANCH	722 MAIN STREET	TEAGUE	TX	75860-1630	FREESTONE	UNITED STATES	Not Required	Not Required	CITIZENS STATE BANK		54656
OK		Full Service	3202010	WHITNEY BRANCH	305 S BOSQUE	WHITNEY	TX	76692-2736	HILL	UNITED STATES	Not Required	Not Required	CITIZENS STATE BANK		54656
OK		Full Service (Head Office)	450753	FAYETTEVILLE BANK	107 WEST FAYETTE STREET	FAYETTEVILLE	TX	78940	FAYETTE	UNITED STATES	Not Required	Not Required	FAYETTEVILLE BANK		450753
OK		Full Service	4433099	LA GRANGE BRANCH	366 WEST TRAVIS STREET	LA GRANGE	TX	78945-2625	FAYETTE	UNITED STATES	Not Required	Not Required	FAYETTEVILLE BANK		450753
OK		Full Service	2802374	SCHULENBURG BRANCH	200 NORTH KESSLER	SCHULENBURG	TX	78956	FAYETTE	UNITED STATES	Not Required	Not Required	FAYETTEVILLE BANK		450753
OK		Full Service (Head Office)	91754	FIRST NATIONAL BANK OF BELLVILLE, THE	100 E. MAIN	BELLVILLE	TX	77418-1524	AUSTIN	UNITED STATES	Not Required	Not Required	FIRST NATIONAL BANK OF BELLVILLE, THE		91754
OK		Full Service	3733363	WALLER BRANCH	31384 FM 2920	WALLER	TX	77484	HARRIS	UNITED STATES	Not Required	Not Required	FIRST NATIONAL BANK OF BELLVILLE, THE		91754
OK		Full Service	4782050	WALLIS BRANCH	6207 COMMERCE STREET	WALLIS	TX	77485	AUSTIN	UNITED STATES	Not Required	Not Required	FIRST NATIONAL BANK OF BELLVILLE, THE		91754
OK		Full Service (Head Office)	342362	FIRST NATIONAL BANK OF SHINER, THE	103 WEST 7TH STREET	SHINER	TX	77984	LAVACA	UNITED STATES	Not Required	Not Required	FIRST NATIONAL BANK OF SHINER, THE		342362
OK		Full Service	4288570	CUERO BRANCH	1800 NORTH ESPLANADE	CUERO	TX	77954	DEWITT	UNITED STATES	Not Required	Not Required	FIRST NATIONAL BANK OF SHINER, THE		342362
OK		Full Service	4445010	FLATONIA BRANCH	114 NORTH LA GRANGE STREET	FLATONIA	TX	78941	FAYETTE	UNITED STATES	Not Required	Not Required	FIRST NATIONAL BANK OF SHINER, THE		342362
OK		Full Service	4767909	GOLIAD BRANCH	1402 US HWY 59 N	GOLIAD	TX	77963	GOLIAD	UNITED STATES	Not Required	Not Required	FIRST NATIONAL BANK OF SHINER, THE		342362
OK		Full Service	4901084	GONZALES BRANCH	1622 E SARAH DEWITT DRIVE	GONZALES	TX	78629	GONZALES	UNITED STATES	Not Required	Not Required	FIRST NATIONAL BANK OF SHINER, THE		342362
OK		Full Service (Head Office)	733054	INDUSTRY STATE BANK	16886 FORDTRAN BLVD.	INDUSTRY	TX	78944	AUSTIN	UNITED STATES	Not Required	Not Required	INDUSTRY STATE BANK		733054
OK		Full Service	4255068	COLUMBUS BRANCH	2015 MILAM STREET	COLUMBUS	TX	78934	COLORADO	UNITED STATES	Not Required	Not Required	INDUSTRY STATE BANK		733054
OK		Limited Service	3546273	MESSENGER SERVICE	16886 FORDTRAN BOULEVARD	INDUSTRY	TX	78944	AUSTIN	UNITED STATES	Not Required	Not Required	INDUSTRY STATE BANK		733054
OK		Full Service	1393062	NEW ULM BRANCH	1210 FM 109	NEW ULM	TX	78950-2325	AUSTIN	UNITED STATES	Not Required	Not Required	INDUSTRY STATE BANK		733054

INDUSTRY BANCSHARES, INC.



ANNUAL SHAREHOLDER REPORT

YEAR ENDED DECEMBER 31, 2018

INDUSTRY BANCSHARES, INC.

2018 ANNUAL REPORT

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Industry Bancshares, Inc.

PO Box 87
Industry, TX 78944
979-357-4400

January 24, 2019

Dear Shareholder,

Industry Bancshares Inc. was formed in 1993 as a one bank holding company. Born from Industry State Bank's long history as a community bank, Industry Bancshares has continued to grow and prosper, reaching the \$4.0 billion asset size and net income of \$50 million by year end 2018. During this 25 year period of growth and expansion, Industry Bancshares has continued to focus on the core principals of successful Texas community banking; superior customer service, community leadership and involvement, maintaining quality staffs, low-risk high performing assets, and growth with vision. Adherence to these principals has served our company and our Shareholders well and we have a plan to continue this philosophy as we move into a 2019 banking environment that will be more competitive and challenging than in recent memory.

Organizational News:

Tax Law and Regulations – Our Company continues to benefit from The Tax Cuts and Jobs Act that was enacted last year. In addition, the current administration has clamped down on any new banking regulations and we are positively inclined to believe our industry will see additional regulatory relief from previous onerous and unnecessary banking laws.

Acquisitions - We are interested in growth through acquisition and/or new branch construction in areas and markets that fit our philosophy and our market footprint. We are not currently interested in branching or expanding into the metro areas; we know community banking and have been very successful in smaller towns and communities in Texas. ISB Insurance Services, Inc. completed the purchase of the Spring Insurance Agency last year and is continuing to explore expansion opportunities.

Asset Quality – The banking industry, especially in Texas, continues to experience strong loan growth. Some institutions have loosened lending standards in pursuit of portfolio growth and margin spread in the face of added risk and the very real possibility of loan asset quality problems in the future. We pledge to stay true to our conservative lending philosophy and resist the temptation to grow at all costs. We will make the loans that we can make and should make in the markets we serve.

Community Leaders – Our 6 bank charters have 26 locations. We all make it a priority to be a community leader and to be viewed as a community leader in the towns and markets we serve. Our employees and Directors are involved in our communities, schools, and churches. A strong bank helps make a community strong and a strong community helps make a bank strong.

Branch Visits – Mr. Lindemann and I visited 26 Bancshares banking and insurance agency locations last year and we plan to resume our visitation schedule in 2019.

The company grew assets \$121.6 million during 2018, ending with \$4.029 billion in total assets. We will continue to explore avenues of growth, including acquisitions and branching possibilities.

Our Industry Bancshares Tier 1 Leverage Capital Ratio quarterly average continues to be very strong at 11.33%. As important, our Risk-Based Capital Ratio exceeds peer significantly at a robust 28.44%.

We are very pleased to report that the dividend payout for 2018 was \$0.99 per share an increase over the \$0.60 per share paid in 2017, calculated to a 3.06% return last year. This increase in the dividend during 2018 continues the long trend of increasing the dividend payout each year since Bancshares was formed in 1993.

We continue to offer insurance, brokerage, and mortgage lending services in addition to traditional community banking services. We are continually analyzing ways to improve our products, our customer service, and all the while maintaining a firm grip on our expenses. Our balance sheet has grown to over \$784 million in loans and more than \$3.5 billion in deposits at year end 2018. Competition for deposits has been very strong as deposit growth has been slower than in past years. Loan demand has been much stronger than expected in most of our markets. However, we continue to report that non-current and past due loans are minimal. Our reserve position for any unexpected loan problems is very strong and much higher than most of our banking peers.

In times of change and uncertainty, we pledge to remain true to our banking philosophy that has served Industry Bancshares well over the past 25 years. Our success is your success and we will work every day to improve shareholder value. Achieving our growth and profit goals next year and in the years to come will be a challenge, we know that. Many obstacles may present themselves. But we know that maintaining asset quality, controlling expenses, and deposit growth with increasing market share will help us reach our goal of increasing shareholder value. Thank you to the 740 supportive shareholders, our strong Boards of Directors, and 386 incredibly loyal and dedicated full-time employees for helping Industry Bancshares be successful and recognized as a top banking organization.

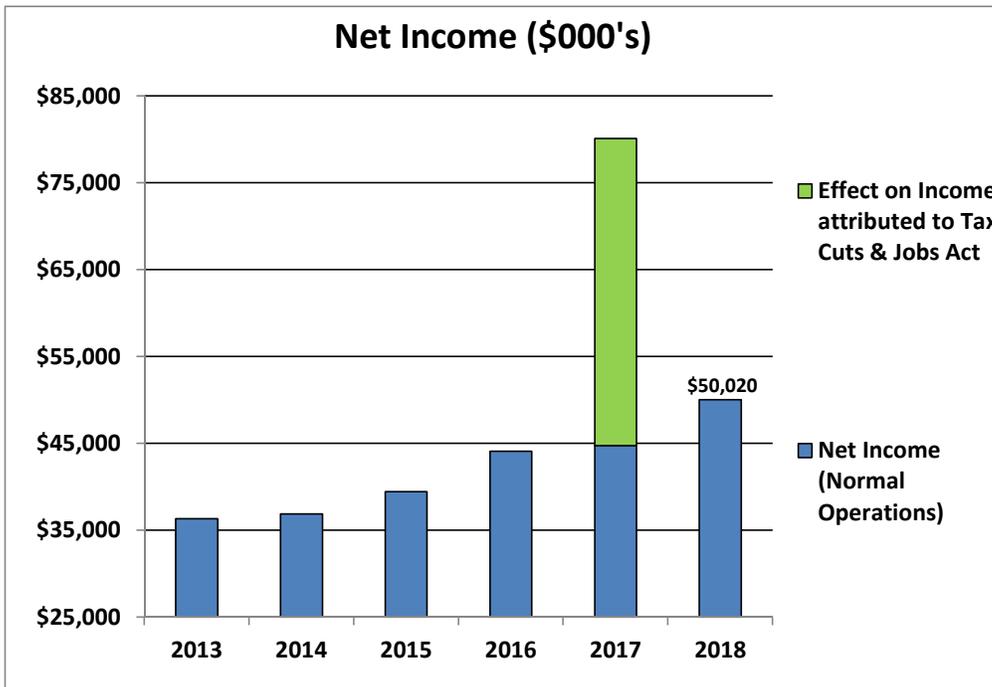
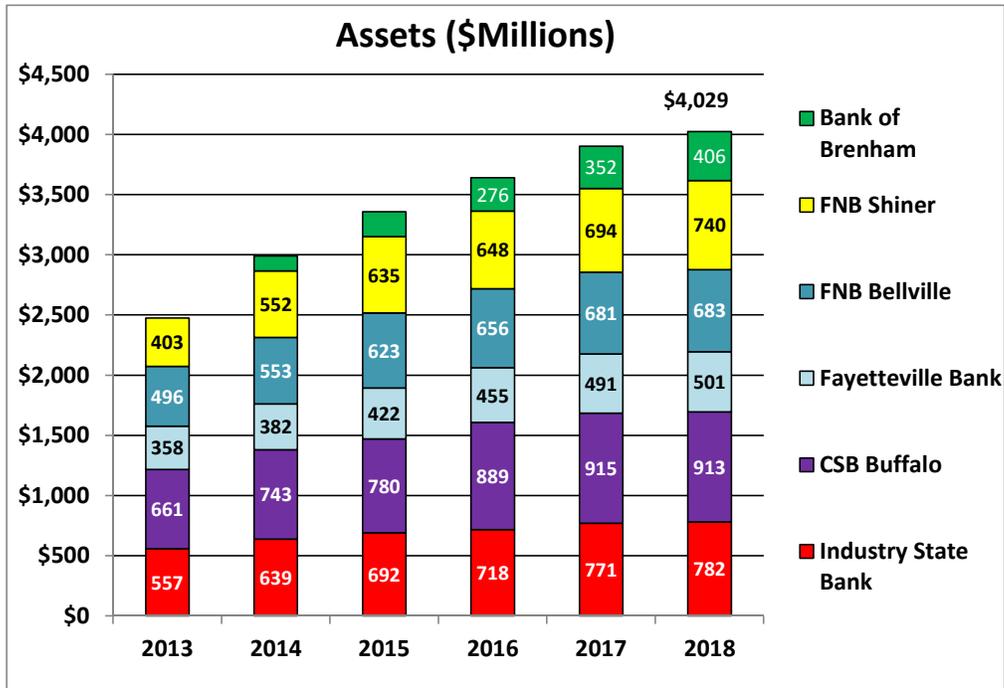
We invite you to stop by our holding company headquarters in Industry, Texas anytime. We can be reached using our main number 979-357-4400.

Sincerely,

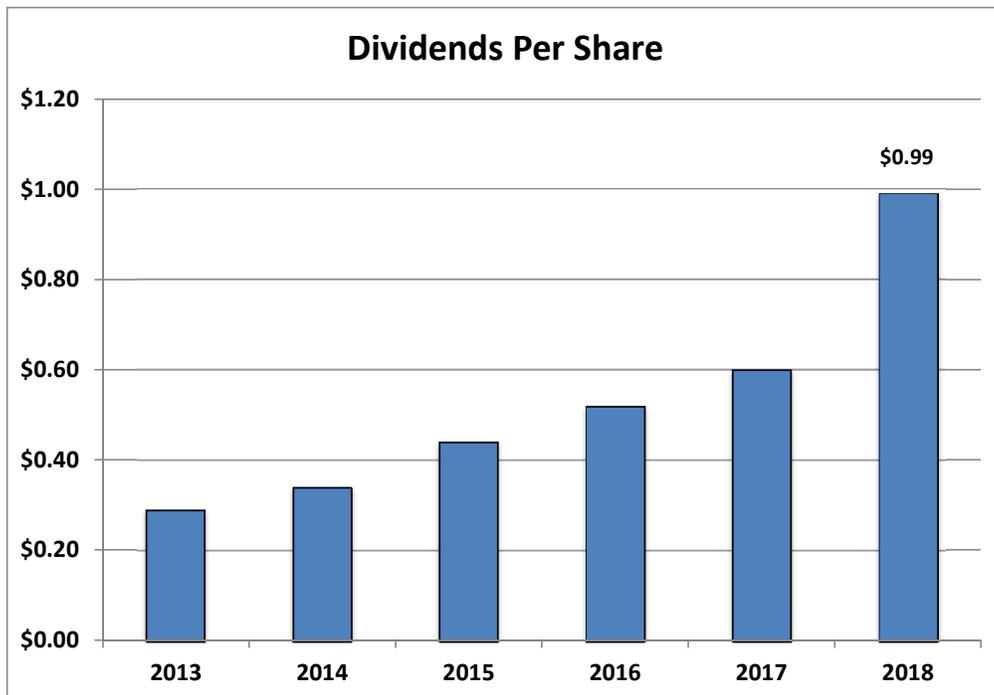
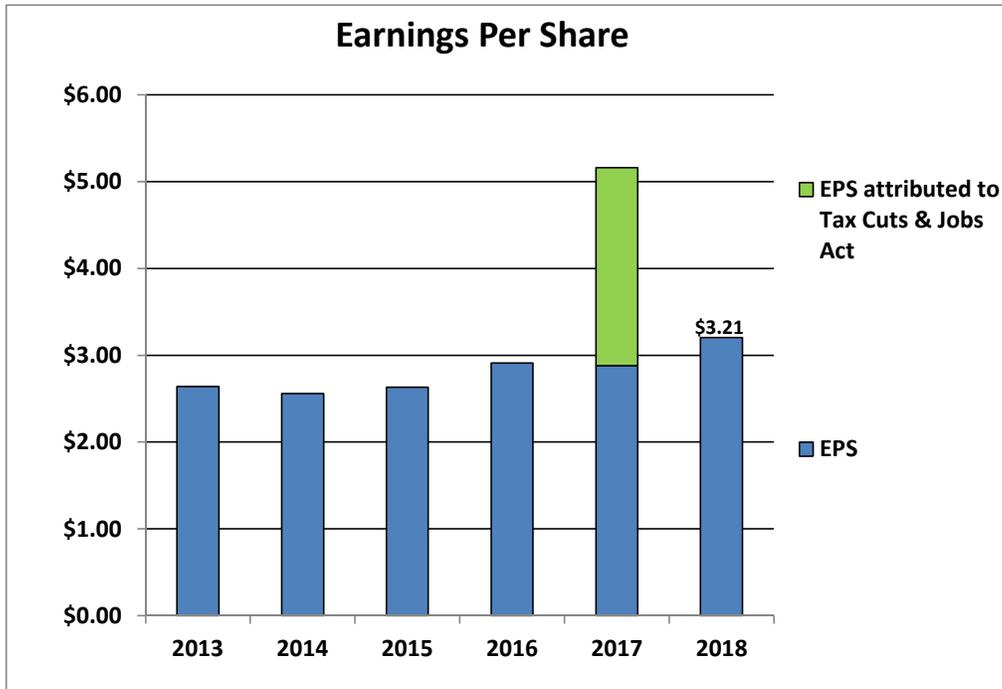


J. Doak Hartley, President
Industry Bancshares, Inc.
Industry, Texas

Industry Bancshares, Inc. - Graphs



Industry Bancshares, Inc. - Graphs



INDUSTRY BANCSHARES, INC.

AND SUBSIDIARIES CONSOLIDATED FINANCIAL STATEMENTS

(Not Audited)

P O BOX 87

INDUSTRY, TX 78944

BALANCE SHEET As of December 31

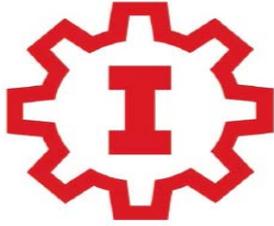
	2017	2018
Assets		
Cash and Due from Banks	\$57,941,563	\$78,274,532
Net Loans	688,984,383	772,643,386
Fed Funds	47,968,421	30,778,886
Investment Securities	2,888,492,529	2,914,826,076
Net Property and Equipment	37,851,019	38,068,733
Accrued Interest Receivable	27,012,549	29,345,588
Prepaid Expenses	809,820	1,183,544
Other Assets:		
Goodwill and Intangible Assets	44,001,393	42,935,410
Other	115,191,634	121,808,228
Total Assets	\$3,908,253,311	\$4,029,864,383
Liabilities and Equity Capital		
Liabilities		
Deposits	\$3,402,183,173	\$3,533,462,543
Other Borrowings	18,544,696	28,149,764
Accrued Interest Payable	5,803,743	10,564,128
Other Liabilities	16,284,623	11,893,883
Total Liabilities	\$3,442,816,235	\$3,584,070,318
Equity Capital		
Common Stock, \$1 par value, 25,000,000 shares authorized, 15,601,176 and 15,685,306 shares issued and outstanding, respectively	\$15,842,767	\$15,842,767
Additional Paid-in Capital	120,984,736	122,182,320
Treasury Stock	(5,126,478)	(3,349,195)
Unearned ESOP shares	(1,325,957)	(646,225)
Retained Earnings	319,294,285	353,864,139
Unrealized Gain(Loss) on Available for Sale Securities	15,767,723	(42,099,741)
Total Stockholders Equity	\$465,437,076	\$445,794,065
Total Liabilities and Stockholders Equity	\$3,908,253,311	\$4,029,864,383

INCOME STATEMENT
For Years Ended December 31

	2017	2018
Interest Income	\$123,324,386	\$130,436,680
Interest Expense	32,458,871	42,259,909
Net Interest Income	<u>\$90,865,515</u>	<u>\$88,176,771</u>
Other Income	18,193,736	17,859,873
Salaries and Benefits	32,892,332	33,807,865
Occupancy Expense	5,007,591	5,195,997
Other Operating Expenses	15,378,653	14,160,293
Provision for Loan Losses	2,898,663	489,000
Total Expenses	<u>\$56,177,239</u>	<u>\$53,653,155</u>
Net Income Before Income Tax	52,882,012	52,383,489
Income Tax	(28,230,752)	1,297,578
Net Income Before Amortization of Intangibles	81,112,764	51,085,911
Amortization of Intangibles	<u>990,756</u>	<u>1,065,983</u>
Net Income	<u><u>\$80,122,008</u></u>	<u><u>\$50,019,928</u></u>

STATEMENT OF CHANGES IN EQUITY CAPITAL
For Years Ended December 31

	2017	2018
Equity Capital January 1	\$359,193,955	\$465,437,076
Net Earnings	80,122,008	50,019,928
Accounting Change - ASC 740	199,591	
Changes in Unrealized Gain(Loss) on Available for Sale Securities	33,944,435	(57,867,464)
Treasury Stock Purchased and Sold	398,058	2,683,747
Unearned ESOP shares	704,298	679,732
ESOP market value adjustment	182,388	291,120
Issuance of Common Stock	0	0
Less: Dividends Paid Shareholders	<u>9,307,657</u>	<u>15,450,074</u>
Equity Capital December 31	<u><u>\$465,437,076</u></u>	<u><u>\$445,794,065</u></u>



Industry State Bank

Traditional Banking that's here to stay!

January 24, 2019

Dear Shareholders of Industry Bancshares, Inc.:

Industry State Bank is very pleased to announce another outstanding year. As a community bank we strive to meet the needs of our customers and to maintain that relationship for years to come. Our customers are our most valuable asset.

As a thriving financial institution with locations in Industry, New Ulm and Columbus we have maintained our #1 market share position for both Austin and Colorado counties. As new competition moves into the area, growth in deposits and loans is expected to become even fiercer in the months and years to come. Our organization plans to maintain our continued strong growth in and around the counties that we serve. Our continued strategy focused on growth, asset quality, strong capital and community banking will remain our focus as it has served Industry State Bank well in the past.

Here are a few highlights to end our outstanding year in 2018:

- Assets ended the year at \$781.9 million, an increase of \$11.1 million over the prior year
- Deposits increased \$12.3 million, ending the year at \$682.3 million
- Gross loans increased \$23.9 million, ending the year at \$183.6 million
- Net Income was very strong at \$12 million for the year
- Core Capital increased to \$90.6 million with a corresponding capital ratio of 11.11%
- Branch locations continue to excel with total assets as follows:

New Ulm	\$181.9 million
Columbus	\$187.9 million

Phone: 979-357-4437
Fax: 979-357-4735

www.isbt.com
industrycontact@isbt.com



16886 Fordtran Blvd.
P. O. Box 66
Industry, TX 78944

As you can see from our financial highlights, even in this environment of increasing deposit and loan rates, Industry State Bank continues to grow. Competition is strong in some of our neighboring markets; however, we will continue to remain competitive on terms and pricing.

Industry State Bank will continue to provide the best banking products and to be the best community bank in the markets we serve. Our dedicated and experienced Board of Directors, officers and employees will work towards another successful year in 2019.

Sincerely,



Lisa Moeller
President
Industry State Bank

Phone: 979-357-4437
Fax: 979-357-4735

www.isbt.com
industrycontact@isbt.com



16886 Fordtran Blvd.
P. O. Box 66
Industry, TX 78944

INDUSTRY STATE BANK

(Not Audited)

P O BOX 66
INDUSTRY, TX 78944

BALANCE SHEET As of December 31

	2017	2018
Assets		
Cash and Due from Banks	\$8,075,881	\$9,062,513
Net Loans	156,823,842	180,858,542
Fed Funds	9,895,000	9,310,000
Investment Securities	550,264,663	536,699,990
Net Property and Equipment	5,283,170	5,209,357
Accrued Interest Receivable	5,312,388	5,682,012
Prepaid Expenses	93,530	99,832
Other Assets:		
Goodwill and Intangible Assets	802,317	696,517
Advances due from ISB Insurance Services	4,860,000	3,685,000
Investment in ISB Insurance	1,444,434	1,001,132
Other	27,940,088	29,607,612
Total Assets	<u>\$770,795,313</u>	<u>\$781,912,507</u>
Liabilities and Equity Capital		
Liabilities		
Deposits	\$670,054,623	\$682,376,800
Other Borrowings	0	11,000,000
Accrued Interest Payable	1,241,568	2,017,114
Other Liabilities	4,361,892	3,577,564
Total Liabilities	<u>\$675,658,083</u>	<u>\$698,971,478</u>
Equity Capital		
Capital Stock	\$1,600,000	\$1,600,000
Additional Paid in Capital	11,027,621	11,106,309
Retained Earnings	78,882,817	77,952,159
Unrealized Gain (Loss) on Available for Sale Securities	3,626,792	(7,717,439)
Total Stockholders Equity	<u>\$95,137,230</u>	<u>\$82,941,029</u>
Total Liabilities and Stockholders Equity	<u>\$770,795,313</u>	<u>\$781,912,507</u>

INCOME STATEMENT For Years Ended December 31

	2017*	2018*
Interest Income	\$25,127,626	\$26,405,655
Interest Expense	6,666,230	8,600,214
Net Interest Income	<u>\$18,461,396</u>	<u>\$17,805,441</u>
Other Income	2,030,468	1,671,311
Salaries and Benefits	3,128,341	3,190,399
Occupancy Expense	558,280	527,234
Other Operating Expenses	3,153,677	2,919,321
Provision for Loan Losses	500,000	0
Total Expenses	<u>\$7,340,298</u>	<u>\$6,636,954</u>
Net Income Before Income Tax	\$13,151,566	\$12,839,798
Income Tax	(5,651,303)	670,128
Net Income Before Amortization of Intangibles	\$18,802,869	\$12,169,670
Amortization of Intangibles	<u>105,800</u>	<u>105,800</u>
Net Income	<u>\$18,697,069</u>	<u>\$12,063,870</u>

* excludes ISB Insurance income



CITIZENS STATE BANK

January 24, 2019

To the Shareholders of Industry Bancshares, Inc.:

Citizens State Bank enjoyed a very successful 2018 while building its position as a true local community bank. As we continue to grow, our philosophy remains consistent and unchanged throughout the holding company: provide excellent service, maximize operational efficiencies, maintain strong asset quality, develop strong earnings and build capital.

Citizens State Bank ranks number one in deposits in two of the counties we serve and continues to gain market share in the other four counties. Currently, we have 9 locations in 6 counties including: Leon, Freestone, Limestone, Navarro, Hill, and Bosque counties. In Leon County, we control 60% of the market. In each of the locations we serve, Citizens State Bank is firmly established as a community partner.

Highlights for 2018 include: increased community involvement, loan growth that exceeded expectations, improved asset quality, good core capital growth, increased utilization of social media, enhanced on-line banking and bill-pay products, upgraded ATM's, and acquisition and renovation of the Wells Fargo building in Hubbard. The results of the above-mentioned highlights may be seen in the data for 2018:

- Total Deposits - \$807 million
- Net Income - \$10 million
- Gross loans increased by \$21.3 million with a year-end gross loan balance of \$169.8 million
- Total Assets for Citizens State Bank in 2018 – \$912.9 million
- Branch locations continued to perform well posting total assets as follows:

Buffalo - \$271.2 million	Teague - \$70.8 million	Dawson - \$39.8 million
Whitney - \$126.8 million	Groesbeck - \$62.8 million	Itasca - \$94.9 million
Centerville - \$154.7 million	Hubbard - \$38.6 million	Clifton - \$53.2 million

As evidenced by the numbers, 2018 was indeed a good year for Citizens State Bank. With our dedicated and loyal employees and consistent direction provided by our local board of directors, and Industry Bancshares board of directors, Citizens State Bank is set for another year of continued growth and improvement in 2019.

Sincerely,

J. Brent Jones
President
Citizens State Bank

CITIZENS STATE BANK

(Not Audited)

**P O BOX 278
BUFFALO, TX 75831**

BALANCE SHEET As of December 31

	2017	2018
Assets		
Cash and Due from Banks	\$9,259,133	\$10,355,540
Net Loans	145,885,004	167,211,585
Fed Funds	7,721,000	7,360,000
Investment Securities	710,901,157	684,377,958
Net Property and Equipment	6,788,797	7,450,428
Accrued Interest Receivable	6,701,721	6,987,303
Prepaid Expenses	184,839	172,071
Other Assets:		
Goodwill and Intangible Assets	5,874,460	5,762,960
Other	21,615,372	23,238,958
Total Assets	\$914,931,483	\$912,916,803
Liabilities and Equity Capital		
Liabilities		
Deposits	\$795,620,542	\$807,041,201
Other Borrowings	0	0
Accrued Interest Payable	1,339,989	2,660,287
Other Liabilities	2,547,533	1,511,595
Total Liabilities	\$799,508,064	\$811,213,083
Equity Capital		
Capital Stock	\$390,000	\$390,000
Additional Paid in Capital	24,925,373	24,979,695
Retained Earnings	86,890,577	86,974,231
Unrealized Gain(Loss) on Available for Sale Securities	3,217,469	(10,640,206)
Total Stockholders Equity	\$115,423,419	\$101,703,720
Total Liabilities and Stockholders Equity	\$914,931,483	\$912,916,803

INCOME STATEMENT For Years Ended December 31

	2017	2018
Interest Income	\$30,000,685	\$30,458,535
Interest Expense	7,322,483	9,303,670
Net Interest Income	\$22,678,202	\$21,154,865
Other Income	3,098,399	2,837,810
Salaries and Benefits	6,958,612	7,070,130
Occupancy Expense	1,176,926	1,294,601
Other Operating Expenses	5,618,014	5,292,725
Provision for Loan Losses	761,663	165,000
Total Expenses	\$14,515,215	\$13,822,456
Net Income Before Income Tax	\$11,261,386	\$10,170,219
Income Tax	(7,680,397)	25,066
Net Income Before Amortization of Intangibles	\$18,941,783	\$10,145,153
Amortization of Intangibles	111,500	111,500
Net Income	\$18,830,283	\$10,033,653

January 24, 2019

Dear Shareholders of Industry Bancshares, Inc.:

I am pleased to report Fayetteville Bank has had another strong year. With a firm belief in customer service and maintaining relationships, our numbers have continued to grow. Fayetteville Bank's employees, officers and directors strive to meet the needs of our communities. Our Financial results are highlighted below:

- Deposits increased \$12.8 million, ending the year with total deposits of \$445 million.
- Earnings for 2018 were strong at \$5.8 million.
- We ended the year with gross loans totaling \$84.7 million, a 15% increase from last year. Our asset quality remains strong.
- Our branch locations did well in 2018. The Schulenburg Branch ended the year with deposits of \$149.7 million, a \$10.8 million increase and total assets of \$164.8 million. Our La Grange Branch ended the year with deposits of \$65.9 million, up \$3.5 million, with total assets of \$66.2 million.
- Our Core Capital position remains strong with a balance of \$54.6 million.
- Fayetteville Bank ended 2018 with \$501.3 million in total assets.

Our success would not be possible without our dedicated and loyal employees, officers, and directors. While the economy and the regulatory burden remains challenging, our primary goals continue to be: efficiency, cost control, credit quality, and deposit and loan growth. We pray and look forward to another successful year in 2019.

Sincerely,



Kyle Holloway
President
Fayetteville Bank

FAYETTEVILLE BANK

(Not Audited)

P O BOX 9

FAYETTEVILLE, TX 78940

BALANCE SHEET As of December 31

	2017	2018
Assets		
Cash and Due from Banks	\$4,401,528	\$5,012,645
Net Loans	72,421,619	83,537,962
Fed Funds	3,525,000	0
Investment Securities	385,219,298	386,828,739
Net Property and Equipment	5,441,174	5,360,587
Accrued Interest Receivable	3,359,511	3,593,090
Prepaid Expenses	89,865	63,961
Other Assets:		
Goodwill and Intangible Assets	0	0
Other	16,377,093	16,986,588
Total Assets	<u>\$490,835,088</u>	<u>\$501,383,572</u>
Liabilities and Equity Capital		
Liabilities		
Deposits	\$432,810,476	\$445,622,564
Other Borrowings	0	6,000,000
Accrued Interest Payable	693,203	1,210,662
Other Liabilities	2,095,243	1,678,884
Total Liabilities	<u>\$435,598,922</u>	<u>\$454,512,110</u>
Equity Capital		
Capital Stock	\$350,000	\$350,000
Additional Paid in Capital	9,034,277	9,064,034
Retained Earnings	45,151,765	45,206,193
Unrealized Gain(Loss) on Available for Sale Securities	700,124	(7,748,765)
Total Stockholders Equity	<u>\$55,236,166</u>	<u>\$46,871,462</u>
Total Liabilities and Stockholders Equity	<u>\$490,835,088</u>	<u>\$501,383,572</u>

INCOME STATEMENT For Years Ended December 31

	2017	2018
Interest Income	\$15,121,617	\$15,808,872
Interest Expense	4,446,507	5,676,952
Net Interest Income	<u>\$10,675,110</u>	<u>\$10,131,920</u>
Other Income	1,603,876	1,183,313
Salaries & Benefits	2,672,864	2,747,049
Occupancy Expenses	523,797	538,650
Other Operating Expenses	2,305,134	2,118,877
Provision for Loan Losses	115,000	0
Total Expenses	<u>\$5,616,795</u>	<u>\$5,404,576</u>
Net Income Before Income Tax	\$6,662,191	\$5,910,657
Income Tax	(4,209,450)	56,229
Net Income Before Amortization of Intangibles	\$10,871,641	\$5,854,428
Amortization of Intangibles	0	0
Net Income	<u>\$10,871,641</u>	<u>\$5,854,428</u>



FIRST NATIONAL BANK OF BELLVILLE
"Serving the Community Since 1890"

January 24, 2019

To the Shareholders of Industry Bancshares, Inc.:

It is indeed an honor for me to once again report to you, our trusted and dedicated shareholders, the 2018 accomplishments and successes of the First National Bank of Bellville. We are very happy to report a past year in which the bank experienced good loan growth and excellent earnings which places the bank in a very strong capital position.

Our tremendous success at First National continues despite the fact that our competition has been fierce with both loans and deposit accounts. We expect this trend to continue throughout the next several years.

There are several factors that contribute to our continued success at First National. First and foremost, we closely monitor and watch our expenses in all areas of the bank. In addition, we place a high priority on customer service and focus on doing all of the small things just right. Customers still talk to a real live voice when they call our bank and customers are greeted with a smiling face when they enter our facility or drive thru.

To illustrate our successful year, I would like to point out some of the key statistics from 2018.

- Net Income for the year was strong, ending with earnings after tax of \$9.3 million.
- Deposits increased \$12 million over the previous year.
- Gross loans ended the year with a total of \$169.5 million in loans on our books. This is an increase of over \$4.7 million from 2017. We continue to believe that the quality of our loan portfolio remains very good.
- Year-end total assets were \$683.4 million. This is an increase of \$2.8 million over year-end 2017.
- Our Tier 1 Capital position within the bank continues to remain very strong with a balance of \$76.3 million and a corresponding capital ratio of 11.5% at year-end 2018.
- Our Branch locations in Waller and Wallis continue to excel and gain market share. Our Waller Branch ended 2018 with \$199.9 million in total assets. The Wallis Branch ended 2018 with assets totaling \$56.1 million.

WALLIS BRANCH

PO Box 220
6207 Commerce St.
Wallis, Texas 77485
(979) 478-6900

MAIN OFFICE

PO Box 128
100 E.Main St.
Bellville, Texas 77418-0128
(979) 865-3181

WALLER BRANCH

PO Box 1367
31384 FM 2920 Suite A
Waller, Texas 77484
(936) 372-2330

Looking ahead into 2019, we feel First National Bank is poised to have another good year. There will be a great many opportunities for our bank to both serve our existing loyal customer base and develop new relationships. Once again, I want to thank the shareholders, employees, management, and Board of Directors for the privilege of allowing me to serve as President of this bank. We pray for health, happiness and a bright future ahead in 2019 and beyond.

Sincerely,



Mike Mueller

President

First National Bank of Bellville

MAIN OFFICE

PO Box 128
Bellville, Texas 77418-0128
(979) 865-3181

1-800-235-5737
www.fnbbellville.com
e-mail: mailbox@fnbbellville.com
MEMBER FDIC

WALLER BRANCH

PO Box 1367
Waller, Texas 77484-1367
(936) 372-2330

FIRST NATIONAL BANK OF BELLVILLE

(Not Audited)

**P O BOX 128
BELLVILLE, TX 77418**

BALANCE SHEET As of December 31

	2017	2018
Assets		
Cash and Due from Banks	\$9,803,607	\$10,435,913
Net Loans	162,101,026	166,810,625
Fed Funds	19,393,421	10,432,886
Investment Securities	438,109,361	443,120,524
Net Property and Equipment	6,766,744	6,930,166
Accrued Interest Receivable	4,144,167	4,414,568
Prepaid Expenses	247,648	664,397
Other Assets:		
Goodwill and Intangible Assets	20,174,896	20,174,896
Other	19,905,758	20,436,753
Total Assets	\$680,646,628	\$683,420,728
Liabilities and Equity Capital		
Liabilities		
Deposits	\$578,472,985	\$590,499,279
Other Borrowings	0	0
Accrued Interest Payable	890,033	1,488,015
Other Liabilities	3,126,175	2,599,589
Total Liabilities	\$582,489,193	\$594,586,883
Equity Capital		
Capital Stock	\$487,780	\$487,780
Certified Surplus	0	0
Additional Paid in Capital	36,173,023	36,222,270
Retained Earnings	59,556,889	59,715,771
Unrealized Gain(Loss) on Available for		
Sale Securities	1,939,743	(7,591,976)
Total Stockholders Equity	\$98,157,435	\$88,833,845
Total Liabilities and Stockholders Equity	\$680,646,628	\$683,420,728

INCOME STATEMENT For Years Ended December 31

	2017	2018
Interest Income	\$22,318,498	\$23,209,291
Interest Expense	5,605,566	7,197,346
Net Interest Income	\$16,712,932	\$16,011,945
Other Income	4,754,978	3,915,432
Salaries and Benefits	5,012,041	5,197,884
Occupancy Expense	863,508	881,707
Other Operating Expenses	4,917,846	4,173,322
Provision for Loan Losses	620,000	60,000
Total Expenses	\$11,413,395	\$10,312,913
Net Income Before Income Tax	\$10,054,515	\$9,614,464
Income Tax	(4,088,581)	355,581
Net Income Before Amortization of Intangibles	\$14,143,096	\$9,258,883
Amortization of Intangibles	0	0
Net Income	\$14,143,096	\$9,258,883



FIRST NATIONAL BANK

OF SHINER

Traditional banking that's here to stay!

WWW.FNBESHINER.COM

103 WEST 7TH STREET - PO BOX 607 - SHINER, TX 77984-0607 - PHONE 361-594-3317 - FAX 361-594-4392 - FNBESHINER@FNBESHINER.COM

January 24, 2019

To the Shareholders of Industry Bancshares, Inc.:

The First National Bank of Shiner experienced a very good 2018. We showed growth in deposits and loans and had a great net income as well. As in other years, the credit goes to our employees whose involvement in our communities and the excellent service they provide to our customers help make us the best community bank in our banking areas.

Net income for the year 2018 was \$8.9 million and total assets grew to \$740 million from \$694 million the prior year.

We ended the year 2018 with loans at \$120.5 million, which is an increase of \$9 million from year end 2017 or an 8.21% increase. Credit quality remains good.

Deposits showed an increase of \$46 million, from \$614.7 million to \$660.8 million, which is a 7.5% increase.

Deposits and loans by branch at year end were:

	Deposits	Loans
Shiner	\$230.5 million	\$57.1 million
Cuero	\$258.5 million	\$18.8 million
Flatonia	\$59.3 million	\$15.9 million
Goliad	\$72.0 million	\$19.5 million
Gonzales	\$40.5 million	\$9.2 million

Competition for our customers continues to be strong in a very rate conscious environment, so a continued focus on growth, efficiencies, credit quality, customer service, and community involvement will again be critical in 2019.

As always a big thank you to our shareholders, our Board of Directors, employees, and our management teams for their support and efforts to help us be a successful bank. We look forward to having a great 2019.

Thank You,

Jonathan Kalich
President



FIRST NATIONAL BANK OF SHINER

(Not Audited)

P O BOX 607
SHINER, TX 77984

BALANCE SHEET As of December 31

	2017	2018
Assets		
Cash and Due from Banks	\$23,092,194	\$39,635,378
Net Loans	109,361,994	118,419,731
Fed Funds	0	0
Investment Securities	527,374,462	545,177,946
Net Property and Equipment	8,818,287	8,490,422
Accrued Interest Receivable	5,163,027	5,755,921
Prepaid Expenses	96,378	106,023
Other Assets:		
Goodwill and Intangible Assets	1,914,806	1,914,806
Other	18,640,282	20,585,834
Total Assets	\$694,461,430	\$740,086,061
Liabilities and Equity Capital		
Liabilities		
Deposits	\$614,706,784	\$660,785,608
Other Borrowings	0	0
Accrued Interest Payable	909,880	1,733,704
Other Liabilities	2,836,282	1,507,535
Total Liabilities	\$618,452,946	\$664,026,847
Equity Capital		
Capital Stock	\$1,200,000	\$1,200,000
Certified Surplus	0	0
Additional Paid in Capital	28,246,585	28,283,321
Retained Earnings	41,331,346	50,212,490
Unrealized Gain(Loss) on Available for Sale Securities	5,230,553	(3,636,597)
Total Stockholders Equity	\$76,008,484	\$76,059,214
Total Liabilities and Stockholders Equity	\$694,461,430	\$740,086,061

INCOME STATEMENT For Years Ended December 31

	2017	2018
Interest Income	\$21,320,649	\$22,902,204
Interest Expense	5,183,295	6,629,825
Net Interest Income	\$16,137,354	\$16,272,379
Other Income	1,211,822	1,252,033
Salaries and Benefits	4,442,037	4,481,828
Occupancy Expense	872,223	880,678
Other Operating Expenses	2,950,956	2,938,903
Provision for Loan Losses	780,000	240,000
Total Expenses	\$9,045,216	\$8,541,409
Net Income Before Income Tax	\$8,303,960	\$8,983,003
Income Tax	(5,062,855)	101,859
Net Income Before Amortization of Intangibles	\$13,366,815	\$8,881,144
Amortization of Intangibles	0	0
Net Income	\$13,366,815	\$8,881,144



January 24, 2019

Dear Shareholders of Industry Bancshares,

Bank of Brenham had a successful 2018. I commend our directors, officers, and staff for their direction, leadership, hard work, and high level of customer service. I also appreciate the trust and loyalty that our stockholders and customers place in us.

In 2018, Bank of Brenham's deposits, market share, loans, and income all grew to record levels. Deposits increased \$45.2 million or 14.5% from \$312.6 million in 2017 to \$357.8 million in 2018. Our deposit market share (reported as of June 30th) in Washington County increased from 27.54% to 29.93%. Bank of Brenham continues to remain the number one banking institution in deposit market share in Washington County.

Loan growth at Bank of Brenham was also a bright spot in 2018. Loans increased \$13.5 million or 31.1% from \$43.3 million in 2017 to \$56.8 million in 2018. Commercial and home loan lending contributed to the double digit increase.

Net profits from operations before income tax increased 21% from \$3.4 million in 2017 to \$4.2 million in 2018. Growth in investments and loans and efficiencies in operations all contributed to improved earnings. Overall earnings increased to \$4.1 million from \$4 million last year. Earnings for 2019 are expected to be \$4.25 million.

In 2019, I expect deposit and loan growth to be modest. Profit margins will continue to compress in the current interest rate environment. Long term treasury rates will continue to be volatile and fall due to the high debt to GDP ratios in public and private sectors. Adjustments in our strategic plan will only be made if we see non-transitory changes in economic trends.

Washington County and the surrounding areas will continue to grow in a steady fashion. Continued oil and gas activity will continue to help the local economy and I believe that Brenham's central location, its diversified economy, vibrant downtown and tourism will be the driving factors that will continue to make Washington County thrive.

Finally, Bank of Brenham's new Facebook page which debuted in 2018 has gained many "likes" and our "Bank with BoB!" campaign has been noticed at the local theatre, BankBoB.com, on the radio, and in the newspaper. Bank BoB is looking forward to a fantastic 2019!

Respectfully,

Jim Kruse
President, Bank of Brenham

BANK OF BRENHAM

(Not Audited)

P O BOX 606
BRENHAM, TX 77834

BALANCE SHEET As of December 31

	2017	2018
Assets		
Cash and Due from Banks	\$3,261,316	\$3,749,597
Net Loans	42,390,899	55,804,941
Fed Funds	7,434,000	3,676,000
Investment Securities	276,623,589	318,620,919
Net Property and Equipment	1,942,565	1,895,415
Accrued Interest Receivable	2,331,735	2,912,694
Prepaid Expenses	31,464	46,019
Other Assets:		
Goodwill and Intangible Assets	10,220,004	10,070,004
Other	8,250,258	8,814,556
Total Assets	<u>\$352,485,830</u>	<u>\$405,590,145</u>
Liabilities and Equity Capital		
Liabilities		
Deposits	\$312,582,141	\$357,821,869
Other Borrowings	0	0
Accrued Interest Payable	684,027	1,446,429
Other Liabilities	831,900	637,110
Total Liabilities	<u>\$314,098,068</u>	<u>\$359,905,408</u>
Equity Capital		
Capital Stock	\$2,268,000	\$2,268,000
Certified Surplus	0	0
Additional Paid in Capital	27,310,158	36,328,903
Retained Earnings	7,756,561	11,852,590
Unrealized Gain(Loss) on Available for Sale Securities	1,053,043	(4,764,756)
Total Stockholders Equity	<u>\$38,387,762</u>	<u>\$45,684,737</u>
Total Liabilities and Stockholders Equity	<u>\$352,485,830</u>	<u>\$405,590,145</u>

INCOME STATEMENT For Years Ended December 31

	2017	2018
Interest Income	\$9,421,293	\$11,634,972
Interest Expense	2,604,539	4,199,432
Net Interest Income	<u>\$6,816,754</u>	<u>\$7,435,540</u>
Other Income	561,132	592,564
Salaries and Benefits	1,844,202	1,876,895
Occupancy Expense	245,950	238,708
Other Operating Expenses	1,717,671	1,704,679
Provision for Loan Losses	122,000	24,000
Total Expenses	<u>\$3,929,823</u>	<u>\$3,844,282</u>
Net Income Before Income Tax	\$3,448,063	\$4,183,822
Income Tax	(727,125)	(62,207)
Net Income Before Amortization of Intangibles	4,175,188	4,246,029
Amortization of Intangibles	<u>150,000</u>	<u>150,000</u>
Net Income	<u>\$4,025,188</u>	<u>\$4,096,029</u>



January 24, 2019

Dear Shareholders:

ISB Insurance Services, Inc., a wholly owned subsidiary of Industry State Bank, has completed its eighteenth year of operation. ISB and its three subsidiaries currently write \$57.3 million in annual premium and generate \$8.5 million in revenue.

ISB is a retail independent insurance agency located in Waller, TX providing personal and business lines products. We currently have thirteen employees and two part-time employees representing ISB, which includes Washington County Insurance Agency in Brenham. ISB's revenue production in 2018 was \$1.9 million. ISB currently contracts with numerous standard insurance companies and brokers to provide quality insurance products at competitive rates.

Cates Insurance and Financial Services joined ISB Group in 2006 and provide personal and business lines of coverage in Huntsville, TX and surrounding areas. Effective February 1st, 2019, Cates will be managed by Tracy Smith and currently has seven employees. Cates completed 2018 with annual revenues of \$1.1 million.

Lynn, Kieke, Lackey and Eason Insurance Group, a local retail insurance agency providing personal and business insurance products, joined the ISB Group in 2008 and is managed by Garrett Dornon and Matt Sodolak. They currently have eighteen employees and four part-time employees with locations in Bellville, Sealy, Hubbard, and Industry, TX. They finished 2018 with \$3.0 million in revenue. Lynn, Kieke, Lackey and Eason Insurance Group manages the direct administration of our contract with Germania Insurance Company and represents Germania in both Bellville and Industry, TX.

Spring Insurance Agency, which ISB acquired in March of 2017, provides personal and business lines of coverage in Spring, TX and surrounding areas. The agency has twenty employees and three part-time employees, and is managed by Danny Mize. They completed 2018 with \$2.6 million in revenue. Spring Insurance has been a valuable addition to our agency group and we look forward to their adding to our success.

The strength of our agency continues to be our employees and our large and diversified portfolio of insurance companies to which we have access. The most prominent of these are Travelers, Hochheim, Texas Mutual, Central Mutual, Union Standard, Liberty Mutual/Safeco, CNA, Germania, The Hartford and Philadelphia insurance companies.

2018 was a good year for ISB Insurance Services as the Texas Gulf Coast weather related loss experience was stable. The 2018 net income from operations was \$1.2 million. After application of the amortization (\$698,683), the net profit was \$511,659. During our eighteen years of operation, revenue has increased from \$1.1 million in 2001 to \$8.5 million in 2018.

Commercial insurance pricing remains stable with the exception of commercial auto, which continues to be unprofitable. Modest price increases are the norm for most lines of coverage; however, General Liability and Workers Compensation carriers are still competing aggressively on price. Personal lines carriers in Texas fared better in 2018; however, we are still experiencing above normal pricing and limited capacity for dwelling insurance. In addition, California's extensive 2018 wildfire losses will likely put adverse pressure on personal lines reinsurance markets.

Lastly, effective February 1st, 2019, Ronald Rudloff will be retiring from his executive management role at ISB Insurance; however, he will remain on as a producer, continuing to serve his existing clients. We thank Ron for his many years of leadership and steady hand, and wish Ron the best.

ISB Insurance Services, Inc. is proud to be a part of Industry State Bank and we greatly appreciate the shareholders, directors, and especially our dedicated employees. Thanks to all of you for your hard work and continued support contributing to our success.

Sincerely,

A handwritten signature in black ink that reads "Paul A. Saims". The signature is written in a cursive style with a large initial "P" and a stylized "S" at the end.

Paul A. Saims
Senior Vice President

ISB INSURANCE SERVICES

(Not Audited)

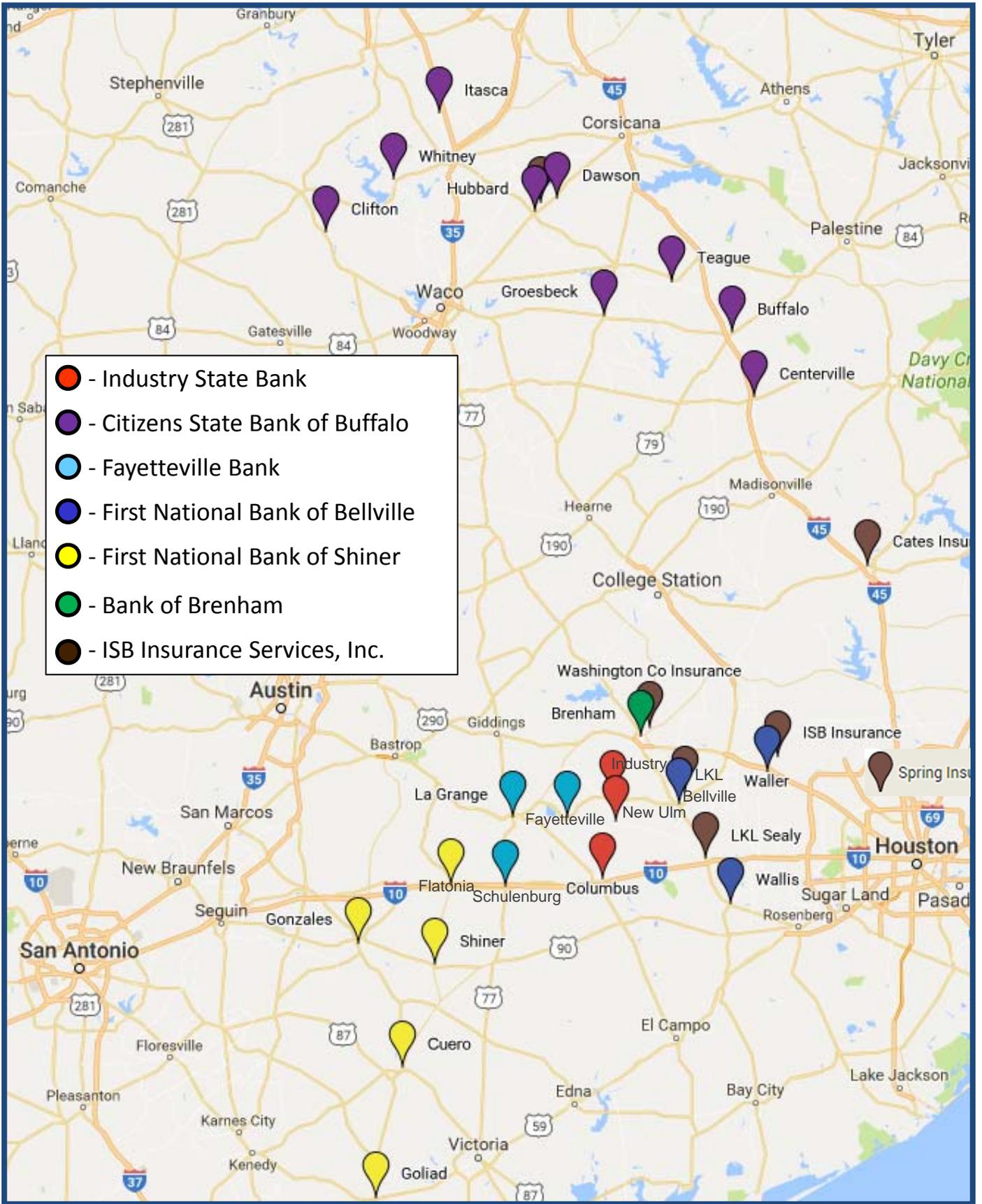
31384 FM 2920, Suite B
WALLER, TX 77484

BALANCE SHEET As of December 31

	2017	2018
Assets		
Cash	\$716,232	\$880,482
Net Property and Equipment	31,164	49,214
Prepaid Expenses	36,337	(286)
Other Assets:		
Goodwill and Intangible Assets	5,014,910	4,316,228
Other	927,522	907,661
Total Assets	<u>\$6,726,165</u>	<u>\$6,153,299</u>
Liabilities and Equity Capital		
Liabilities		
Advances due Industry State Bank	\$4,860,000	\$3,685,000
Other Borrowings	179,697	139,764
Accrued Interest Payable	0	0
Other Liabilities	736,561	815,744
Total Liabilities	<u>\$5,776,258</u>	<u>\$4,640,508</u>
Equity Capital		
Capital Stock	\$100	\$100
Additional Paid in Capital	1,752,791	1,804,016
Retained Earnings	(802,984)	(291,325)
Total Stockholders Equity	<u>\$949,907</u>	<u>\$1,512,791</u>
Total Liabilities and Stockholders Equity	<u>\$6,726,165</u>	<u>\$6,153,299</u>

INCOME STATEMENT For Years Ended December 31

	2017	2018
Commission Income	\$7,090,703	\$7,830,123
Profit Sharing Income	460,423	711,209
Total Income	<u>\$7,551,126</u>	<u>\$8,541,332</u>
Salaries and Commissions	5,857,170	6,096,158
Occupancy Expenses	565,996	640,176
Other Operating Expenses	556,731	451,545
Interest Expense	11,024	0
Total Expenses	<u>\$6,990,921</u>	<u>\$7,187,879</u>
Net Income Before Income Tax	\$560,205	\$1,353,453
Income Tax	431,276	143,112
Net Income Before Amortization of Intangibles	\$128,929	\$1,210,341
Amortization of Intangibles	623,456	698,683
Net Income	<u>(\$494,527)</u>	<u>\$511,658</u>



Results: A list of branches for your holding company: INDUSTRY BANCSHARES, INC. (2112439) of INDUSTRY, 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
		Full Service (Head Office)	3042234	BANK OF BRENHAM, NATIONAL ASSOCIATION	501 SOUTH AUSTIN	BREHAM	TX	77833	WASHINGTON	UNITED STATES	Not Required	Not Required	BANK OF BRENHAM, NATIONAL ASSOCIATION	3042234	
		Full Service (Head Office)	54656	CITIZENS STATE BANK	1330 WEST COMMERCE STREET	BUFFALO	TX	75831-9705	LEON	UNITED STATES	Not Required	Not Required	CITIZENS STATE BANK	54656	
		Full Service	3492192	CENTERVILLE BRANCH	400 EAST SAINT MARY'S	CENTERVILLE	TX	75833	LEON	UNITED STATES	Not Required	Not Required	CITIZENS STATE BANK	54656	
		Full Service	4353553	CLIFTON BRANCH	505 WEST FIFTH STREET	CLIFTON	TX	76634	BOSQUE	UNITED STATES	Not Required	Not Required	CITIZENS STATE BANK	54656	
		Full Service	552657	DAWSON BRANCH	109 NORTH MAIN STREET	DAWSON	TX	76639	NAVARRO	UNITED STATES	Not Required	Not Required	CITIZENS STATE BANK	54656	
		Full Service	276355	GROESBECK BRANCH	409 SOUTH ELLIS STREET	GROESBECK	TX	76642-1898	LIMESTONE	UNITED STATES	Not Required	Not Required	CITIZENS STATE BANK	54656	
		Full Service	3395088	HUBBARD BRANCH	107 NORTHEAST 3RD STREET	HUBBARD	TX	76648	HILL	UNITED STATES	Not Required	Not Required	CITIZENS STATE BANK	54656	
		Full Service	2526205	ITASCA BRANCH	201 EAST MAIN STREET	ITASCA	TX	76055	HILL	UNITED STATES	Not Required	Not Required	CITIZENS STATE BANK	54656	
		Full Service	4198183	TEAGUE BRANCH	722 MAIN STREET	TEAGUE	TX	75860-1630	FREESTONE	UNITED STATES	Not Required	Not Required	CITIZENS STATE BANK	54656	
		Full Service	3202010	WHITNEY BRANCH	305 S BOSQUE	WHITNEY	TX	76692-2736	HILL	UNITED STATES	Not Required	Not Required	CITIZENS STATE BANK	54656	
		Full Service (Head Office)	450753	FAYETTEVILLE BANK	107 WEST FAYETTE STREET	FAYETTEVILLE	TX	78940	FAYETTE	UNITED STATES	Not Required	Not Required	FAYETTEVILLE BANK	450753	
		Full Service	4433099	LA GRANGE BRANCH	366 WEST TRAVIS STREET	LA GRANGE	TX	78945-2625	FAYETTE	UNITED STATES	Not Required	Not Required	FAYETTEVILLE BANK	450753	
		Full Service	2802374	SCHULENBURG BRANCH	200 NORTH KESSLER	SCHULENBURG	TX	78956	FAYETTE	UNITED STATES	Not Required	Not Required	FAYETTEVILLE BANK	450753	
		Full Service (Head Office)	91754	FIRST NATIONAL BANK OF BELLVILLE, THE	100 E. MAIN	BELLVILLE	TX	77418-1524	AUSTIN	UNITED STATES	Not Required	Not Required	FIRST NATIONAL BANK OF BELLVILLE, THE	91754	
		Full Service	3733363	WALLER BRANCH	31384 FM 2920	WALLER	TX	77484	HARRIS	UNITED STATES	Not Required	Not Required	FIRST NATIONAL BANK OF BELLVILLE, THE	91754	
		Full Service	4782050	WALLIS BRANCH	6207 COMMERCE STREET	WALLIS	TX	77485	AUSTIN	UNITED STATES	Not Required	Not Required	FIRST NATIONAL BANK OF BELLVILLE, THE	91754	
		Full Service (Head Office)	342362	FIRST NATIONAL BANK OF SHINER, THE	103 WEST 7TH STREET	SHINER	TX	77984	LAVACA	UNITED STATES	Not Required	Not Required	FIRST NATIONAL BANK OF SHINER, THE	342362	
		Full Service	4288570	CUERO BRANCH	1800 NORTH ESPLANADE	CUERO	TX	77954	DEWITT	UNITED STATES	Not Required	Not Required	FIRST NATIONAL BANK OF SHINER, THE	342362	
		Full Service	4445010	FLATONIA BRANCH	114 NORTH LA GRANGE STREET	FLATONIA	TX	78941	FAYETTE	UNITED STATES	Not Required	Not Required	FIRST NATIONAL BANK OF SHINER, THE	342362	
		Full Service	4767909	GOLIAD BRANCH	1402 US HWY 59 N	GOLIAD	TX	77963	GOLIAD	UNITED STATES	Not Required	Not Required	FIRST NATIONAL BANK OF SHINER, THE	342362	
		Full Service	4901084	GONZALES BRANCH	1622 E SARAH DEWITT DRIVE	GONZALES	TX	78629	GONZALES	UNITED STATES	Not Required	Not Required	FIRST NATIONAL BANK OF SHINER, THE	342362	
		Full Service (Head Office)	733054	INDUSTRY STATE BANK	16886 FORDTRAN BLVD.	INDUSTRY	TX	78944	AUSTIN	UNITED STATES	Not Required	Not Required	INDUSTRY STATE BANK	733054	
		Full Service	4255068	COLUMBUS BRANCH	2015 MILAM STREET	COLUMBUS	TX	78934	COLORADO	UNITED STATES	Not Required	Not Required	INDUSTRY STATE BANK	733054	
		Limited Service	3546273	MESSANGER SERVICE	16886 FORDTRAN BOULEVARD	INDUSTRY	TX	78944	AUSTIN	UNITED STATES	Not Required	Not Required	INDUSTRY STATE BANK	733054	
		Full Service	1393062	NEW ULM BRANCH	1210 FM 109	NEW ULM	TX	78950-2325	AUSTIN	UNITED STATES	Not Required	Not Required	INDUSTRY STATE BANK	733054	