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 H Herlocker, III
Name of the Holding Company Director and Official

CEO & 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.

Signature of Holding Company Director and Official

7/24/19
Date of Signature

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

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

For Federal Reserve Bank Use Only

RSSD ID ____________
C.I. ____________

Date of Report (top-tier holding company's fiscal year-end):

December 31, 2018
Month / Day / Year

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

Reporter's Name, Street, and Mailing Address

Mineola Community Mutual Holding Company
Legal Title of Holding Company

P O Box 410
(Mailing Address of the Holding Company) Street / P.O. Box

City	State	Zip Code
Mineola	TX	75773

215 W Broad St., Mineola, TX 75773
Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Name	Title
Julie Yarbrough Sharff	CFO

903-569-2602
Area Code / Phone Number / Extension

903-569-6969
Area Code / FAX Number

julie@mineolacb.com
E-mail Address

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

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

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

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

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

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

For Use By Tiered Holding Companies

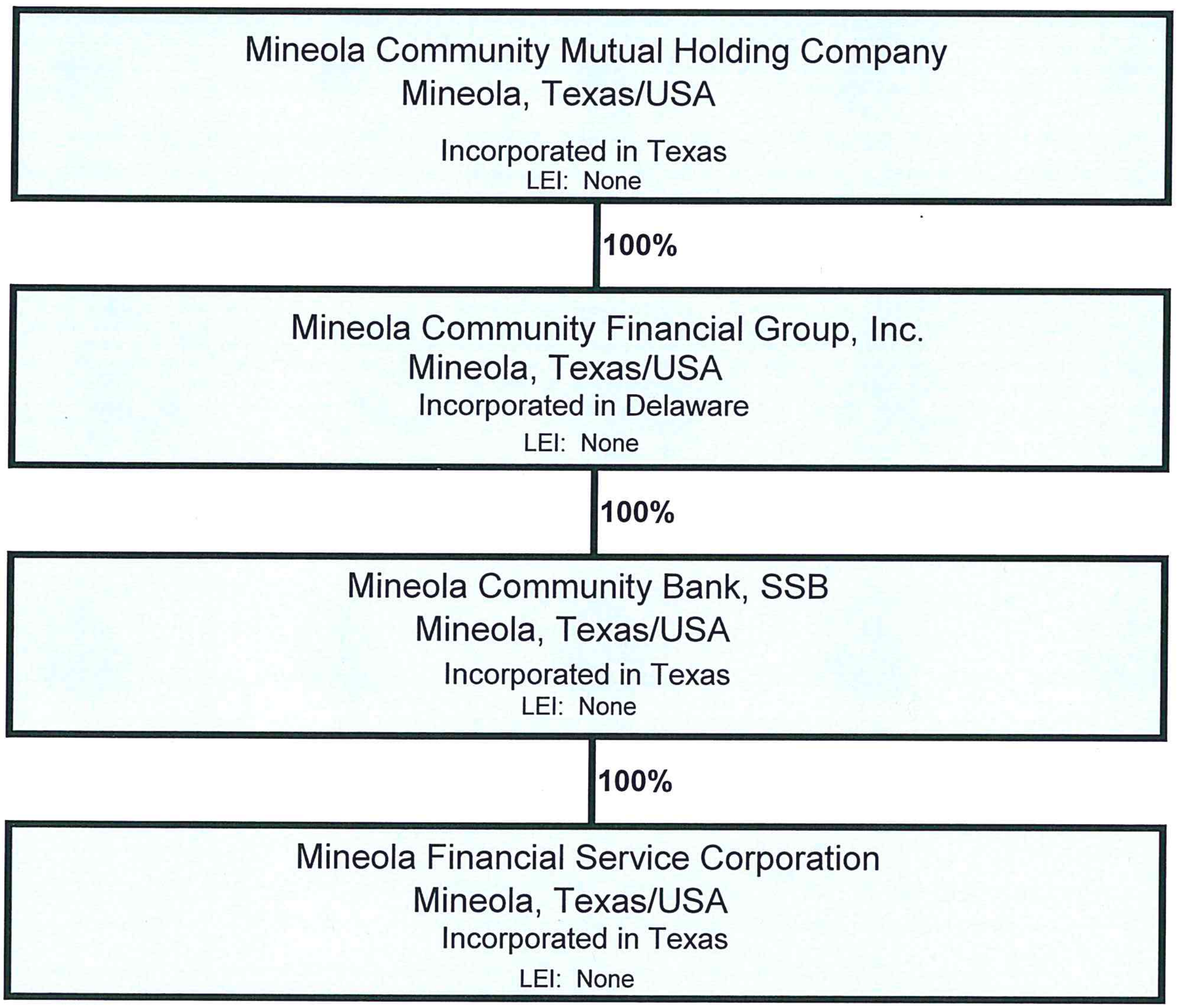
Top-tiered holding companies must list the names, mailing address, and physical locations of each of their subsidiary holding companies below.

Mineola Community Financial Group, Inc. Legal Title of Subsidiary Holding Company	Legal Title of Subsidiary Holding Company
P O Box 410 (Mailing Address of the Subsidiary Holding Company) Street / P.O. Box	(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box
City: Mineola · State: TX · Zip Code: 75773	City · State · Zip Code
215 W. Broad St., Mineola, TX 75773 Physical Location (if different from mailing address)	Physical Location (if different from mailing address)
Legal Title of Subsidiary Holding Company	Legal Title of Subsidiary Holding Company
(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box	(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box
City · State · Zip Code	City · State · Zip Code
Physical Location (if different from mailing address)	Physical Location (if different from mailing address)
Legal Title of Subsidiary Holding Company	Legal Title of Subsidiary Holding Company
(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box	(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box
City · State · Zip Code	City · State · Zip Code
Physical Location (if different from mailing address)	Physical Location (if different from mailing address)
Legal Title of Subsidiary Holding Company	Legal Title of Subsidiary Holding Company
(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box	(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box
City · State · Zip Code	City · State · Zip Code
Physical Location (if different from mailing address)	Physical Location (if different from mailing address)

Form FR Y-6
Mineola Community Mutual Holding Company
Fiscal Year Ending December 31, 2018

1. Mineola Community Mutual Holding Company prepares an audited annual report and is not registered with the SEC. Our annual report is included.

2. Organizational Chart



No entity in the organization has a LEI number.

2b. Domestic branch listing

Results: A list of branches for your holding company: MINEOLA COMMUNITY MUTUAL HOLDING COMPANY (3619720) of MINEOLA, 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)	279	MINEOLA COMMUNITY BANK, SSB	215 W BROAD	MINEOLA	TX	75773	WOOD	UNITED STATES	Not Required	Not Required	MINEOLA COMMUNITY BANK, SSB	279	
ADD	12/31/2018	Full Service		EDGEWOOD BRANCH	500 W PINE	EDGEWOOD	TX	75117	VAN ZANDT	UNITED STATES	Not Required	Not Required	MINEOLA COMMUNITY BANK, SSB	279	Purchased Branch
OK		Full Service	2527882	GRAND SALINE BRANCH	415 WEST FRANK	GRAND SALINE	TX	75140	VAN ZANDT	UNITED STATES	Not Required	Not Required	MINEOLA COMMUNITY BANK, SSB	279	
OK		Full Service	5212442	LINDALE BRANCH	304 SOUTH MAIN	LINDALE	TX	75771	SMITH	UNITED STATES	Not Required	Not Required	MINEOLA COMMUNITY BANK, SSB	279	
OK		Full Service	2851260	BROOKSHIRE BRANCH	1224 NORTH PACIFIC	MINEOLA	TX	75773-1020	WOOD	UNITED STATES	Not Required	Not Required	MINEOLA COMMUNITY BANK, SSB	279	
OK		Full Service	2527873	WINNSBORO BRANCH	500 SOUTH MAIN	WINNSBORO	TX	75494	WOOD	UNITED STATES	Not Required	Not Required	MINEOLA COMMUNITY BANK, SSB	279	

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Mineola Community Mutual Holding Company
Mineola, Texas
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
None			None		

***This is a mutual holding company-- our account owners in Mineola Community Bank are shareholders. No one individual or entity (individually or part of a related group) has a 5% interest.*

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Mineola Community Financial Group, Inc.
Mineola, Texas
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
Mineola Community Mutual Holding Company Mineola, TX	USA	10,000 shares 100% of Common Stock	None		

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Mineola Community Mutual Holding Company
Mineola, TX
Fiscal Year Ending December 31, 2018

Report Item 4: Insiders

All executive officers and directors hold the same title in each entity

(1)(a)(b)(c) and (2)(a)(b)(c)

MCFG=Mineola Community Financial Group, Inc (Holding Co) MCB = Mineola Community Bank MFSC = Mineola Financial Service Corporation

(1)	(2)	(3)(a)	(3)(b)	(3)(c)	(4)(a)	(4)(b)	(4)(c)
Names & Address (City, State, Country) (All USA)	**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)**
Terri Baucum Mineola, TX	N/A	Chief Lending Officer	Chief Lending Officer (MCFG,MCB & MFSC)	Member Baucum Investments, LLC Mineola, TX	None	None	Baucum Investments, LLC (50%)
Clifton Bradshaw Mineola, TX	Veterinarian	Director	Director (MCFG,MCB & MFSC)	Owner Lake Country Animal Clinic Mineola, TX	None	None	N/A
James Harder Mineola, TX	Retired - Auto Dealership Owner	Director	Director (MCFG,MCB & MFSC)	President Texas Auto Marketing Corp. Mineola, TX	None	None	Texas Auto Marketing Corp (100%) Lake Country Land Co. (25%)
James Herlocker,III Mineola, TX	N/A	Chairman of the Board/President & CEO	Chairman of the Board/President & CEO (MCFG,MCB & MFSC)	VP & Director JEB Sales Co. Winnsboro, TX	None	None	JEB Sales Company (33%)

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Mineola Community Mutual Holding Company
Mineola, TX
Fiscal Year Ending December 31, 2018

Report Item 4: Insiders

All executive officers and directors hold the same title in each entity

(1)(a)(b)(c) and (2)(a)(b)(c)

MCFG=Mineola Community Financial Group, Inc (Holding Co) MCB = Mineola Community Bank MFSC = Mineola Financial Service Corporation

(1) Names & Address (City, State, Country) (All USA)	**(2)** Principal Occupation if other than with holding company	**(3)(a)** Title & Position with holding company	**(3)(b)** Title & Position with Subsidiaries (include names of subsidiaries)	**(3)(c)** Title & Position with Other Businesses (include names of other businesses)	**(4)(a)** Percentage of Voting Securities in holding company	**(4)(b)** Percentage of Voting Securities in Subsidiaries (include names of subsidiaries)	**(4)(c)** List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
Sheree Mize Mineola, TX	N/A	Director & Corporate Secretary	Director & Corporate Secretary (MCFG,MCB & MFSC)	N/A	None	None	N/A
Jerry Presswood Lindale, TX	Retired - Small Sports Equipment Business Owner	Director	Director (MCFG,MCB & MFSC)	N/A	None	None	N/A
K. Nan Saucier Winnsboro, TX	Retired - School Principal	Director	Director (MCFG,MCB & MFSC)	N/A	None	None	N/A
Julie Sharff Edgewood, TX	N/A	Chief Financial Officer	Chief Financial Officer (MCFG,MCB & MFSC)	N/A	None	None	N/A
Johnny Sherrill Lindale, TX	Commercial Construction Company Owner	Director	Director (MCFG,MCB & MFSC)	Owner Sherrill Construction, LLC Tyler, TX Owner NBI Investments, LLC Lindale, TX Owner Lindale Storage West, LLC Lindale, TX	None	None	Sherrill Construction, LLC (100%) NBI Investments, LLC (100%) Lindale Storage West, LLC (100%)

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Mineola Community Mutual Holding Company
Mineola, TX
Fiscal Year Ending December 31, 2018

Report Item 4: Insiders

(1)(a)(b)(c) and (2)(a)(b)(c)

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(1) Names & Address (City, State, Country) (All USA)	(2) Principal Occupation if other than with holding company	(3)(a) Title & Position with holding company	(3)(b) Title & Position with Subsidiaries (include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (include names of other businesses)	(4)(a) Percentage of Voting Securities in holding company	(4)(b) Percentage of Voting Securities in Subsidiaries (include names of subsidiaries)	(4)(c) List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
Robert L Smith, III Mineola, TX	Auto Dealer	Director	Director (MCFG,MCB & MFSC)	Owner Bob Smith Auto Sales & Corner Village Rentals Mineola, TX	None	None	N/A
Haskell Strange Mineola, TX	N/A	Chief Operations Officer	Chief Operations Officer (MCFG,MCB & MFSC)	N/A	None	None	N/A
Glen Thurman Mineola, TX	Builder/Real Estate Developer	Director	Director (MCFG,MCB & MFSC)	Owner LTL CONSTRUCTION, LLC Mineola, TX President Glen Thurman Builder, Inc. Mineola, TX Owner Rose Hill Springs Development, LLC Mineola, TX	None	None	LTL Construction, LLC (100%) Glen Thurman Builder, Inc. (90%) Rose Hill Springs Development, LLC (100%)
Clinton Kraig Yarbrough Winnsboro, TX	N/A	Sr. Vice President	Sr. Vice President (MCFG,MCB & MFSC)	Manager Barbed Y Ventures, LLC Winnsboro, TX	None	None	Barbed Y Ventures, LLC (100%)

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Mineola Community Financial Group, Inc.
Mineola, TX
Fiscal Year Ending December 31, 2018

Report Item 4: Insiders

All executive officers and directors hold the same title in each entity

MCB = Mineola Community Bank   MFSC = Mineola Financial Service Corporation

(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) (All USA)	**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)**
Terri Baucum Mineola, TX	N/A	Chief Lending Officer	Chief Lending Officer (MCB & MFSC)	Member Baucum Investments, LLC Mineola, TX	None	None	Baucum Investments, LLC (50%)
Clifton Bradshaw Mineola, TX	Veterinarian	Director	Director (MCB & MFSC)	Owner Lake Country Animal Clinic Mineola, TX	None	None	N/A
James Harder Mineola, TX	Retired - Auto Dealership Owner	Director	Director (MCB & MFSC)	President Texas Auto Marketing Corp. Mineola, TX	None	None	Texas Auto Marketing Corp (100%) Lake Country Land Co. (25%)
James Herlocker,III Mineola, TX	N/A	Chairman of the Board/President & CEO	Chairman of the Board/President & CEO (MCB & MFSC)	VP & Director JEB Sales Co. Winnsboro, TX	None	None	JEB Sales Company (33%)

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Mineola Community Financial Group, Inc.
Mineola, TX
Fiscal Year Ending December 31, 2018

Report Item 4: Insiders

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(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) (All USA)	**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)**
Sheree Mize Mineola, TX	N/A	Director & Corporate Secretary	Director & Corporate Secretary (MCB & MFSC)	N/A	None	None	N/A
Jerry Presswood Lindale, TX	Retired - Small Sports Equipment Business Owner	Director	Director (MCB & MFSC)	N/A	None	None	N/A
K. Nan Saucier Winnsboro, TX	Retired - School Principal	Director	Director (MCB & MFSC)	N/A	None	None	N/A
Julie Sharff Edgewood, TX	N/A	Chief Financial Officer	Chief Financial Officer (MCB & MFSC)	N/A	None	None	N/A
Johnny Sherrill Mineola, TX	Commercial Construction Company Owner	Director	Director (MCB & MFSC)	Owner Sherrill Construction, LLC Tyler, TX Owner NBI Investments, LLC Lindale, TX Owner Lindale Storage West, LLC Lindale, TX	None	None	Sherrill Construction, LLC (100%) NBI Investments, LLC (100%) Lindale Storage West, LLC (100%)

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Mineola Community Financial Group, Inc.
Mineola, TX
Fiscal Year Ending December 31, 2018

Report Item 4: Insiders

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MCB = Mineola Community Bank MFSC = Mineola Financial Service Corporation

(1)(a)(b)(c) and (2)(a)(b)(c)

(1) Names & Address (City, State, Country) (All USA)	(2) Principal Occupation if other than with holding company	(3)(a) Title & Position with holding company	(3)(b) Title & Position with Subsidiaries (include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (include names of other businesses)	(4)(a) Percentage of Voting Securities in holding company	(4)(b) Percentage of Voting Securities in Subsidiaries (include names of subsidiaries)	(4)(c) List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
Robert L Smith, III Mineola, TX	Auto Dealer	Director	Director (MCB & MFSC)	Owner Bob Smith Auto Sales & Corner Village Rentals Mineola, TX	None	None	N/A
Haskell Strange Mineola, TX	N/A	Chief Operations Officer	Chief Operations Officer (MCB & MFSC)	N/A	None	None	N/A
Glen Thurman Mineola, TX	Builder/Real Estate Developer	Director	Director (MCB & MFSC)	Owner LTL CONSTRUCTION, LLC Mineola, TX President Glen Thurman Builder, Inc. Mineola, TX Owner Rose Hill Springs Development, LLC Mineola, TX	None	None	LTL Construction, LLC (100%) Glen Thurman Builder, Inc. (90%) Rose Hill Springs Development, LLC (100%)
Clinton Kraig Yarbrough Winnsboro, TX	N/A	Sr. Vice President	Sr. Vice President (MCB & MFSC)	Manager Barbed Y Ventures, LLC Winnsboro, TX	None	None	Barbed Y Ventures, LLC (100%)

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Mineola Community Financial Group, Inc.
Mineola, TX
Fiscal Year Ending December 31, 2018

Report Item 4: Insiders

All executive officers and directors hold the same title in each entity

MCB = Mineola Community Bank
MFSC = Mineola Financial Service Corporation

(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) (All USA)	**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)**
Mineola Community Mutual Holding Company Mineola, TX	N/A	N/A	N/A	N/A	100%	None	N/A

April 19, 2019

To the Board of Directors of
Mineola Community Mutual Holding Company and Subsidiaries:

We have audited the consolidated financial statements of Mineola Community Mutual Holding Company and Subsidiaries (the Company) as of and for the year ended December 31, 2018, and have issued our report thereon dated April 19, 2019. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our letter dated October 29, 2018, our responsibility, as described by professional standards, is to form and express an opinion about whether the consolidated financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the consolidated financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the consolidated financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Company solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Company is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2018. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the consolidated financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimate affecting the consolidated financial statements is the allowance for loan and lease losses and the fair valuations for assets and liabilities acquired (including the valuation of the core deposit intangible) in the Edgewood Branch acquisition.

The allowance for loan and lease losses is maintained at an amount considered by management to adequately provide for probable losses in the loan and lease portfolio as of the statement of financial condition date. The allowance for loan and lease losses is based on periodic analysis of the loan and lease portfolio by management. In this analysis, management considers factors including, but not limited to, current economic conditions, loan and lease portfolio composition and historical loss experience. Loans are charged-off to the extent they are deemed uncollectible. While management used available information to recognize losses on loans and leases, future additions to the allowance may be necessary based on changes in economic conditions. We have performed tests of the allowance for loan and lease losses to satisfy ourselves as to its reasonableness in relation to the financial statement taken as a whole.

Assets and liabilities acquired in the Edgewood Branch acquisition were recorded at fair value. This fair value was determined by management or by a third party as determined appropriate. We have reviewed the fair value estimates and insured the inputs were accurate and appropriate and we also evaluated the fair value estimates and determined they are reasonable.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Company's consolidated financial statements relate to the disclosure of loans and the allowance for loan and lease losses in Note 3 and the business combination in Note 20.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. There were no adjustements to the consolidated financial statements as a result of the audit procedures performed.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the consolidated financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management that are included in the management representation letter dated April 19, 2019.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters

In the normal course of our professional association with the Company, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Mineola Community Mutual Holding Company and Subsidiaries' auditors.

The consolidated financial statements include the financial statements of Mineola Community Mutual Holding Company (Holding Company) and Mineola Community Bank, S.S.B. and Subsidiary (the Bank), which we consider to be significant components of the consolidated financial statements. Consistent with the audit of the consolidated financial statements as a whole, our audit will include obtaining an understanding of Mineola Community Mutual Holding Company and Mineola Community Bank, S.S.B. and Subsidiary, and their environment, including internal control, sufficient to assess the risks of material misstatement of the consolidated financial statements of Mineola Community Mutual Holding Company and Mineola Community Bank, S.S.B. and Subsidiary, and to design the nature, timing, and extent of further audit procedures.

The consolidated financial statements also include the financial statements of Mineola Community Financial Group, which is a subsidiary of the Holding Company and which owns 100% of the bank. They also include Mineola Financial Services Corporation which is a subsidiary of the Bank that provides mortgage loan services to its customers. For the purposes of our audit, we do not consider these entities to be significant components of the consolidated financial statements. Consistent with the audit of the consolidated financial statements as a whole, our audit will include obtaining an understanding of these entities and their environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements of these entities and to design the nature, timing, and extent of further audit procedures, as determined to be necessary.

This report is intended solely for the information and use of the audit committee, board of directors, and management of the Company and is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Abilene, Texas
April 19, 2019

CPAs & BUSINESS ADVISORS

To the Board of Directors of
Mineola Community Mutual Holding Company and Subsidiaries:

In planning and performing our audit of the consolidated financial statements of Mineola Community Mutual Holding Company and Subsidiaries as of and for the year ended December 31, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered Mineola Community Mutual Holding Company and Subsidiaries' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in Mineola Community Mutual Holding Company and Subsidiaries' internal control to be a significant deficiency:

It was noted that there is a lack of adequate internal control over the preparation of consolidated financial statements. The Eide Bailly engagement team drafts the financial statements. The consolidated financial statement calculations and/or disclosure considerations are also performed by the auditors.

This communication is intended solely for the information and use of management, the Board of Directors, others within the Institution, and State examiners and is not intended to be, and should not be, used by anyone other than these specified parties.

Eide Bailly LLP

Abilene, Texas
April 19, 2019

Consolidated Financial Statements
December 31, 2018 and 2017

Mineola Community Mutual Holding Company and Subsidiaries

EideBailly

eidebailly.com

Independent Auditor's Report

The Board of Directors
Mineola Community Mutual Holding Company and Subsidiaries
Mineola, Texas

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Mineola Community Mutual Holding Company and Subsidiaries (the Company), which comprise the consolidated statements of financial condition as of December 31, 2018 and 2017, and the related consolidated statements of income, comprehensive income, members' 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 44 through 46 is presented for the 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.

Eide Bailly LLP

Abilene, Texas
April 19, 2019

	2018	2017
Assets		
Cash and due from banks	$ 4,189,264	$ 2,695,987
Federal funds sold	6,476,000	1,797,000
Cash and cash equivalents	10,665,264	4,492,987
Interest bearing deposits in banks	13,838,613	2,986,773
Securities available for sale	14,288,363	16,976,395
Securities held to maturity (fair value approximates $38,236,130 in 2018 and $44,139,275 in 2017)	39,312,732	44,678,081
Loans receivable, net of allowance for loan and lease losses of $973,458 in 2018 and $970,754 in 2017	158,562,623	137,676,760
Net investment in direct financing leases	66,579	82,675
Accrued interest receivable	767,464	757,942
Receivable related to Edgewood acquisition	112,010	-
Premises and equipment	6,303,012	5,310,360
Bank-owned life insurance	4,684,724	4,582,189
Foreclosed assets	23,640	50,852
Restricted investments carried at cost	1,775,500	1,737,000
Core deposit intangible	925,991	-
Mortgage servicing rights, net	23,446	26,841
Deferred income taxes	357,599	452,645
Other assets	114,118	136,533
	$ 251,821,678	$ 219,948,033
Liabilities and Members' Equity		
Liabilities		
Noninterest bearing	$ 24,393,576	$ 13,810,052
Interest bearing	173,267,849	155,361,775
Total deposits	197,661,425	169,171,827
Advances from Federal Home Loan Bank	23,538,894	20,740,775
Accrued expenses and other liabilities	858,007	949,329
Total liabilities	222,058,326	190,861,931
Members' Equity		
Retained earnings-substantially restricted	30,004,771	29,174,109
Net unrealized depreciation on available for sale securities, net of taxes of ($64,175) in 2018 and ($19,074) in 2017	(241,419)	(88,007)
Total members' equity	29,763,352	29,086,102
	$ 251,821,678	$ 219,948,033

	2018	2017
Interest Income		
Loans, including fees	$ 6,950,376	$ 6,536,710
Debt securities		
Taxable	983,414	647,322
Non taxable	234,370	366,284
Dividends on restricted investments	45,156	28,553
Federal funds sold	24,734	14,390
Deposits with banks	75,570	75,779
Total interest income	8,313,620	7,669,038
Interest Expense		
Deposits	1,471,522	1,309,243
Advances from Federal Home Loan Bank	497,750	343,483
Other	12,487	12,948
Total interest expense	1,981,759	1,665,674
Net Interest Income	6,331,861	6,003,364
Provision (Negative Provision) for Loan and Lease Losses	16,089	(41,767)
Net Interest Income After Provision for Loan and Lease Losses	6,315,772	6,045,131
Noninterest Income		
Service charges on deposit accounts	535,799	497,163
Other service charges and fees	598,370	522,462
Net gain on sale of loans	-	12,645
Net gain on sale of foreclosed assets	166,332	-
Appreciation on bank-owned life insurance	102,535	110,286
Other income	73,199	55,183
Total noninterest income	1,476,235	1,197,739
Noninterest Expenses		
Salaries and employee benefits	4,012,774	3,783,033
Occupancy and equipment expense	719,330	661,451
Data processing	584,946	492,578
Contract services	406,201	353,587
Director fees	239,200	252,600
Other expense	842,376	826,215
Total noninterest expenses	6,804,827	6,369,464
Income Before Income Taxes	987,180	873,406
Income Tax Expense	156,518	74,625
Net Income	$ 830,662	$ 798,781

	2018	2017
Net Income	$ 830,662	$ 798,781
Other items of comprehensive income		
Change in unrealized (depreciation) appreciation on investment securities available for sale, before tax	(214,764)	106,288
Reclassification adjustment for realized gain on sale of investment securities included in net income	-	-
Total other items of comprehensive (loss) income	(214,764)	106,288
Comprehensive Income Before Tax	615,898	905,069
Income tax benefit (expense) related to other items of comprehensive income	61,352	(64,197)
Comprehensive Income	$ 677,250	$ 840,872

	Retained Earnings	Net Unrealized Appreciation (Depreciation) On Available for Sale Securities, Net of Taxes	Total Members' Equity
Balance at January 1, 2017	$ 28,375,328	$ (130,098)	$ 28,245,230
Net income for 2017	798,781	-	798,781
Net changes in unrealized appreciation on available for sale securities, net of taxes of $64,197	-	42,091	42,091
Balance at December 31, 2017	29,174,109	(88,007)	29,086,102
Net income for 2018	830,662	-	830,662
Net changes in unrealized depreciation on available for sale securities, plus tax benefit of $61,352	-	(153,412)	(153,412)
Balance at December 31, 2018	$ 30,004,771	$ (241,419)	$ 29,763,352

	2018	2017
Operating Activities		
Net income	$ 830,662	$ 798,781
Adjustments to reconcile net income to net cash from operating activities		
Provision for loan and lease losses	16,089	(41,767)
Net amortization of securities	351,602	330,681
Depreciation	297,230	280,558
Net gain on sale of loans	-	(12,645)
Net gain on sale of foreclosed assets	(166,332)	-
Appreciation on bank-owned life insurance	(102,535)	(110,286)
Deferred income tax	156,398	1,627
Net change in		
Accrued interest receivable	7,994	31,935
Mortgage servicing rights	3,395	3,430
Other assets	22,415	1,019
Accrued expenses and other liabilities	(89,056)	98,864
Net Cash from Operating Activities	1,327,862	1,382,197
Investing Activities		
Net change in interest bearing deposits in banks	(10,851,840)	434,116
Activity in available for sale securities		
Purchases	-	(79,190,868)
Maturities, prepayments and calls	2,398,566	71,361,092
Activity in held to maturity securities		
Maturities, prepayments and calls	8,085,703	5,946,783
Purchases	(2,997,254)	(16,982,333)
Net change in restricted investments carried at cost	(38,500)	(22,700)
Loan originations and principal collections, net	(16,114,097)	34,668
Net increase in net investment in direct financing leases	16,096	19,853
Cash received for the Edgewood Branch acquisition, net of cash paid	16,395,552	-
Proceeds from sales of foreclosed assets	397,000	-
Additions to premises and equipment	(381,058)	(323,347)
Net Cash used for Investing Activities	(3,089,832)	(18,722,736)
Financing Activities		
Net increase in deposits	5,136,128	14,165,012
Net increase in advances from Federal Home Loan Bank	2,798,119	3,054,696
Net Cash from Financing Activities	7,934,247	17,219,708
Net Change in Cash and Cash Equivalents	6,172,277	(120,831)
Cash and Cash Equivalents at Beginning of Year	4,492,987	4,613,818
Cash and Cash Equivalents at End of Year	$ 10,665,264	$ 4,492,987

Note 1 - Summary of Significant Accounting Policies

Nature of Operations

Mineola Community Mutual Holding Company (the Company) is a Texas state-chartered mutual holding company owned by its members. The Company wholly owns Mineola Community Financial Group, Inc. (MCFGI), which is a Delaware corporation. MCFGI wholly owns Mineola Community Bank, S.S.B. (the Bank), which is a Texas corporation. The Bank wholly owns Mineola Financial Services Corporation, which is a Texas corporation. In 2014, the Mineola Financial Services Corporation began doing business as Community Financial and provides mortgage loan services to its customers. Community Financial had no activity during the year ended December 31, 2018.

Members of the Company are all holders of deposit accounts and borrowers of the Bank. Each member is allowed one vote per every $100 or fraction thereof on account up to a maximum of 1,000 votes.

The Bank's primary source of revenue is providing loans and banking services to consumers and commercial customers in Mineola, Texas and surrounding area and the Dallas Fort Worth Metroplex. The accounting and reporting policies of the Company conform with U.S. generally accepted accounting principles and to general practices of the banking industry. Policies and practices which materially affect the determination of financial position, results of operations and cash flows are summarized as follows:

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

In preparing consolidated financial statements in conformity with U.S. generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statement of financial condition and 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 in the near term relate to the determination of the allowance for loan and lease losses and the valuation of core deposit intangibles.

Significant Group Concentration of Credit Risk

Most of the Company's activities are with customers located within the Wood and Van Zandt County areas and the Dallas Fort Worth Metroplex. Note 2 discusses the types of securities in which the Company invests. Note 3 discusses the types of lending in which the Company engages. Approximately 94% and 95% of the loan balance at December 31, 2018 and 2017, respectively, is secured by real estate. The Company does not have any other significant concentrations to any one industry or customer.

The Company carries certain assets with other financial institutions which are subject to credit risk by the amount such assets exceed federal deposit insurance limits. At December 31, 2018 and 2017, the deposits (including time deposits), as reported by the banks, were $20,844,346 and $4,983,970, respectively. Management monitors the financial stability of correspondent banks and considers amounts advanced in excess of FDIC insurance limits to present no significant additional risk to the Company.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, cash and cash equivalents include cash, balances due from banks and federal funds sold, all of which mature within ninety days.

The Company is required to maintain average balances on hand or with the Federal Reserve Bank. As of December 31, 2018 and 2017 the Company was not required to maintain any amounts in excess of required reserves.

Interest Bearing Deposits in Banks

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

Securities

Debt securities that management has the positive intent and ability to hold to maturity are classified as "held to maturity" and recorded at amortized cost. Securities not classified as held to maturity, including equity securities with readily determinable fair values, are classified as "available for sale" and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income.

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

Investments in other equity securities are carried at cost. Any changes to the cost basis of these investments are recorded in the statement of income. These investments are reviewed annually to determine if an impairment charge is necessary.

As of December 31, 2018 and 2017, no impairment charges were recorded for any impairment.

Loans and Leases

The Company grants mortgage, commercial and consumer loans to customers. A substantial portion of the loan portfolio is represented by loans secured by real estate throughout the Wood County and Dallas Fort Worth area. The ability of the Company's debtors to honor their contracts is dependent upon the general economic conditions in this area.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off which are measured at historical cost are generally reported at their outstanding unpaid principal balances net of any unearned income, charge-offs, and unamortized deferred fees and costs on originated loans. Interest income is accrued on the unpaid principal balance. The deferral of all loan origination fees and origination costs is qualified annually. In 2018 and 2017, management determined the deferral of these fees and costs to be immaterial to the consolidated financial statement. Unearned income is amortized to interest income using a yield methodology.

The Company makes disclosures of loans and other financing receivables and the related allowance in accordance with ASC Topic 310, Receivables. The accounting guidance defines a portfolio segment as the level at which an entity develops and documents a systematic methodology to determine the allowance for credit losses, and a class of financing receivables as the level of disaggregation of portfolio segments based on the initial measurement attribute, risk characteristics and methods for assessing risk. The Company's portfolio segments are real estate, agriculture, commercial, and consumer. The classes of financing receivables within the real estate segment are Construction and Land, Farmland, 1-4 Residential, Multifamily, and Commercial Real Estate. The remaining portfolio segments contain a single class of financing receivables. Under this accounting guidance, the allowance is presented by portfolio segment.

Allowance for Loan and Lease Losses

The allowance for credit losses, which includes the allowance for loan and lease losses and the reserve for unfunded lending commitments, represents management's estimate of probable losses inherent in the Company's lending activities. The allowance for loan and lease losses does not include amounts related to the accrued interest receivable as any accrued interest receivable is reversed when a loan is placed on nonaccrual status.

The allowance for loan and lease losses represents the estimated probable credit losses in funded consumer and commercial loans while the reserve for unfunded lending commitments, including standby letters of credit and binding unfunded loan commitments, represents estimated probable credit losses on these unfunded credit instruments based on utilization assumptions. Credit exposures deemed to be uncollectible are charged against these accounts. Cash recovered on previously charged off amounts is recorded as a recovery to these accounts.

Management evaluates the adequacy of the allowance for loan and lease losses based on the combined total of these two components. The Company performs periodic and systematic detailed reviews of its lending portfolios to identify credit risks and assess the overall collectability of those portfolios. The allowance on certain homogenous loan portfolios is based on aggregated portfolio segment evaluations. Loss forecast models are utilized for these portfolios which consider a variety of factors including, but not limited to, historical loss experience, estimated defaults or foreclosures based on portfolio trends, delinquencies, bankruptcies, economic conditions and credit scores.

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

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

Nonperforming loans are reviewed in accordance with applicable accounting guidance on impaired loans and troubled debt restructurings (TDRs). If necessary, a specific allowance is established for these loans if they are deemed to be impaired. A loan is considered impaired when, based on current information and events, it is probable that the Company 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 the circumstances surrounding the loan and the borrower, including the length of delay, the reason for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

Impairment is measured on a loan by loan basis for commercial and construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

For such loans that are classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of the loan. The general component covers non-classified loans and is based on historical loss experience adjusted for qualitative factors. An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio. Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Company does not separately identify individual consumer and residential loans for impairment disclosures, unless such loans are subject of a restructuring agreement.

In addition to the allowance for loan and lease losses, the Company also estimates probable losses related to unfunded lending commitments, such as letters of credit and financial guarantees, and binding unfunded loan commitments. Unfunded lending commitments are subject to individual reviews and are analyzed and segregated by risk according to the Company's internal risk rating scale. These risk classifications, in conjunction with an analysis of historical loss experience, utilization assumptions, current economic conditions, performance trends within the portfolio and any other pertinent information, result in the estimation of the reserve for unfunded lending commitments.

The allowance for loan and lease losses related to the loan portfolio is reported as a part of loans in the consolidated statement of condition whereas the reserve for unfunded lending commitments is reported on the consolidated statement of condition in accrued expenses and other liabilities. Provision for credit losses related to the loan portfolio and unfunded lending commitments is reported separately in the consolidated statement of income.

Nonperforming Loans, Charge-Offs and Delinquencies

Nonperforming loans generally include loans that have been placed on nonaccrual status including nonaccrual loans whose contractual terms have been restructured in a manner that grants a concession to a borrower experiencing financial difficulties.

The entire balance of a loan is contractually delinquent if the minimum payment is not received by the specified due date on the customer's billing statement. Interest and fees continue to accrue on past due loans until the date the loan goes into nonaccrual status, if applicable.

The outstanding balance of real estate secured loans, including all classes of financing receivables within the real estate portfolio segment, that is in excess of the estimated property value, less estimated costs to sell, is charged off no later than the end of the month in which the account becomes 180 days past due. The estimated property value, less costs to sell, is determined utilizing appraisals or broker price opinions of the fair value of the collateral.

The outstanding balance of loans within the remaining loan segments (agriculture, commercial loans, and consumer) are charged off no later than the end of the month in which the account becomes 120 days past due. For secured loans, accounts are written down to the collateral value.

The fair value of the collateral is estimated by management based on current financial information, inspections, and appraisals. For unsecured loans, the outstanding balance is written off.

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

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

The allowance for loan and lease losses is established as losses are estimated to have occurred through a provision for loan and lease losses charged to earnings. Loan and lease 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 and lease losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility of the loans and leases in light of historical experience, the nature and volume of the loan and lease portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revisions as more information becomes available.

Troubled Debt Restructured Loans

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

Financial Instruments

In the ordinary course of business the Company has entered into commitments to extend credit, including commercial letters of credit and standby letters of credit. Such financial instruments are recorded when they are funded.

Foreclosed Assets

Assets acquired through, or in lieu of, loan foreclosure are initially recorded at fair value less estimated cost to sell at the date of foreclosure. All write-downs based on the asset's fair value at the date of acquisition are charged to the allowance for loan loss. After foreclosure, property held for sale is carried at the lower of the new cost basis or estimated fair value less cost to sell.

Impairment losses on property to be held and used are measured at the amount by which the carrying amount of a property exceeds its fair value. Costs of significant property improvements are capitalized, whereas costs related to holding property are expensed. Valuations are periodically performed by management, and any subsequent write-downs are recorded as a charge to operations, if necessary, to reduce the carrying value of the property to lower of its costs or fair value less costs to sell.

Premises and Equipment

Land is carried at cost. Buildings and equipment are carried at cost, less accumulated depreciation computed on the straight-line method over the estimated useful lives of the assets or the expected terms of the leases, if shorter.

Mortgage Servicing Rights

Mortgage servicing rights are recognized as separate assets when rights are acquired through purchase or through sale of financial assets. Mortgage servicing rights are capitalized and amortized into income in proportion to, and over the period of, the estimated future net servicing income of the underlying financial assets. Mortgage servicing rights are evaluated for impairment based upon the fair value of the rights as compared to amortized cost. Impairment is determined by stratifying rights by predominant characteristics, such as interest rates and terms. Fair value is determined by using prices for similar assets with similar characteristics, when available, or based upon discounted cash flows using market-based assumptions. Impairment is recognized through a valuation allowance for an individual stratum, to the extent that fair value is less than the capitalized amount for the stratum.

Income Taxes

On January 1, 2009, the Company adopted the recent accounting guidance related to accounting for uncertainty in income taxes, which sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions.

The Company's income tax expense consists of the following components: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Company determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rate and laws are recognized in the period in which they occur.

Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50 percent; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances, and information available at the reporting date and is subject to management's judgment. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not some portion or all of a deferred tax asset will not be realized. The Company recognizes interest accrued on and penalties related to unrecognized tax benefits in tax expense.

During the year ended December 31, 2018 the Company recognized no interest and penalties. Based on management's analysis, the Company did not have any uncertain tax positions at December 31, 2018 and 2017.

The Company files income tax returns in the U.S. federal jurisdiction and the State of Texas. The Company's income tax returns are subject to examination by relevant taxing authorities as follows: U.S. federal income tax return for the tax years 2015 and forward; Texas income and margin tax return for tax years 2014 and forward.

In May of 2006, the State of Texas implemented a new tax on taxable margin, effective for years ended after December 31, 2006. For the Company, taxable margin is revenue less interest expense. The margin tax was insignificant for the year ended December 31, 2018. The deferred tax component of this tax is insignificant.

Advertising

Advertising costs are expensed as incurred. Advertising expenses for the years ended December 31, 2018 and 2017 amounted to $73,747 and $59,409, respectively.

Federal Home Loan Bank Stock

The Company's investment in Federal Home Loan Bank (FHLB) stock is a restricted investment carried at cost ($100 per share par value), which approximates its fair value. As a member of the FHLB system, the Company is required to maintain a minimum level of investment in FHLB stock based on specific percentages of its outstanding FHLB advances. The Company may request redemption at par value of any stock in excess of the amount it is required to hold. Stock redemptions are made at the discretion of FHLB. There were no sales or purchases during the years ended December 31, 2018 and 2017.

Derivative Loan Commitments

Mortgage loan commitments that relate to the origination of a mortgage that will be held for sale upon funding are considered derivative instruments under the derivatives and hedging accounting guidance (FASB ASC 815, Derivatives and Hedging). Loan commitments that are derivatives are recognized at fair value on the consolidated statement of condition in other assets and other liabilities with changes in their fair values recorded in noninterest income.

Forward Loan Sale Commitments

The Company carefully evaluates all loan sales agreements to determine whether they meet the definition of a derivative under FASB ASC 815 as facts and circumstances may differ significantly. If agreements qualify, to protect against the price risk inherent in derivative loan commitments, the Company uses "best efforts" forward loan sale commitments to mitigate the risk of potential decreases in the values of loans that would result from the exercise of the derivative loan commitments. Accordingly, forward loan sale commitments are recognized at fair value on the consolidated statement of condition in other assets and liabilities with changes in their fair values recorded in other noninterest income.

The Company estimates the fair value of its forward loan sales commitments using a methodology similar to that used for derivative loan commitments.

Cash Surrender Value of Bank-owned Life Insurance

Life insurance policies are initially recorded at cost at the date of purchase. Subsequent to purchase, the policies are periodically adjusted for changes in contract value. The adjustment to contract value increases or decreases the carrying value of the policies and is recorded as income or expense on the consolidated statements of income.

Note 2 - Securities

The amortized cost and fair value of securities, with gross unrealized gains and losses, follows:

	December 31, 2018			
Available for Sale	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Debt Securities				
Mortgage-backed	$ 13,554,291	$ 3,733	$ (459,627)	$ 13,098,397
State and municipal	871,433	4,099	(20)	875,512
Total debt securities	14,425,724	7,832	(459,647)	13,973,909
Marketable equity	168,233	146,221	-	314,454
Total securities available for sale	$ 14,593,957	$ 154,053	$ (459,647)	$ 14,288,363
Held to Maturity				
Mortgage-backed	$ 31,373,424	$ 8,595	$ (1,009,042)	$ 30,372,977
State and municipal	7,939,308	10,713	(86,868)	7,863,153
Total securities held to maturity	$ 39,312,732	$ 19,308	$ (1,095,910)	$ 38,236,130

	December 31, 2017			
Available for Sale	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Debt Securities:				
Mortgage-backed	$ 15,972,159	$ 4,982	$ (239,106)	$ 15,738,035
State and municipal	926,833	18,280	-	945,113
Total debt securities	16,898,992	23,262	(239,106)	16,683,148
Marketable equity	168,233	125,014	-	293,247
Total securities available for sale	$ 17,067,225	$ 148,276	$ (239,106)	$ 16,976,395
Held to Maturity				
Mortgage-backed	$ 34,178,684	$ 43,704	$ (585,969)	$ 33,636,419
State and municipal	10,499,397	69,296	(65,837)	10,502,856
Total securities held to maturity	$ 44,678,081	$ 113,000	$ (651,806)	$ 44,139,275

During the years ended December 31, 2018 and 2017, the Bank did not sell any available for sale or held to maturity securities.

At December 31, 2018 and 2017, securities with a carrying value of $1,338,956 and $1,251,797 respectively, were pledged to secure public deposits and for others purposes required or permitted by law.

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

	Available for Sale		Held to Maturity	
	Amortized Cost	Estimated Market Value	Amortized Cost	Estimated Market Value
Due in one year	$ 194,949	$ 195,289	$ 681,583	$ 680,318
Due from one to five years	-	-	1,953,656	1,935,955
Due in five to ten years	360,303	360,282	4,839,024	4,780,741
After ten years	316,181	319,941	465,045	466,139
Marketable equity	168,233	314,454	-	-
Mortgage-backed	13,554,291	13,098,397	31,373,424	30,372,977
Total	$ 14,593,957	$ 14,288,363	$ 39,312,732	$ 38,236,130

The following table shows the gross unrealized losses and fair value of the Company's investments with unrealized losses aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position for twelve months or more:

	December 31, 2018			
	Less than 12 months		12 months or longer	
Category (number of securities)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Mortgage-backed (60)	$ 7,774,467	$ (101,160)	$ 34,110,828	$ (1,367,509)
State and municipal (12)	1,379,212	(4,340)	3,492,177	(82,548)
Total	$ 9,153,679	$ (105,500)	$ 37,603,005	$ (1,450,057)

Category (number of securities)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Mortgage-backed (47)	$ 11,085,486	$ (239,106)	$ 29,871,332	$ (585,969)
State and municipal (9)	180,284	(2,748)	3,375,467	(63,089)
Total	$ 11,265,770	$ (241,854)	$ 33,246,799	$ (649,058)

Mortgage-Backed securities

The unrealized losses on the Company's investment in mortgage-backed securities were caused by interest rate increases and increases in prepayment speeds. The Company purchased those investments at a discount relative to their face amount, and the contractual cash flows of those investments are guaranteed by agencies of the U.S. government. Accordingly, it is expected that the securities would not be settled at a price less than the amortized cost bases of the Company's investments. Because the decline in market value is attributable to changes in interest rates and increases in prepayment speeds and not credit quality, and because the Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at December 31, 2018 and 2017.

State and Municipal

The unrealized losses on the Company's investment in state and municipal securities were caused by interest rate increases. Accordingly, it is expected that the securities would not be settled at a price less than the amortized cost bases of the Company's investments. Because the decline in market value is attributable to changes in interest rates and not credit quality, and because the Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at December 31, 2018 and 2017.

Other-Than-Temporary Impairment

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) evaluation by the Company of (a) its intent to sell a debt security prior to recovery and (b) whether it is more likely than not the Company will have to sell the debt security prior to recovery. As of December 31, 2018 and 2017, no investment securities were other-than-temporarily impaired.

Note 3 - Loans and Leases

A summary of the balances of loans and leases follows:

	December 31,	
	2018	2017
Real estate	$ 150,577,610	$ 132,133,719
Agriculture	678,488	270,975
Commercial	3,805,559	2,921,045
Consumer and other	4,541,003	3,404,450
Subtotal	159,602,660	138,730,189
Less allowance for loan and lease losses	(973,458)	(970,754)
Loans and leases, net	$ 158,629,202	$ 137,759,435

The following tables set forth information regarding the activity in the allowance for loan and lease losses for the years ended December 31, 2018 and 2017 (in thousands):

	December 31, 2018				
	Real estate	Agriculture	Commercial	Consumer and Other	Total
Allowance for loan and lease losses:					
Beginning balance	$ 801	$ 2	$ 117	$ 51	$ 971
Charge-offs	(3)	-	-	(18)	(21)
Recoveries	-	-	7	-	7
Provision	32	2	(22)	4	16
Ending balance	$ 830	$ 4	$ 102	$ 37	$ 973
Ending balance allocated to loans and leases individually evaluated for impairment	$ -	$ -	$ 80	$ -	$ 80
Ending balance allocated to loans and leases collectively evaluated for impairment	$ 830	$ 4	$ 22	$ 37	$ 893
Loans and leases receivable					
Loans and leases individually evaluated for impairment	$ 985	$ -	$ 439	$ -	$ 1,424
Loans and leases collectively evaluated for impairment	149,593	678	3,367	4,541	158,179
Ending balance	$ 150,578	$ 678	$ 3,806	$ 4,541	$ 159,603

	December 31, 2017				
	Real estate	Agriculture	Commercial	Consumer and Other	Total
Allowance for loan and lease losses:					
Beginning balance	$ 819	$ 4	$ 81	$ 49	$ 953
Charge-offs	-	-	-	(19)	(19)
Recoveries	-	-	59	20	79
Provision	(18)	(2)	(23)	1	(42)
Ending balance	$ 801	$ 2	$ 117	$ 51	$ 971
Ending balance allocated to loans and leases individually evaluated for impairment	$ 13	$ -	$ 80	$ -	$ 93
Ending balance allocated to loans and leases collectively evaluated for impairment	$ 788	$ 2	$ 37	$ 51	$ 878
Loans and leases receivable					
Loans and leases individually evaluated for impairment	$ 703	$ -	$ 438	$ 1	$ 1,142
Loans and leases collectively evaluated for impairment	131,432	271	2,482	3,403	137,588
Ending balance	$ 132,135	$ 271	$ 2,920	$ 3,404	$ 138,730

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

The classifications of loans and leases reflect a judgment about the risks of default and loss associated with the loan. The Company reviews the ratings on credits quarterly. Ratings are adjusted to reflect the degree of risk and loss that is felt to be inherent in each credit as of each quarterly reporting period.

The methodology is structured so that specific allocations are increased in accordance with deterioration in credit quality (and a corresponding increase in risk and loss) or decreased in accordance with improvement in credit quality (and a corresponding decrease in risk and loss).

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

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

Credits rated doubtful are those in which full collection of principal appears highly questionable, and which some degree of loss is anticipated, even though the ultimate amount of loss may not yet be certain and/or other factors exist which could affect collection of debt. Based upon available information, positive action by the Company is required to avert or minimize loss. Credits with this classification have often become collateral dependent and any shortage in collateral or other likely loss amount is recorded as a specific valuation allowance. Credits rated doubtful are generally also placed on nonaccrual.

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

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

The following table sets forth information regarding the internal classification of the loan and lease portfolio (in thousands):

	December 31, 2018					
	Pass	Special Mention	Substandard	Doubtful	Loss	Total
Real estate						
Construction and Land	$ 8,923	$ -	$ 174	$ -	$ -	$ 9,097
Farmland	2,228	-	404	-	-	2,632
1-4 Residential	121,587	191	2,007	-	-	123,785
Multifamily	-	-	-	-	-	-
Commercial real estate	13,335	1,572	157	-	-	15,064
Agriculture	678	-	-	-	-	678
Commercial	3,367	-	389	50	-	3,806
Consumer and other	4,449	34	58	-	-	4,541
Total	$154,567	$ 1,797	$ 3,189	$ 50	$ -	$159,603

	December 31, 2017					
	Pass	Special Mention	Substandard	Doubtful	Loss	Total
Real estate						
Construction and Land	$ 6,642	$ -	$ 405	$ -	$ -	$ 7,047
Farmland	2,279	-	412	-	-	2,691
1-4 Residential	105,956	-	1,929	-	-	107,885
Multifamily	-	-	-	-	-	-
Commercial real estate	12,504	1,640	355	13	-	14,512
Agriculture	271	-	-	-	-	271
Commercial	2,461	-	409	50	-	2,920
Consumer and other	3,277	-	127	-	-	3,404
Total	$133,390	$ 1,640	$ 3,637	$ 63	$ -	$138,730

The following table sets forth information regarding the credit risk profile based on payment activity of the loan and lease portfolio (in thousands):

	December 31, 2018			December 31, 2017		
	Performing	Non-performing	Total	Performing	Non-performing	Total
Real estate						
Construction and land	$ 9,097	$ -	$ 9,097	$ 7,047	$ -	$ 7,047
Farmland	2,632	-	2,632	2,691	-	2,691
1-4 Residential	123,167	618	123,785	107,566	319	107,885
Multifamily	-	-	-	-	-	-
Commercial real estate	15,064	-	15,064	14,384	128	14,512
Agriculture	678	-	678	271	-	271
Commercial	3,800	6	3,806	2,920	-	2,920
Consumer and other	4,541	-	4,541	3,403	1	3,404
Total	$158,979	$ 624	$159,603	$138,282	$ 448	$138,730

The following table sets forth information regarding the delinquencies not on nonaccrual within the loan and lease portfolio (in thousands):

	December 31, 2018					
	30-89 Days Past Due	90 Days and Greater	Total Past Due	Current	Total Loans	Recorded Investment > 90 Days and Still Accruing
Real estate						
Construction and land	$ 405	$ -	$ 405	$ 8,692	$ 9,097	$ -
Farmland	404	-	404	2,228	2,632	-
1-4 Residential	708	119	827	122,958	123,785	119
Multifamily	-	-	-	-	-	-
Commercial real estate	43	-	43	15,021	15,064	-
Agriculture	-	-	-	678	678	-
Commercial	-	-	-	3,806	3,806	-
Consumer and other	63	2	65	4,476	4,541	2
Total	$ 1,623	$ 121	$ 1,744	$ 157,859	$ 159,603	$ 121

The following table sets forth information regarding the delinquencies not on nonaccrual within the loan and lease portfolio (in thousands):

	December 31, 2017					
	30-89 Days Past Due	90 Days and Greater	Total Past Due	Current	Total Loans	Recorded Investment > 90 Days and Still Accruing
Real estate						
Construction and land	$ 338	$ -	$ 338	$ 6,709	$ 7,047	$ -
Farmland	-	-	-	2,691	2,691	-
1-4 Residential	1,825	78	1,903	105,982	107,885	78
Multifamily	-	-	-	-	-	-
Commercial real estate	-	-	-	14,512	14,512	-
Agriculture	-	-	-	271	271	-
Commercial	408	12	420	2,500	2,920	12
Consumer and other	164	-	164	3,240	3,404	-
Total	$ 2,735	$ 90	$ 2,825	$ 135,905	$ 138,730	$ 90

The following table sets forth information regarding the nonaccrual status within the loan and lease portfolio as of December 31, 2018 and 2017 (in thousands):

	2018	2017
Real estate		
Construction and land	$ -	$ -
Farmland	-	-
1-4 Residential	618	319
Multifamily	-	-
Commercial real estate	-	128
Agriculture	-	-
Commercial	6	-
Consumer and other	-	1
Total	$ 624	$ 448

A loan is considered impaired when based on current information and events; it is probable that the Company will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan. Impaired loans include nonperforming loans (nonaccrual loans), loans performing but with deterioration that leads to doubt regarding collectability and also includes loans modified in troubled debt restructurings when concessions have been granted to borrowers experiencing financial difficulties. These concessions could include a reduction in the interest rate on the loan, payment extensions, forgiveness of principal, forbearance or other actions intended to maximize collection. No interest income was recognized on a cash basis on nonaccrual and troubled debt restructurings for the years ended December 31, 2018 and 2017, respectively. $67,193 and $49,609 of interest income was recognized for impaired loans that are not on nonaccrual status for the years ended December 31, 2018 and 2017, respectively.

The following table sets forth information regarding impaired loans as of December 31, 2018:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance					
Real estate					
Construction and land	$ -	$ -	$ -	$ -	$ -
Farmland	-	-	-	-	-
1-4 Residential	829,368	829,368	-	651,296	17,581
Multifamily	-	-	-	-	-
Commercial real estate	156,113	156,113	-	128,792	18,977
Agriculture	-	-	-	-	-
Commerical	103,685	103,685	-	103,090	7,091
Consumer and other	-	-	-	499	-
With a related allowance					
Real estate					
Construction and land	-	-	-	-	-
Farmland	-	-	-	-	-
1-4 Residential	-	-	-	-	-
Multifamily	-	-	-	-	-
Commercial real estate	-	-	-	-	-
Agriculture	-	-	-	-	-
Commerical	335,429	335,429	80,000	335,677	23,544
Consumer and other	-	-	-	-	-
Total					
Real estate					
Construction and land	-	-	-	-	-
Farmland	-	-	-	-	-
1-4 Residential	829,368	829,368	-	651,296	17,581
Multifamily	-	-	-	-	-
Commercial real estate	156,113	156,113	-	128,792	18,977
Agriculture	-	-	-	-	-
Commerical	439,114	439,114	80,000	438,766	30,635
Consumer and other	-	-	-	499	-
	$ 1,424,595	$ 1,424,595	$ 80,000	$ 1,219,353	$ 67,193

The following table sets forth information regarding impaired loans as of December 31, 2017:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance					
Real estate					
Construction and land	$ -	$ -	$ -	$ 14,350	$ -
Farmland	-	-	-	-	-
1-4 Residential	473,219	501,608	-	478,654	12,703
Multifamily	-	-	-	-	-
Commercial real estate	101,471	101,471	-	322,294	8,673
Agriculture	-	-	-	-	-
Commerical	102,495	102,495	-	74,822	6,405
Consumer and other	997	1,068	-	499	-
With a related allowance					
Real estate					
Construction and land	-	-	-	-	-
Farmland	-	-	-	-	-
1-4 Residential	-	-	-	-	-
Multifamily	-	-	-	-	-
Commercial real estate	128,007	128,007	12,507	-	-
Agriculture	-	-	-	-	-
Commerical	335,924	335,924	80,000	354,723	21,828
Consumer and other	-	-	-	-	-
Total					
Real estate					
Construction and land	-	-	-	14,350	-
Farmland	-	-	-	-	-
1-4 Residential	473,219	501,608	-	478,654	12,703
Multifamily	-	-	-	-	-
Commercial real estate	229,478	229,478	12,507	322,294	8,673
Agriculture	-	-	-	-	-
Commerical	438,419	438,419	80,000	429,544	28,233
Consumer and other	997	1,068	-	499	-
	$ 1,142,113	$ 1,170,573	$ 92,507	$ 1,245,341	$ 49,609

The following information sets forth information regarding troubled debt restructurings that occurred during the year December 31, 2018 and 2017:

There were no new troubled debt restructurings during the year ended December 31, 2018.

Modifications For Year December 31, 2017

	Number	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Troubled Debt Restructuring			
1-4 Family	$ 1	$ 26,502	$ 22,993

There have been no subsequently defaulted troubled debt restructurings. The Company has no commitments to loan additional funds to borrowers whose loans have been modified.

At December 31, 2018 and 2017 the Company had a recorded investment of $91,152 and $116,157 respectively of troubled debt restructured loans. The Company has no current commitments to loan additional funds to the borrowers whose loans have been modified.

Note 4 - Net Investment in Direct Financing Leases

The Company has entered into equipment leases with various local municipal and county entities. Each of the leases are classified as a direct financing lease. The terms of the lease provide for automatic annual renewal periods unless the lessee gives written notice, not less than ninety days prior to the end of the original term or any renewal term, of their intention to terminate. The components of the net investment in direct financing leases are summarized as follows:

	2018	2017
Total minimum lease payments to be received	$ 79,519	$ 99,397
Less interest income	(12,940)	(16,722)
Net investment in direct financing lease	$ 66,579	$ 82,675

At December 31, 2018, the scheduled financing lease payments are payments of $19,878 each year through 2022.

Note 5 - Loan Servicing

Mortgage loans serviced for others are not included in the accompanying statements of financial condition. The unpaid principal balances of these loans are summarized as follows:

	2018	2017
Mortgage loan portfolio serviced for FHLMC	$ 2,920,989	$ 3,165,389

Custodial escrow balances maintained in connection with the foregoing loan servicing were approximately $4,125 and $5,368 at December 31, 2018 and 2017, respectively.

The following is an analysis of the changes in loan servicing rights, capitalized:

	2018	2017
Balance, beginning of year	$ 26,841	$ 30,271
Additions	-	2,534
Amortization	(3,395)	(5,964)
Balance, end of year	$ 23,446	$ 26,841

Note 6 - Foreclosed Assets

The Company has a remaining deferred gain on sale of foreclosed assets of $0 and $12,466 for the years ended December 31, 2018 and 2017, respectively.

Expenses applicable to foreclosed assets include the following:

	December 31,	
	2018	2017
Net gain on sales of real estate	$ (166,332)	$ -
Operating expenses, net of rental income	42,327	7,204
Loss on other repossessed assets	-	5,958
	$ (124,005)	$ 13,162

Note 7 - Premises and Equipment

A summary of the cost and accumulated depreciation of premises and equipment follows:

	December 31, 2018	December 31, 2017
Land	$ 698,686	$ 622,580
Buildings and improvments	7,574,195	6,564,091
Furniture, fixtures and equipment	2,432,749	2,229,077
	10,705,630	9,415,748
Accumulated depreciation	(4,402,618)	(4,105,388)
Total	$ 6,303,012	$ 5,310,360

Depreciation expense for the years ended December 31, 2018 and 2017 amounted to $297,230 and $280,558 respectively.

Note 8 - Deposits

The aggregate amount of time deposits meeting or exceeding FDIC limits of $250,000 or more at December 31, 2018 and 2017 was $6,744,000 and $8,548,000 respectively. At December 31, 2018, the scheduled maturities of time deposits are as follows:

2019	$ 46,372,705
2020	16,534,075
2021	11,878,152
2022	968,048
2023	788,423
Total	$ 76,541,403

Note 9 - Advances from Federal Home Loan Bank

The Company had outstanding advances from Federal Home Loan Bank totaling $23,538,894 and $20,740,775 at December 31, 2018 and 2017, respectively. Such advances had a weighted average interest rate of 2.01% and 1.95% at December 31, 2018 and 2017, respectively, and are secured by substantially all of the Company's real estate loans. Scheduled maturities of the advances at December 31, 2018 are as follows:

2019	$ 5,816,906
2020	-
2021	58,604
2022	79,917
2023	-
Thereafter	17,583,467
Total	$ 23,538,894

Under these agreements, the Company had unused lines of credit amounting to $73,942,093 at December 31, 2018. Pursuant to a blanket collateral agreement with FHLB, advances were secured by all stock and deposit accounts with FHLB, mortgage collateral, securities collateral, and other collateral. No securities were specifically pledged as of December 31, 2018 and 2017.

Note 10 - Income Taxes

Allocation of income taxes between current and deferred portions is as follows:

	Years ended December 31,	
	2018	2017
Current federal income tax (benefit) expense	$ (89)	$ 40,446
Current state income tax expense	16,460	16,301
Deferred federal income tax expense	121,541	36,092
Deferred state income tax expense (benefit)	18,606	(18,214)
Total provision	$ 156,518	$ 74,625

Income tax expense, as a percentage of pretax earnings, differs from the statutory federal income tax rate at December 31, 2018 and 2017 is as follows:

	2018	2017
Income tax expense at the statutory rate	21.00 %	34.00 %
State income taxes	1.67	1.87
Tax rate change	0.00	11.48
Nontaxable earnings	(7.30)	(18.86)
Nondeductible expenses	0.55	1.60
Other	(0.06)	(10.07)
Total provision	15.86 %	20.02 %

As the method for computing Texas margin tax is derived from an income-based measure, the Company has determined that the margin tax is an income tax and, therefore, the provisions of FASB ASC 740, Income Taxes, apply. House Bill (H.B.) 3928 created a temporary credit which can be used to offset tax due on taxable margin. The amount of credit is computed by determining the amount of business loss carryforwards on the last report filed under the old franchise tax system, multiplied by 4.5%. The utilization of the credit is limited to 2.25% per year for 2008 through 2017, and 7.75% for 2018 through 2027. The annual credit is further limited to the margin tax computed for each year. Any unused credit expires after 2027.

Income exempt from federal income tax is the primary reason the effective tax rate differs from statutory federal income tax rates. The components of the net deferred tax asset are as follows:

	December 31, 2018	December 31, 2017
Deferred tax assets		
Allowance for loan losses	$ 204,426	$ 203,858
Foreclosed assets	-	2,618
Non accrual loan interest	-	2,358
Organization costs	8,728	10,910
Deferred compensation	87,264	75,420
State income tax	-	451
State income tax credit	120,122	134,821
Alternative minimum tax credit	48,515	69,897
Unrealized gain on securities-available for sale	64,175	19,074
Other	78,051	36,612
	611,281	556,019
Deferred tax liabilities		
Depreciable assets	(144,061)	(97,737)
Mortgage servicing rights	(4,924)	(5,637)
Accrual to cash	(104,697)	-
	(253,682)	(103,374)
Net deferred tax asset	$ 357,599	$ 452,645

No valuation allowance for deferred tax assets was recorded as of December 31, 2018 and 2017, as management believes the amounts representing future deferred tax benefits will more likely than not be recognized since the Company is expected to have sufficient taxable income of an appropriate character within the carryback and carryforward periods as permitted by the tax law to allow for utilization of the future deductible amounts.

Retained earnings at December 31, 2018 and 2017, includes $2,604,064, for which no deferred federal income tax liability has been recognized. This amount represents an allocation of income to bad debt deductions for tax purposes only. Reduction of amounts so allocated for purposes other than tax bad debt losses or adjustments arising from carryback of net operating losses would create income for tax purposes only, which would be subject to the current corporate income tax rate. The unrecorded deferred income tax liability on the above amount was $546,853 and $885,382 at December 31, 2018 and 2017.

As a result of the Tax Cuts and Job Act enacted December 22, 2017, Mineola revalued its deferred tax assets and liabilities to account for the future impact of lower corporate tax rates and other provisions of the legislation. The income tax effects on tax expense and from accumulated other comprehensive income were considered insignificant.

Note 11 - Off-Balance-Sheet Activities

The Company is a party to credit related 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. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated statement of financial condition. The Company's exposure to credit loss is represented by the contractual amount of these commitments. The Company follows the same credit policies in making commitments as it does for on-balance-sheet instruments.

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

	Contract Amount	
	2018	2017
Commitments to extend credit	$ 15,827,000	$ 4,450,000

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The commitments for equity lines of credit may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary by the Company, is based on management's credit evaluation of the customer.

The Company is party to an agreement with the Federal Reserve Bank of Boston that provides the Company with a federal funds line of credit in an amount tied to securities on deposit with that bank. The Company pays no fees for this line of credit and has not drawn upon it. The Company is party to agreements with its correspondent banks that provide the Company with lines for up to $15,000,000 federal funds line of credit to support overnight funding needs. The Company pays no fees for this line of credit and has not drawn upon it. The lines renew annually.

At December 31, 2018, the Company had no commitments to purchase securities.

The Company has no other off-balance-sheet arrangements or transactions with unconsolidated, special purpose entities that would expose the Company to liability that is not reflected on the face of the financial statements.

Note 12 - Legal Contingencies

Various legal claims also arise from time to time in the normal course of business which, in the opinion of management, will have no material effect on the Company's consolidated financial statements.

Note 13 - Employee Benefit Plan

The Company sponsors a defined contribution 401(k) retirement plan covering substantially all of its employees. The plan provides for the Company to match employees' contributions up to five percent of an employee's annual salary. In addition, during the year ended December 31, 2008, the Company added a profit-sharing component to the 401(k) plan under which the Company may contribute an equal amount to the account of each employee. The amount of the profit-sharing contribution is discretionary and determined annually by the board of directors. The employees are 100% vested after six years of service. Prior to full vesting, the employees are vested from 20% to 80% depending on the length of service. The Company's contributions for the years ended December 31, 2018 and 2017 were $130,897 and $127,010, respectively.

The Company has a deferred compensation plan with a member of its board of directors that permits that director to defer a portion of his compensation and earn a guaranteed interest rate on the deferred amounts. The portion of the director's compensation that is deferred has been accrued and the only other expense related to this plan is the interest on the deferred amounts. Interest expense during the years ended December 31, 2018 and 2017, included $12,487 and $12,948 related to this plan. The Company has included $175,324 and $162,837 of deferred compensation payable at December 31, 2018 and 2017, which is included in accrued expenses and other liabilities.

To fund this plan, the Company has purchased a corporate-owned whole-life insurance contract on the director. The Company has included $103,294 and $99,371 in bank-owned life insurance at December 31, 2018 and 2017, which represents the cash surrender value of this policy.

Effective January 1, 2013, the Company adopted a deferred compensation incentive plan for five key employees. The plan provides for an individually agreed upon percentage of net income for the plan year to be deferred and vested over five years. The deferred compensation will earn interest over the vesting period. The vested benefit is to be paid within 90 days of the end of each plan year. The plan will continue each year unless terminated by the Company prior to the beginning of each plan year. The Company recorded compensation expense related to this program in the amount of $159,115 and $154,405 for the years ended December 31, 2018 and 2017, respectively. The remaining amount of bonus to be paid out before interest is $300,151 and is expected to be fully expensed by the year ended December 31, 2021. An accrual of $240,220 and $196,303 for December 31, 2018 and 2017, respectively is included in accrued expenses and other liabilities.

Note 14 - Obligations under Facility License Agreement

During 2000, the Company opened a branch location in a grocery store in Mineola, Texas, under the terms of a facility license agreement. The current agreement expires October 2019 and is for an annual license fee of $50,000 a year. License expense under the agreement was $50,000 for 2018 and 2017 and is included in occupancy expense.

Note 15 - Related Party Transactions

In the ordinary course of business, the Company has granted loans to principal officers and directors and their affiliates.

Annual activity consisted of the following:

	December 31,	
	2018	2017
Beginning balance	$ 3,067,763	$ 2,191,919
Additions	699,040	1,500,152
Repayments	(194,489)	(624,308)
Ending balance	$ 3,572,314	$ 3,067,763

Deposits from related parties held by the Company at December 31, 2018 and 2017 amounted to $4,505,616 and $5,243,556, respectively.

Note 16 - Supplemental Cash Flow Information

Supplemental disclosure of cash flow information is as follows:

	December 31, 2018	December 31, 2017
Supplemental cash flow information:		
Cash paid for		
Interest on deposits	$ 1,442,586	$ 1,302,954
Interest on FHLB advances	486,665	344,697
Other interest	12,487	12,948
Income taxes	140,188	160,000
Assets acquired in foreclosure	215,922	50,852
Supplemental schedule of non-cash investing activities related to the acquistion:		
Assets acquired:		
Loans	5,003,777	-
Accrued interest	17,516	-
Premises and equipment	908,824	-
Receivables	112,010	-
Core deposit intangible	925,991	-
Deposits	(23,353,470)	-
Interest payable	(10,200)	-

Note 17 - Minimum Regulatory Capital Requirements

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 and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk-weightings and other factors. Prompt corrective action provisions are not applicable to bank holding companies.

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

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

Beginning January 1, 2016, community banking organizations became subject to a new regulatory rule recently adopted by federal banking agencies (commonly referred to as Basel III). The new rule establishes a new regulatory capital framework that incorporates revisions to the Basel capital framework, strengthens the definition of regulatory capital, increases risk-based capital requirements, and amends the methodologies for determining risk-weighted assets. These changes are expected to increase the amount of capital required by community banking organizations. Basel Ill includes a multiyear transition period from January 1, 2016 through December 31, 2019. The Bank elected to opt-out of the accumulated other comprehensive income inclusion.

Management believes that, as of December 31, 2018, the Bank would meet all capital adequacy requirements under the Basel III Capital rules on a fully phased-in basis as if such requirements were currently in effect; however, final rules are subject to regulatory discretion and could result in the need for additional capital levels in the future.

The following table presents actual and required capital ratios as of December 31, 2018 and 2017 for the Bank under the Basel III Capital Rules. The Minimum required capital amounts presented include the minimum required capital levels based on the phase-in provisions of the Basel III Capital Rules and the minimum required capital levels as of January 1, 2019 when the Basel III Capital rules have been fully phased-in, and included the capital conservation buffer. Capital levels required to be considered well capitalized are based on prompt corrective action regulations, as amended to reflect changes under the Basel III Capital Rules.

There are no conditions or events since the notification that management believes have changed the Bank's category. The Bank's actual capital amounts and ratios as of December 31, 2018 and 2017 are presented in the following table (in thousands).

	Actual		Minimum Required for capital adequacy purposes-Basel III phase-in schedule		Minimum Required for capital adequacy purposes-Basel III fully phased-in		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2018								
Total Capital to Risk Weighted Assets								
Bank	$29,953	22.3 %	$13,257	9.875 %	$ 14,096	10.5 %	$ 13,425	10.0 %
Tier I Capital to Risk Weighted Assets								
Bank	28,980	21.6	10,572	7.875	11,411	8.5	10,740	8.0
Common Equity Tier I Capital (CETI) to Risk Weighted Assets								
Bank	28,980	21.6	8,558	6.375	9,397	7.0	8,726	6.5
Tier I Capital to Average Total Assets								
Bank	28,980	12.8	9,004	4.0	9,004	4.0	11,255	5.0
December 31, 2017								
Total Capital to Risk Weighted Assets								
Bank	$30,084	25.5 %	$10,909	9.3 %	$ 12,383	10.5 %	$ 11,794	10.0 %
Tier I Capital to Risk Weighted Assets								
Bank	29,113	24.7	8,550	7.3	10,025	8.5	9,435	8.0
Common Equity Tier I Capital (CETI) to Risk Weighted Assets								
Bank	29,113	24.7	6,781	5.8	8,256	7.0	7,666	6.5
Tier I Capital to Average Total Assets								
Bank	29,113	13.8	8,445	4.0	8,445	4.0	10,556	5.0

Note 18 - Fair Value Measurements

Authoritative guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. The price in the principal (or most advantageous) market used to measure the fair value of the asset or liability shall not be adjusted for transaction costs. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets and liabilities; it is not a forced transaction. Market participants are buyers and sellers in the principal market that are (i) independent, (ii) knowledgeable, (iii) able to transact and (iv) willing to transact. Authoritative guidance requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. The income approach uses valuation techniques to convert future amounts, such as cash flows or earnings, to a single present amount on a discounted basis. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (replacement costs). Valuation techniques should be consistently applied. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, authoritative guidance establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

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

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

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

A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth on the next page.

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

Available for Sale Securities - Securities classified as available for sale are reported at fair value utilizing Level 1 and Level 2 inputs. For these securities, the Company obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U. S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayments speeds, credit information and the bond's terms and conditions, among other things.

Impaired Loans - Impaired loans are reported at the fair value of the underlying collateral if repayment is expected solely from the collateral. Collateral values are estimated using Level 3 inputs based on internally customized discounting criteria.

Foreclosed Assets – Fair values are valued at the time the loan is foreclosed upon and the asset is transferred from loans. The value is based upon primarily third-party appraisals, less costs to sell. The appraisals are generally discounted based on management's historical knowledge, changes in market conditions from the time of valuation, and/or management's expertise and knowledge of the client and the client's business. Such discounts are typically significant and result in Level 3 classification of the inputs for determining fair value. Foreclosed assets are reviewed and evaluated on at least a quarterly basis for additional impairment and adjusted accordingly, based on the same or similar factors above.

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

	December 31, 2018			
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Financial assets				
Investment securities				
Mortgage-backed	$ -	$ 13,098,397	$ -	$ 13,098,397
State and municipal securities	-	875,512	-	875,512
Marketable equity	314,454	-	-	314,454
Total financial assets	$ 314,454	$ 13,973,909	$ -	$ 14,288,363

	December 31, 2017			
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Financial assets				
Investment securities				
Mortgage-backed	$ -	$ 15,738,035	$ -	$ 15,738,035
State and municipal securities	-	945,113	-	945,113
Marketable equity	293,247	-	-	293,247
Total financial assets	$ 293,247	$ 16,683,148	$ -	$ 16,976,395

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

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

	December 31, 2018			
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Financial assets				
Impaired loans	$ -	$ -	$ 255,429	$ 255,429
Nonfinancial assets				
Foreclosed assets	-	-	23,640	23,640
	$ -	$ -	$ 279,069	$ 279,069

	December 31, 2017			
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Financial assets				
Impaired loans	$ -	$ -	$ 371,424	$ 371,424
Nonfinancial assets				
Foreclosed assets	-	-	50,852	50,852
	$ -	$ -	$ 422,276	$ 422,276

During the years ended December 31, 2018 and 2017, certain impaired loans were remeasured and reported at fair value through a specific valuation allowance allocation of the allowance for possible loan losses based upon the fair value of the underlying collateral. At December 31, 2018, impaired loans with a carrying value of $335,429 were reduced by specific valuation allowance allocations totaling $80,000 to a reported fair value of $255,429. At December 31, 2017, impaired loans with a carrying value of $463,931 were reduced by specific valuation allowance allocations totaling $92,507 to a reported fair value of $371,424. The fair value of impaired loans is determined based on collateral valuations utilizing Level 3 valuation inputs. No amounts were charged to the provision for loan losses as a result of the valuation allowance for the years ended December 31, 2018 and 2017, respectively.

Quantitative Information about Significant Unobservable Inputs Used in Level 3 Fair Value Measurements – The following table represents the Company's Level 3 financial assets and liabilities, the valuation techniques used to measure the fair value of those financial assets and liabilities, and the significant unobservable inputs and the ranges of values for those inputs:

Instrument	Fair Value at December 31, 2018	Principal Valuation Technique	Significant Unobservable Inputs	Range of Significant Input Values
Impaired loans	$ 255,429	Appraisal of collateral (1)	Appraisal adjustment	10-25%
Foreclosed assets	$ 23,640	Appraisal of collateral (1)	Appraisal adjustment	10-25%

Instrument	Fair Value at December 31, 2017	Principal Valuation Technique	Significant Unobservable Inputs	Range of Significant Input Values
Impaired loans	$ 371,424	Appraisal of collateral (1)	Appraisal adjustment	10-25%
Foreclosed assets	$ 50,852	Appraisal of collateral (1)	Appraisal adjustment	10-25%

(1) Fair value is generally determined through independent appraisals of the underlying collateral, which generally include various Level 3 inputs which are not identifiable, less associated allowance.

Note 19 - Core Deposit Intangible

Core deposit intangible assets were recorded as part of the MapleMark Edgewood Branch Acquisition.

The components of core deposit intangible assets were as follows:

	December 31, 2018	December 31, 2017
	(In Thousands)	
Core deposit intangible	$ 926	$ -

Core deposit intangible assets are amortized on a straight-line basis over their estimated life of 7 years. There was no amortization expense related to intangible assets for the year ended December 31, 2018. The estimated aggregate future amortization expense for core deposit intangible assets remaining as of December 31, 2018 was as follows:

Years ended December 31:	
2019	$ 132
2020	132
2021	132
2022	132
2023	132
Thereafter	266
Total	$ 926

Note 20 - Business Combination

On December 31, 2018, the Company completed the acquisition of the MapleMark Bank Edgewood Branch assets and liabilities for a 4% premium on the deposits which totaled $934,139. The acquisition provides the Company with an opportunity to strategically expand their market presence. Acquisition-related costs of $87,495 were expensed and are reported as other expenses in the consolidated statements of income.

The transaction was accounted for under the acquisition method of accounting in accordance with FASB ASC 805, Business Combinations. Under FASB ASC 805, all of the assets acquired and liabilities assumed in a business combination are recognized at the acquisition date at their acquisition date fair value. Transactions and restructuring costs associated with the business combination are expensed as incurred. The excess of the acquisition consideration over the fair value of assets acquired and liabilities assumed, if any, is allocated to goodwill. The Company recognized no goodwill in conjunction with this acquisition.

The following table summarizes the fair values of the assets acquired and liabilities assumed at the acquisition date:

Fair value of assets acquired	
Cash	$ 17,329,692
Loans	5,003,777
Receivable from MapleMark	112,010
Premises and equipment	908,824
Accrued interest	17,516
Core deposit intangible	925,991
Total assets acquired	24,297,810
Fair value of liabilities assumed	
Deposits	23,353,470
Interest payable	10,200
Total liabilities assumed	23,363,670
Net assets acquired	934,140
Less cash acquired	(17,329,692)
Net cash received	$ 16,395,552

The total premium on loans acquired was $39,000 and was offset by a credit mark of $30,852. No impaired loans were acquired. The carrying value of deposits approximated fair value and therefore no premium or discount was recognized for deposits.

Note 21 - Subsequent Events

The Company has evaluated all subsequent events through April 19, 2019, the date the consolidated financial statements were available to be issued.

Supplementary Information
December 31, 2018 and 2017

Mineola Community Mutual Holding Company and Subsidiaries

	Mineola Community Mutual Holding Company	Mineola Community Financial Group	Mineola Community Bank, S.S.B. and Subsidiary
Assets			
Cash and due from banks	$ 50,000	$ 40,745	$ 4,189,264
Federal funds sold			6,476,000
Cash and cash equivalents	50,000	40,745	10,665,264
Interest bearing deposits in banks			13,838,613
Securities available for sale			14,288,363
Securities held to maturity			39,312,732
Investment in subsidiary	29,713,352	29,672,607	
Loans receivable, net of allowance for loan and lease losses			158,562,623
Net investment in direct financing leases			66,579
Accrued interest receivable			767,464
Receivable related to Edgewood acquisition			112,010
Premises and equipment			6,303,012
Bank-owned life insurance			4,684,724
Foreclosed assets			23,640
Restricted investments carried at cost			1,775,500
Core deposit intangible			925,991
Mortgage servicing rights, net			23,446
Deferred income taxes			357,599
Other assets			114,118
	$ 29,763,352	$ 29,713,352	$ 251,821,678
Liabilities and Shareholder and Members' Equity			
Liabilities			
Noninterest bearing	$ -	$ -	$ 24,484,321
Interest bearing			173,267,849
Total deposits	-	-	197,752,170
Advances from Federal Home Loan Bank			23,538,894
Accrued expenses and other liabilities			858,007
Total liabilities	-	-	222,149,071
Shareholder and Members' Equity			
Common stock		100	1,000
Capital surplus		49,900	
Retained earnings	30,004,771	29,904,771	29,913,026
Net unrealized depreciation on available for sale securities, net of tax	(241,419)	(241,419)	(241,419)
Total shareholders and members' equity	29,763,352	29,713,352	29,672,607
	$ 29,763,352	$ 29,713,352	$ 251,821,678

Eliminations	Consolidated
$ (90,745)	$ 4,189,264
	6,476,000
(90,745)	10,665,264
	13,838,613
	14,288,363
	39,312,732
(59,385,959)	-
	158,562,623
	66,579
	767,464
	112,010
	6,303,012
	4,684,724
	23,640
	1,775,500
	925,991
	23,446
	357,599
	114,118
$ (59,476,704)	$ 251,821,678
$ (90,745)	$ 24,393,576
	173,267,849
(90,745)	197,661,425
	23,538,894
	858,007
(90,745)	222,058,326
(1,100)	-
(49,900)	-
(59,817,797)	30,004,771
482,838	(241,419)
(59,385,959)	29,763,352
$ (59,476,704)	$ 251,821,678

	Mineola Community Mutual Holding Company	Mineola Community Financial Group	Mineola Community Bank, S.S.B. and Subsidiary
Interest Income			
Loans, including fees	$	$	$ 6,950,376
Debt securities			
Taxable			983,414
Non taxable			234,370
Dividends on restricted investments			45,156
Federal funds sold			24,734
Deposits with banks			75,570
Total interest income	-	-	8,313,620
Interest Expense			
Deposits			1,471,522
Advances from Federal Home Loan Bank			497,750
Other			12,487
Total interest expense	-	-	1,981,759
Net Interest Income			6,331,861
Provision for Loan and Lease Losses			16,089
Net Interest Income After Provision for Loan Losses	-	-	6,315,772
Noninterest Income			
Service charges on deposit accounts			535,799
Other service charges and fees			598,370
Net gain on sale of foreclosed assets			166,332
Equity in earnings of subsidiary	830,662	831,500	-
Net appreciation on bank-owned life insurance			102,535
Other income			73,199
Total noninterest income	830,662	831,500	1,476,235
Noninterest Expenses			
Salaries and employee benefits			4,012,774
Occupancy and equipment expense			719,330
Data processing			584,946
Contract services			406,201
Director fees			239,200
Other expenses		838	841,538
Total noninterest expenses	-	838	6,803,989
Income Before Income Taxes	830,662	830,662	988,018
Income Tax Expense	-	-	156,518
Net Income	$ 830,662	$ 830,662	$ 831,500

Eliminations	Consolidated
$	$ 6,950,376
	983,414
	234,370
	45,156
	24,734
	75,570
-	8,313,620
	1,471,522
	497,750
	12,487
-	1,981,759
	6,331,861
	16,089
-	6,315,772
	535,799
	598,370
	166,332
(1,662,162)	-
	102,535
	73,199
(1,662,162)	1,476,235
	4,012,774
	719,330
	584,946
	406,201
	239,200
	842,376
-	6,804,827
(1,662,162)	987,180
	156,518
$ (1,662,162)	$ 830,662

	Mineola Community Mutual Holding Company	Mineola Community Financial Group	Mineola Community Bank, S.S.B. and Subsidiary
Operating Activities			
Net income	$ 830,662	$ 830,662	$ 831,500
Adjustments to reconcile net income to net cash provided by operating activities			
Provision for loan and lease losses			16,089
Net amortization of securities			351,602
Depreciation			297,230
Net gain on sale of foreclosed assets			(166,332)
Net appreciation of bank-owned life insurance			(102,535)
Deferred income tax			156,398
Equity in undistributed earnings of subsidiary	(830,662)	(831,500)	
Net change in			
Accrued interest receivable			7,994
Mortgage servicing rights			3,395
Other assets			22,415
Accrued expenses and other liabilities			(89,056)
Net Cash from (used for) Operating Activities	-	(838)	1,328,700
Investing Activities			
Net change in interest bearing deposits in banks			(10,851,840)
Activity in available for sale securities			
Maturities, prepayments and calls			2,398,566
Activity in held to maturity securities			
Maturities, prepayments and calls			8,085,703
Purchases			(2,997,254)
Net change in restricted investments carried at cost			(38,500)
Loan originations and principal collections, net			(16,114,097)
Net increase in net investment in direct financing leases			16,096
Cash received for the Edgewood Branch acquisition, net of cash paid			16,395,552
Proceeds from the sale of foreclosed assets			397,000
Additions to premises and equipment			(381,058)
Net Cash used for Investing Activities			(3,089,832)
Financing Activities			
Net increase in deposits			5,135,290
Net increase in advances from Federal Home Loan Bank			2,798,119
Net Cash from Financing Activities	-	-	7,933,409
Net Change in Cash and Cash Equivalents	-	(838)	6,172,277
Cash and Cash Equivalents at Beginning of Year	50,000	41,583	4,492,987
Cash and Cash Equivalents at End of Year	$ 50,000	$ 40,745	$ 10,665,264

Eliminations	Consolidated
$ (1,662,162)	$ 830,662
	16,089
	351,602
	297,230
	(166,332)
	(102,535)
	156,398
1,662,162	-
	7,994
	3,395
	22,415
	(89,056)
-	1,327,862
	(10,851,840)
	2,398,566
	8,085,703
	(2,997,254)
	(38,500)
	(16,114,097)
	16,096
	16,395,552
	397,000
	(381,058)
	(3,089,832)
838	5,136,128
	2,798,119
838	7,934,247
838	6,172,277
(91,583)	4,492,987
$ (90,745)	$ 10,665,264